

Note: Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of non-Japanese speaking shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

(Stock Exchange No.: 5406)

May 31, 2023

**NOTICE OF
THE 170TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

Kobe Steel, Ltd. (“the Company”) would hereby like to inform you that the 170th Ordinary General Meeting of Shareholders will be held as follows. In the convocation of the Ordinary General Meeting of Shareholders, the Company provides information that constitutes the content of reference documents for the General Meeting of Shareholders, etc., in electronic form. Matters subject to measures for electronic provision are posted on the following websites.

The Company’s website:

<https://www.kobelco.co.jp/ir/library/convocation/index.html> (in Japanese)

Website to access the reference documents for the General Meeting of Shareholders:

<https://d.sokai.jp/5406/teiji/> (in Japanese)

If you are not going to attend the meeting, please carefully read the reference documents for the General Meeting of Shareholders and exercise your voting rights no later than 5:30 p.m., Tuesday, June 20, 2023, Japan Standard Time (JST).

[Voting in writing (by mail)]

Please return to us the voting form enclosed herewith, indicating your approval or disapproval of each item to be resolved.

[Voting via the Internet]

Please read the “Guide to Exercising Voting Rights” and input your approval or disapproval of each item to be resolved in accordance with the instructions on the website.

Yours faithfully,

Mitsugu Yamaguchi

President, CEO and Representative Director

Kobe Steel, Ltd.

2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo

1. Date and Time: **10:00 a.m., Wednesday, June 21, 2023** (JST) (The venue is scheduled to be open at 9:00 a.m.)

2. Venue: Kobe International Exhibition Hall No. 2 Building (First floor)
11-1, Minatojima-nakamachi 6-chome, Chuo-ku, Kobe, Hyogo

3. Meeting Agenda:

Matters to be reported:

1. The business report, consolidated financial statements, and non-consolidated financial statements for the 170th business term (from April 1, 2022 to March 31, 2023)
2. The results of audits by Accounting Auditors and the Audit & Supervisory Committee concerning the consolidated financial statements for the 170th business term

Matters to be resolved:

- Item 1: Election of eight (8) directors (excluding directors who are Audit & Supervisory Committee Members)
- Item 2: Election of one (1) director who is an Audit & Supervisory Committee Member
- Item 3: Election of one (1) director who is a substitute Audit & Supervisory Committee Member

4. Matters regarding this Notice of Convocation

(1) Scope of documents to be sent to shareholders who have made a request for documents in physical form

For the shareholders who have made a request for documents in physical form, the Company shall send printed copies of documents that contain matters subject to measures for electronic provision. Based on laws and regulations and the provisions of Article 14 of the Company's Articles of Incorporation, these documents to be provided in physical form shall not include matters that should be displayed as the status of assets and results of operations of the Company, consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and notes to non-consolidated financial statements.

The status of assets and results of operations of the Company were audited as part of the business report by the Audit & Supervisory Committee in the course of the preparation of their audit reports. In addition, the consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and the notes to nonconsolidated financial statements were audited as part of the consolidated financial statements and the non-consolidated financial statements by Accounting Auditors and the Audit & Supervisory Committee in the course of the preparation of their audit reports.

(2) Notification of the revision of Reference Documents for the General Meeting of Shareholders and other attached documents

In the event that the Company revises Reference Documents for the General Meeting of Shareholders, business report, and consolidated and non-consolidated financial statements, a notice of the revisions and the details of the matters before and after the revisions will be posted on the websites shown above.

Guide to Exercising Voting Rights

Voting rights at the General Meeting of Shareholders are important rights held by shareholders. Please exercise your voting right after reviewing the Reference Documents for the General Meeting of Shareholders. Voting rights can be exercised by the following three methods.

Exercising Voting Rights in Writing (by mail)



Please indicate your approval or disapproval of each item to be resolved on the enclosed Voting Form, and then return the voting form back to the Company so that it reaches us by the deadline.

Deadline for the exercise of voting rights: To be received no later than 5:30 p.m. Tuesday, June 20, 2023 (JST)

Exercising Voting Rights via the Internet (using a personal computer or a smartphone)



Please follow the guidance below and enter your approval or disapproval of each item to be resolved.

Deadline for the exercise of voting rights: To be registered no later than 5:30 p.m. Tuesday, June 20, 2023 (JST)

By Attending the General Meeting of Shareholders



Please submit the enclosed voting form at the meeting venue reception desk.

Date and time of the Meeting: Wednesday, June 21, 2023, at 10:00 a.m. (JST)

The venue is scheduled to be open at 9:00 a.m. (JST).

- (1) If you have expressed neither approval nor disapproval for each item to be resolved on the voting form in exercising your voting rights in writing (by mail), it shall be treated as an approval vote.
- (2) If voting rights are exercised more than once via the Internet, the last vote exercised shall be deemed valid.
- (3) If voting rights are exercised both in writing (by mail) and via the Internet, the vote exercised via the Internet shall be deemed valid.

Guide to Exercising Voting Rights via the Internet

By Entering Login ID and Temporary Password

Link to the Exercise of Voting Rights website: <https://evote.tr.mufg.jp/> (in Japanese)

1. Please access the Exercise of Voting Rights website.
2. Enter your Login ID and Temporary Password provided on the voting form and click on Login.
3. Please register a new password.
4. Please follow on-screen instructions and indicate your approval or disapproval of each item to be resolved.

- (i) Please contact the following office about how to operate your computer or smartphone in order to exercise your voting rights via the Internet:

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel.: 0120-173-027 (This toll-free number is available only in Japan.) (9:00 a.m. - 9:00 p.m. JST)
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- (ii) As for inquiries other than those covered in item (i) above, please contact the following office:

Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel.: 0120-094-777 (This toll-free number is available only in Japan.) (9:00 a.m. - 5:00 p.m. JST), excluding Saturdays, Sundays, and Japanese national holidays
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1. The Exercise of Voting Rights website is not available from 2 a.m. to 5 a.m. JST every day.
2. Institutional investors may use the electronic voting platform for institutional investors operated by ICJ, Inc.
3. The costs incurred for the access to the Exercise of Voting Rights website (such as provider's Internet connection fees and communication charges) shall be borne by the shareholders.

Please submit the enclosed voting form at the reception desk when you attend the meeting in person. You may entrust another shareholder who has the voting rights to attend the meeting as a proxy. If you do so, please submit your proxy statement together with the voting form.

1. Total Number of Voting Rights Held by All Shareholders:

3,920,623

2. Agenda Items and Reference Documents:

Item 1: Election of eight (8) directors (excluding directors who are Audit & Supervisory Committee Members)

The terms of office of the eight (8) incumbent directors (excluding directors who are Audit & Supervisory Committee members; hereinafter, the same shall apply in this Item) will expire at the conclusion of the 170th Ordinary General Meeting of Shareholders. Accordingly, it is proposed that eight (8) directors be elected.

In evaluating this Item, the Audit & Supervisory Committee examined the content of the deliberations at the Nomination & Compensation Committee, one of whose members is an outside director who is an Audit & Supervisory Committee member and concluded that there were no specific issues with the procedures for selecting candidates, and that the candidates were selected in accordance with the Company's Principles on Appointment of Candidates for Directors and there are no specific matters to be declared at the General Meeting of Shareholders pursuant to the provisions of the Companies Act.

The candidates for directors are as follows.

(Please also see "Reference: Knowledge, Experience, and Skills That are Particularly Expected to be Demonstrated to Improve the Functions of the Board of Directors (Skills Matrix)" and "Reference: The Company's Principles on Appointment of Candidates for Directors," "Reference: The Company's Standards for Independent Directors.")

List of the candidates for directors (excluding directors who are Audit & Supervisory Committee Members)


No.	Name	Reappointment/New appointment Internal/Outside	Independent director at the financial instruments exchange	Current position
1	Mitsugu Yamaguchi (male)	Reappointment Internal	-	President, CEO and Representative Director, Compliance Committee Member, Nomination & Compensation Committee Member, Corporate Governance Committee Member
2	Yoshihiko Katsukawa (male)	Reappointment Internal	-	Executive Vice President and Representative Director, Corporate Governance Committee Member
3	Hajime Nagara (male)	Reappointment Internal	-	Executive Vice President and Representative Director, Compliance Committee Member, Corporate Governance Committee Member
4	Koichi Sakamoto (male)	New appointment Internal	-	Executive Officer, Quality Management Committee Member
5	Shinji Miyaoka (male)	New appointment Internal	-	Executive Officer
6	Hiroyuki Bamba (male)	Reappointment Outside	✓	Director, Chairman of the Board of Directors, Nomination & Compensation Committee Member (Committee Chair) Corporate Governance Committee Member
7	Yumiko Ito (female)	Reappointment Outside	✓	Director, Corporate Governance Committee Member (Committee Chair)
8	Shinsuke Kitagawa (male)	Reappointment Outside	✓	Director, Corporate Governance Committee Member


Reappointment: Candidates for directors to be reappointed
 New appointment: Candidates for directors to be newly appointed
 Internal: Candidates for internal directors
 Outside: Candidates for outside directors


- Note 1. In order to secure superior talent and prevent directors from being intimidated in the performance of their duties, the Company enters into a compensation agreement with each candidate, to compensate expenses stipulated in Article 430-2, Paragraph 1 of the Companies Act. If each candidate is elected as a director, the Company plans to renew the said agreement with reelected candidates and enter into a similar compensation agreement with newly elected candidate. For details regarding the agreement, please refer to “Directors, Audit & Supervisory Committee Members and Executive Officers” in Section 3 of the Business Report.
- Note 2. The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act with all directors as the insured in order to secure superior talent and prevent directors from being intimidated in the performance of their duties. If each candidate is elected as director, they will become the insured under the said insurance contract. Prior to the renewal of said insurance contract, the Board of Directors will pass a resolution for the renewal of said insurance. For details regarding the insurance contract, please refer to “Directors, Audit & Supervisory Committee Members and Executive Officers” in Section 3 of the Business Report.


Career summary of each candidate is as follows. There are no special interests between the candidates and the Company.


No. 1	Mitsugu Yamaguchi (Date of birth: January 8, 1958)		
Reappointment/ Internal Director			
Number of shares of the Company owned: 74,100 shares			
Attendance at Board of Directors meetings during fiscal 2022: 16/16 meetings held (100%)			
Career summary (positions)		Reasons for selecting the candidate	
April 1981:	Joined the Company	As Mitsugu Yamaguchi has abundant experience and knowledge of M&As and alliances in the Company's iron and steel business, machinery business, and in the Head Office, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In order for the Company to complete the Kobelco Group Medium-Term Management Plan (FY2021–FY2023) and leap forward even further, top management is required to take an objective and comprehensive view not biased toward a particular business. In this regard, the Company deems that Mitsugu Yamaguchi, who has experience in the various fields of materials, machinery, and the Head Office, is well qualified for the position.	
April 2011:	Officer		
April 2013:	Senior Officer		
April 2015:	Executive Officer		
June 2016:	Director, Senior Managing Executive Officer		
April 2017:	Executive Vice President and Director		
April 2018:	President, CEO and Director (incumbent)		
Duties and significant concurrent positions			
Not applicable			

No. 2	Yoshihiko Katsukawa (Date of birth: March 12, 1962)		
Reappointment/ Internal Director			
Number of shares of the Company owned: 42,400 shares			
Attendance at Board of Directors meetings during fiscal 2022: 16/16 meetings held (100%)			
Career summary (positions)		Reasons for selecting the candidate	
April 1985:	Joined the Company	As Yoshihiko Katsukawa has abundant experience and knowledge in the Company's corporate planning department and planning and administration departments under the business divisions, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In addition, the Company deems that Yoshihiko Katsukawa, who has abundant experience at planning departments and administration departments, is well qualified as a person to supervise the Head Office divisions that perform corporate planning, finance/accounting, and other functions to support the Groupwide implementation of the management reforms.	
April 2015:	Officer		
April 2017:	Managing Executive Officer		
April 2018:	Senior Managing Executive Officer		
June 2018:	Director, Senior Managing Executive Officer		
April 2021:	Director, Executive Officer		
April 2023:	Executive Vice President and Director (incumbent)		
Duties and significant concurrent positions			
Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office).			

No. 3	Hajime Nagara (Date of birth: July 5, 1961)		
Reappointment/ Internal Director			
Number of shares of the Company owned: 41,000 shares			
Attendance at Board of Directors meetings during fiscal 2022: 16/16 meetings held (100%)			
Career summary (positions)		Reasons for selecting the candidate	
April 1985:	Joined the Company	As Hajime Nagara has abundant experience and knowledge in the human resources department and the planning and administration departments in the business divisions, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In addition, the Company deems that Hajime Nagara, who has abundant experience in the human resources department and planning department, is well qualified as a person to supervise the departments that serve as the foundation of sustainability management, such as internal control, compliance, legal and human resources, procurement, general administration, etc.	
April 2016:	Executive Officer		
April 2018:	Managing Executive Officer		
April 2020:	Senior Managing Executive Officer		
June 2020:	Director, Senior Managing Executive Officer		
April 2021:	Director, Executive Officer		
April 2023:	Executive Vice President and Director (incumbent)		
Duties and significant concurrent positions			
Oversees the Internal Control and Audit Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance.			

No. 4	Koichi Sakamoto (Date of birth: April 30, 1964)		
New appointment/ Internal Director			
Number of shares of the Company owned: 16,400 shares			
Attendance at Board of Directors meetings during fiscal 2022: Not applicable			
Career summary (positions)		Reasons for selecting the candidate	
April 1990:	Joined the Company	As Koichi Sakamoto has abundant experience and knowledge in the field of technical development and technology planning in the Company's Technical Development Group and the Steel & Aluminum Business, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In addition, the Company deems that Koichi Sakamoto, who has extensive experience in the field of technical development and technology planning, is well qualified as a person to supervise the technical development domain, which drives value creation and the fields of safety and health, environmental protection and disaster prevention as well as quality, which support sustainable growth.	
April 2012:	General Manager of the Materials Research Laboratory in the Technical Development Group		
October 2017:	General Manager of the Research & Development Planning Department		
April 2019:	Executive Officer (incumbent)		
Duties and significant concurrent positions			
Oversees the Environment and Safety Department, the Quality Management Department, and the Intellectual Property Department, Oversees the Technical Development Group, Oversees companywide safety and health, Oversees companywide environmental protection and disaster prevention, Oversees companywide quality, Oversees companywide TQM activities.			

No. 5	Shinji Miyaoka (Date of birth: July 21, 1969)		
New appointment/ Internal Director			
Number of shares of the Company owned: 1,600 shares			
Attendance at Board of Directors meetings during fiscal 2022: Not applicable			
Career summary (positions)		Reasons for selecting the candidate	
April 1994:	Joined the Company	As Shinji Miyaoka has abundant experience and knowledge in the Company's corporate planning department and the field of product technology in the steel business, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In addition, the Company deems that Shinji Miyaoka, who has abundant experience in the Company's corporate planning department and the field of product technology, is well qualified as a person to supervise technology development, the generation of new business and the promotion of digital transformation.	
April 2018:	General Manager of the Corporate Planning Department		
April 2022:	Executive Officer (incumbent)		
Duties and significant concurrent positions			
Oversees the Business Development Department and the IT Planning Department, Oversees companywide information systems.			


No. 6	Hiroyuki Bamba (Date of birth: January 27, 1954)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 13,300 shares		
Attendance at Board of Directors meetings during fiscal 2022: 16/16 meetings held (100%)		
Term of office as Outside Director of the Company: 6 years		

Career summary (positions)	Reasons for selecting the candidate and overview of expected roles
<p>April 1976: Joined Sumitomo Rubber Industries, Ltd.</p> <p>March 2000: Director of Sumitomo Rubber Industries, Ltd.</p> <p>March 2003: Executive Officer of Sumitomo Rubber Industries, Ltd.</p> <p>July 2003: President and Director of SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)</p> <p>March 2011: Chairman and Director of SRI Sports Limited</p> <p>March 2015: Counselor to Sumitomo Rubber Industries, Ltd.</p> <p>June 2015: Outside Director of Sekisui Plastics Co., Ltd. (currently Sekisui Kasei Co., Ltd.)</p> <p>June 2017: Director of the Company (incumbent)</p>	<p>As Hiroyuki Bamba has the ability to make objective, fair and neutral judgment based on his abundant experience in the different business fields from ours in the world of industry and deep insight as a corporate executive, the Company deems that he is well qualified to be an outside director of the Company in light of the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. Hiroyuki Bamba has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors and has contributed to improving the monitoring functions of the Board on the corporate management of the Company as Chairman of the Board of Directors and as Chair of the Nomination & Compensation Committee. As a member of the Corporate Governance Committee as well, he has provided advice and recommendations to achieve the Company's management system that contributes to sustainable growth and enhanced corporate value from an independent and fair viewpoint. The Company expects Hiroyuki Bamba to continue to properly carry out his roles such as overseeing business executions as an outside director of the Company.</p>
Duties and significant concurrent positions	
Not applicable	

- Hiroyuki Bamba is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company has registered Hiroyuki Bamba as an independent director at the financial instruments exchange. If Hiroyuki Bamba is elected as an outside director, he will continue to be registered as an independent director.
- Hiroyuki Bamba meets the Company's Standards for Independent Directors. The summary is as follows.

Sumitomo Rubber Industries, Ltd.	Left the executive position in June 2003 (three or more years have passed)
SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)	Left the executive position in March 2015 (three or more years have passed)

- The Company has entered into an agreement with Hiroyuki Bamba that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If Hiroyuki Bamba is elected as a director at the 170th Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with him.


No. 7	Yumiko Ito (Date of birth: March 13, 1959)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 7,600 shares		
Attendance at Board of Directors meetings during fiscal 2022: 16/16 meetings held (100%)		
Term of office as Outside Director of the Company: 4 years		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1984:	Legislation Staff (<i>Sanji</i>), The Legislative Bureau of the House of Representatives of Japan	As Yumiko Ito has the ability to make objective, fair and neutral judgment based on her abundant experience and deep insight centered on legal affairs in corporate management, the Company deems that she is well qualified to be an outside director of the Company in light of the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. Yumiko Ito has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and, as Chair of the Corporate Governance Committee, she has provided advice and recommendations to achieve the Company's management system that contributes to sustainable growth and enhanced corporate value from an independent and fair viewpoint. The Company expects Yumiko Ito to continue to properly carry out her roles such as overseeing business executions as an outside director of the Company.
April 1989:	Admitted to the bar in Japan Joined Sakawa Law Office	
July 1991:	Joined Tanabe & Partners	
April 2001:	General Counsel, Legal & Patent Operation of GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)	
May 2004:	Staff Counsel, Legal & Intellectual Property of IBM Japan, Ltd.	
March 2007:	Executive Officer, Legal & Corporate Affairs of Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)	
April 2013:	Executive Officer and General Counsel of Sharp Corporation	
June 2013:	Director, Executive Officer and General Counsel of Sharp Corporation	
April 2014:	Director, Executive Managing Officer and General Counsel of Sharp Corporation	
June 2016:	Executive Managing Officer and General Counsel of Sharp Corporation	
April 2019:	Established Ito Law Office; appointed as Representative (incumbent)	
June 2019:	Director of the Company (incumbent) Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd. (incumbent)	
March 2023:	Outside Director of NIPPON EXPRESS HOLDINGS, INC. (incumbent)	
Duties and significant concurrent positions		
Representative of Ito Law Office Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd. Outside Director of NIPPON EXPRESS HOLDINGS, INC.		

- Yumiko Ito is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company has registered Yumiko Ito as an independent director at the financial instruments exchange. If Yumiko Ito is elected as an outside director, she will continue to be registered as an independent director.

- Yumiko Ito meets the Company's Standards for Independent Directors. The summary is as follows.

GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)	Left the executive position in April 2004 (three or more years have passed)
IBM Japan, Ltd.	Left the executive position in February 2007 (three or more years have passed)
Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)	Left the executive position in March 2013 (three or more years have passed)
Sharp Corporation	Left the executive position in March 2019 (three or more years have passed)
Sakawa Law Office	Left office in July 1991 (three or more years have passed)
Tanabe & Partners	Left office in March 2001 (three or more years have passed)
Ito Law Office	No business transactions with the Company.

- The Company has entered into an agreement with Yumiko Ito that the limit of her liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If Yumiko Ito is elected as a director at the 170th Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with her.

No. 8	Shinsuke Kitagawa (Date of birth: March 5, 1958)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 1,000 shares		
Attendance at Board of Directors meetings during fiscal 2022: 11/11 meetings held (100%)		
Term of office as Outside Director of the Company: 1 year		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1981:	Joined the Ministry of International Trade and Industry	As Shinsuke Kitagawa has the ability to make objective, fair and neutral judgment based on his experience in economic and industrial policy, including in the field of natural resources and energy, as well as his deep insight into industry in general gained from his abundant experience in the different business fields from ours, the Company deems that he is well qualified to be an outside director of the Company in light of the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. Shinsuke Kitagawa has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and at the Corporate Governance Committee meetings as well, he has provided advice and recommendations to achieve the Company's management system that contributes to sustainable growth and enhanced corporate value from an independent and fair viewpoint. The Company expects Shinsuke Kitagawa to continue to properly carry out his roles such as overseeing business executions as an outside director of the Company.
September 2012:	Director-General, Trade and Economic Cooperation Bureau, the Ministry of Economy, Trade and Industry (METI)	
June 2013:	Commissioner, Small and Medium Enterprise Agency, METI	
July 2015:	Retired from METI	
November 2015:	Advisor of MITSUI & CO., LTD.	
April 2016:	Executive Managing Officer of MITSUI & CO., LTD.	
April 2019:	Senior Executive Managing Officer of MITSUI & CO., LTD.	
July 2020:	President & CEO of Mitsui & Co. Global Strategic Studies Institute	
June 2022:	Director of the Company (incumbent)	
March 2023:	Left the post of Senior Executive Managing Officer of MITSUI & CO., LTD. Left the post of President & CEO of Mitsui & Co. Global Strategic Studies Institute	
April 2023:	Counselor (<i>Komon</i>) of MITSUI & CO., LTD. (incumbent)	
Duties and significant concurrent positions		
Not applicable		

- Shinsuke Kitagawa is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company has registered Shinsuke Kitagawa as an independent director at the financial instruments exchange. If Shinsuke Kitagawa is elected as an outside director, he will continue to be registered as an independent director.
- Since June 22, 2022, when Shinsuke Kitagawa was appointed as a director, the Board of Directors has met 11 times.
- Shinsuke Kitagawa meets the Company's Standards for Independent Directors. The summary is as follows.

MITSUI & CO., LTD.	Sales from the Company: The amount of transactions totals less than 1% of the Company's consolidated net sales. Purchases by the Company: The amount of transactions totals less than 1% of MITSUI & CO., LTD.'s consolidated net sales.
Mitsui & Co. Global Strategic Studies Institute	No business transactions with the Company.

- The Company has entered into an agreement with Shinsuke Kitagawa that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws

and regulations. If Shinsuke Kitagawa is elected as a director at the 170th Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with him.

- Shinsuke Kitagawa is a candidate for outside corporate auditor of YUTAKA TRUSTY SECURITIES CO., LTD. at the 67th Ordinary General Meeting of Shareholders to be held on June 29, 2023.

Item 2: Election of one (1) director who is an Audit & Supervisory Committee Member

One (1) director who was an Audit & Supervisory Committee member resigned as of February 28, 2023. Accordingly, it is proposed that one (1) new director who is an Audit & Supervisory Committee member be elected.

The consent of the Audit & Supervisory Committee has been obtained for the proposal of this Item.

The candidate for director who is an Audit and Supervisory Committee member is as follows.

(Please also see “Reference: Knowledge, Experience, and Skills That are Particularly Expected to be Demonstrated to Improve the Functions of the Board of Directors (Skills Matrix)” and “Reference: The Company’s Principles on Appointment of Candidates for Directors,” “Reference: Standards for Independent Directors.”)

Name		Independent Director registered at the financial instruments exchange	Current position
New appointment	Gunyu Matsumoto (male)	Internal	-


New appointment: Candidates for directors to be newly appointed
Internal: Candidates for internal directors

(Reference) Directors who will continue to serve as Audit & Supervisory Committee members are as follows.

Name		Independent Director registered at the financial instruments exchange	Current position
Hiroshi Ishikawa (male)	Internal	-	Audit & Supervisory Committee Member (full-time)
Masaaki Kono (male)	Outside	✓	Audit & Supervisory Committee Member (Committee Chair) Nomination & Compensation Committee Member Corporate Governance Committee Member
Kunio Miura (male)	Outside	✓	Audit & Supervisory Committee Member Compliance Committee Member (Committee Chair)
Nobuko Sekiguchi (female)	Outside	✓	Audit & Supervisory Committee Member

Internal: Internal directors
Outside: Outside directors

The career summary of the candidate is as follows. There are no special interests between the candidate and the Company.

Gunyu Matsumoto (Date of birth: June 18, 1965)		
New appointment/Internal Director		
Number of shares of the Company owned: 0 shares		
Attendance at Board of Directors meetings during fiscal 2022: Not applicable		
Career summary (positions)		Reasons for selecting the candidate
April 1989:	Joined the Company	As Gunyu Matsumoto has abundant experience and knowledge in the Finance and Accounting Department as well as in the planning and administration departments under the business divisions, the Company deems that he is well qualified to be an Audit & Supervisory Committee Member of the Company in light of the Company's Principles on Appointment of Candidates for Directors.
April 2017:	General Manager of the Accounting Department	
April 2021:	General Manager of the Finance and Accounting Department	
April 2023:	General Manager, the Internal Control and Audit Department (incumbent)	
Duties and significant concurrent positions		
Not applicable		

- If Gunyu Matsumoto is elected as a director who is Audit & Supervisory Committee Member, he will be appointed as a full-time Audit & Supervisory Committee Member at the first Audit & Supervisory Committee meeting held after this General Meeting of Shareholders.
- If Gunyu Matsumoto is elected as a director who is an Audit & Supervisory Committee Member at the 170th Ordinary General Meeting of Shareholders, the Company will enter into an agreement with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.

Note 1. In order to secure superior talent and prevent directors from being intimidated in the performance of their duties, the Company will enter into a compensation agreement with Gunyu Matsumoto, if he is elected as a director who is an Audit & Supervisory Committee Member, to compensate expenses stipulated in Article 430-2, Paragraph 1 of the Companies Act. For details regarding the agreement, please refer to "Directors, Audit & Supervisory Committee Members and Executive Officers" in Section 3 of the Business Report.


Note 2. The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act with all directors as the insured in order to secure superior talent and prevent directors from being intimidated in the performance of their duties. If Gunyu Matsumoto is elected as a director who is an Audit & Supervisory Committee Member, he will become the insured under the said insurance contract. Prior to the renewal of said insurance contract, the Board of Directors will pass a resolution for the renewal of said insurance. For details regarding the insurance contract, please refer to "Directors, Audit & Supervisory Committee Members and Executive Officers" in Section 3 of the Business Report.

Item 3: Election of one (1) director who is a substitute Audit & Supervisory Committee Member

To prepare for the case where the number of directors who are Audit & Supervisory Committee Members falls below the number required by laws and regulations, it is proposed that one (1) director who is a substitute Audit & Supervisory Committee Member be elected.

The consent of the Audit & Supervisory Committee has been obtained for the proposal of this Item.

The candidate for director who is a substitute Audit & Supervisory Committee Member is as follows. There are no special interests between the candidate and the Company.

Hiroumi Shioji (Date of birth: January 28, 1957)		
Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 0 shares		
(Empty space for additional information)		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1987: Admitted to the bar in Japan. Joined Asaoka Law Office (currently Asaoka Taki Law & Accounting Office)	April 1991: Representative Lawyer, Shioji Law Office June 2007: External Auditor of TACHIBANA ELETECH CO., LTD. June 2015: Outside Director of Fuji Seal International, INC. (incumbent) December 2021: Representative Lawyer of Shioji Law Office (incumbent) June 2022: External Director of TACHIBANA ELETECH CO., LTD. (Audit & Supervisory Committee Member) (incumbent)	As Hiroumi Shioji has the ability to make objective, fair and neutral judgment based on his abundant experience as a lawyer and insight as an outside officer of listed companies, even though he has experience in the management of a company merely as an outside director or outside audit & supervisory board member, the Company deems that he is well qualified to be an outside director who is an Audit & Supervisory Committee Member of the Company in light of the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. The Company expects Hiroumi Shioji to actively provide advice and recommendations at meetings of the Board of Directors and the Meetings of Independent Directors, and properly carry out his roles such as overseeing business executions as an outside director of the Company, if he is elected as a director who is an Audit & Supervisory Committee Member.
Duties and significant concurrent positions		
Representative Lawyer, Shioji Law Office External Director of TACHIBANA ELETECH CO., LTD. (Audit & Supervisory Committee Member) Outside Director of Fuji Seal International, INC.		

- Hiroumi Shioji is a candidate for outside director who is a substitute Audit & Supervisory Committee Member.
- If this Item is approved at the 170th Ordinary General Meeting of Shareholders and Hiroumi Shioji assumes the position as a director who is an Audit & Supervisory Committee Member, the Company will register him as an independent director at the financial instruments exchange.
- Hiroumi Shioji meets the "Company's Standards for Independent Directors." The summary is as follows.

Asaoka Law Office (currently Asaoka Taki Law & Accounting Office)	Left office in March 1991 (three or more years have passed)
Shioji Law Office (currently Shioji Sogo Law Office)	No business transactions with the Company.

- If this Item is approved at the 170th Ordinary General Meeting of Shareholders and Hiroumi Shioji assumes the position as a director who is an Audit & Supervisory Committee Member, the Company will enter into an agreement

with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.

- In order to secure superior talent and prevent directors from being intimidated in the performance of their duties, the Company will enter into a compensation agreement with Hiroumi Shioji, if he is elected as a director who is an Audit & Supervisory Committee Member, to compensate expenses stipulated in Article 430-2, Paragraph 1 of the Companies Act. For details regarding the agreement, please refer to “Directors, Audit & Supervisory Committee Members and Executive Officers” in Section 3 of the Business Report.
- The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act with all directors as the insured in order to secure superior talent and prevent directors from being intimidated in the performance of their duties. If Hiroumi Shioji is elected as a director who is an Audit & Supervisory Committee Member, he will become the insured under the said insurance contract. For details regarding the insurance contract, please refer to “Directors, Audit & Supervisory Committee Members and Executive Officers” in Section 3 of the Business Report.

Reference: Knowledge, Experience, and Skills That are Particularly Expected to be Demonstrated to Improve the Functions of the Board of Directors (Skills Matrix)

The following is a summary of the knowledge, experience, and skills that the Board of Directors expects the candidates to demonstrate in particular in order to address the Group's medium- to long-term important issues (materiality) and to implement the Kobelco Group Medium-Term Management Plan (FY2021-FY2023) that was formulated and announced in May 2021, for the purpose of enhancing the functions of the Board of Directors. These areas of experience, knowledge, and skills will be reviewed as needed in response to changes in the business environment, the formulation of new management plans, and other changes in circumstances.

Of the knowledge, experience, and skills possessed by the candidates for directors to be elected at the Ordinary General Meeting of Shareholders and directors who will continue to serve as the Audit & Supervisory Committee Members, the areas of knowledge, experience, and skills that we particularly expect each person to demonstrate are as follows.

	Name		Gender	Term of office as Director of the Company	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Committee meetings	Comprehensive areas related to overall management		Areas related to solving social issues and creating new value			Areas related to further strengthening business foundation			Insights into other industry sectors	
							Business management and Business administration	ESG	Sales strategy and Marketing	Technology development, Intellectual property, Production technology, DX	Global business	Finance/Accounting	Organization and Human resources	Legal/risk management		
Directors	Mitsugu Yamaguchi	Internal	Executive	Male	7	16/16 (100%)	—	●	●	●		●				
	Yoshihiko Katsukawa	Internal		Male	5	16/16 (100%)	—	●				●	●	●		
	Hajime Nagara	Internal		Male	3	16/16 (100%)	—	●	●				●	●		
	Koichi Sakamoto	Internal		Male	—	—	—	●	●		●					
	Shinji Miyaoka	Internal		Male	—	—	—	●		●	●	●				
Directors who are Audit & Supervisory Committee Members	Hiroyuki Bamba	Outside/Independent Director	Non-executive	Male	6	16/16 (100%)	—	●	●		●				●	
	Yumiko Ito	Outside/Independent Director		Female	4	16/16 (100%)	—		●			●			●	●
	Shinsuke Kitagawa	Outside/Independent Director		Male	1	11/11 (100%)	—		●			●			●	●
	Hiroshi Ishikawa	Internal		Male	5	16/16 (100%)	18/18 (100%)	●		●		●				
	Gunyu Matsumoto	Internal		Male	—	—	—	●					●	●		
Directors who are Audit & Supervisory Committee Members	Masaaki Kono	Outside/Independent Director	Non-executive	Male	3	16/16 (100%)	18/18 (100%)	●	●				●		●	
	Kunio Miura	Outside/Independent Director		Male	3	16/16 (100%)	17/18 (94%)		●					●	●	
	Nobuko Sekiguchi	Outside/Independent Director		Female	1	11/11 (100%)	13/13 (100%)		●			●	●			●

*This matrix does not present all the knowledge, experience, and skills that each person possesses, but rather maximum four ticks are given for areas that are particularly expected.

*Since June 22, 2022 when Shinsuke Kitagawa and Nobuko Sekiguchi were elected as a Director, Board of Directors meeting was held 11 times, and Audit & Supervisory Committee meeting was held 13 times.

Perspectives on knowledge, experience, and skills that are particularly expected to be demonstrated to improve the functions of the Board of Directors

- The Kobelco Group aims to enhance its corporate value over the medium to long term by promoting sustainability management based on the Group Corporate Philosophy as the foundation of all business activities.
- In order for the Board of Directors to appropriately determine important management directions and perform monitoring functions, including risk management, for the purpose of enhancing the Kobelco Group's medium- to long-term corporate value, it is necessary to have the Board of Directors consisted of directors who have knowledge, experience, and skills in the areas that contribute to: overall management; solving social issues and creating new value; and further strengthening the business foundation with good balance. Furthermore, the Company particularly expects outside directors to demonstrate their knowledge, experience, and skills with respect to insights into other industry sectors.
- The key three areas have been determined after discussion at the Corporate Governance Committee and the Nomination & Compensation Committee, taking into consideration the Company's business strategy and business characteristics, as well as the business environment and the Company's management plan.

Reference: The Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors

The Members of the Board of Directors discussed and approved the appointment of each candidate proposed in Items 1, 2 and 3 based on the consultation with and reports from the Nomination & Compensation Committee about whether or not he or she meets the requirements described in the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors.

The Company's principles on appointment of candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members)

The Company appoints candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) based on a principle that person suitable to the position should have the following qualities in order to carry out their roles entrusted by shareholders.

- A) To be able to take care of the Company's stakeholders and fulfill the Company's social responsibility as well as make an effort to well understand and implement the Company's corporate vision and management vision to improve the Company's corporate value;
- B) Based on their own careers, to be capable to hold deep insight regarding the Company's business and their duties, and make flexible and balanced judgments to fully display the synergistic effects between the Company's various businesses, such as businesses in materials, machinery and electric power supply, in the case of determining important management issues including the distribution of management resources;
- C) To be able to make prompt and decisive decisions under circumstances of hectic change; and
- D) To be able to actively make proposals or suggestions to other Directors as a member of the Board of Directors.
- E) The Company wants Outside Directors to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth by reflecting outside persons' fair and neutral opinions on resolutions at the meetings of the Board of Directors. The Company requires Outside Directors to meet the following requirements in addition to requirements A) to D) above:
 - a. To have extensive experience and deep insight to be able to make objective, fair and neutral judgment in light of their careers;
 - b. Especially, to have global insight necessary for the implementation of the Company's management vision or business plan or insight regarding the Company's business areas; and
 - c. To meet the Standards for Independent Directors stipulated by the Company.

The Company's principles on appointment of candidates for Directors who are Audit & Supervisory Committee Members

The Company appoints candidates for Directors who are Audit & Supervisory Committee Members based on the principle that persons suitable to the position should have the following qualities in order to carry out their roles entrusted by shareholders.

- A) To well understand the characteristics of the Company's wide-ranging businesses and be able to audit and supervise the Company's business based on its duties and functions stipulated in the Companies Act;
- B) To be able to consider appropriateness of management to improve corporate value, in addition to auditing the legality of management, and actively make statements at meetings of the Board of Directors;

- C) In consideration of the fact that they are Audit & Supervisory Committee Members, they are able to appropriately exercise their authority as Directors;
- D) At least one Audit & Supervisory Board Member with considerable knowledge of finance and accounting must be elected; and
- E) The Company invites Outside Directors who are Audit & Supervisory Committee Members from the legal, financial and industrial circles in order to show the functions of auditing and supervising from various angles, wants them to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth, and requires them to meet the following requirements in addition to requirements A) through C) above;
 - a. To have extensive experience and deep insight to be able to make objective, fair and neutral judgment in light of their careers; and
 - b. To meet the standards for Independent Directors stipulated by the Company.

The Company's Standards for Independent Directors

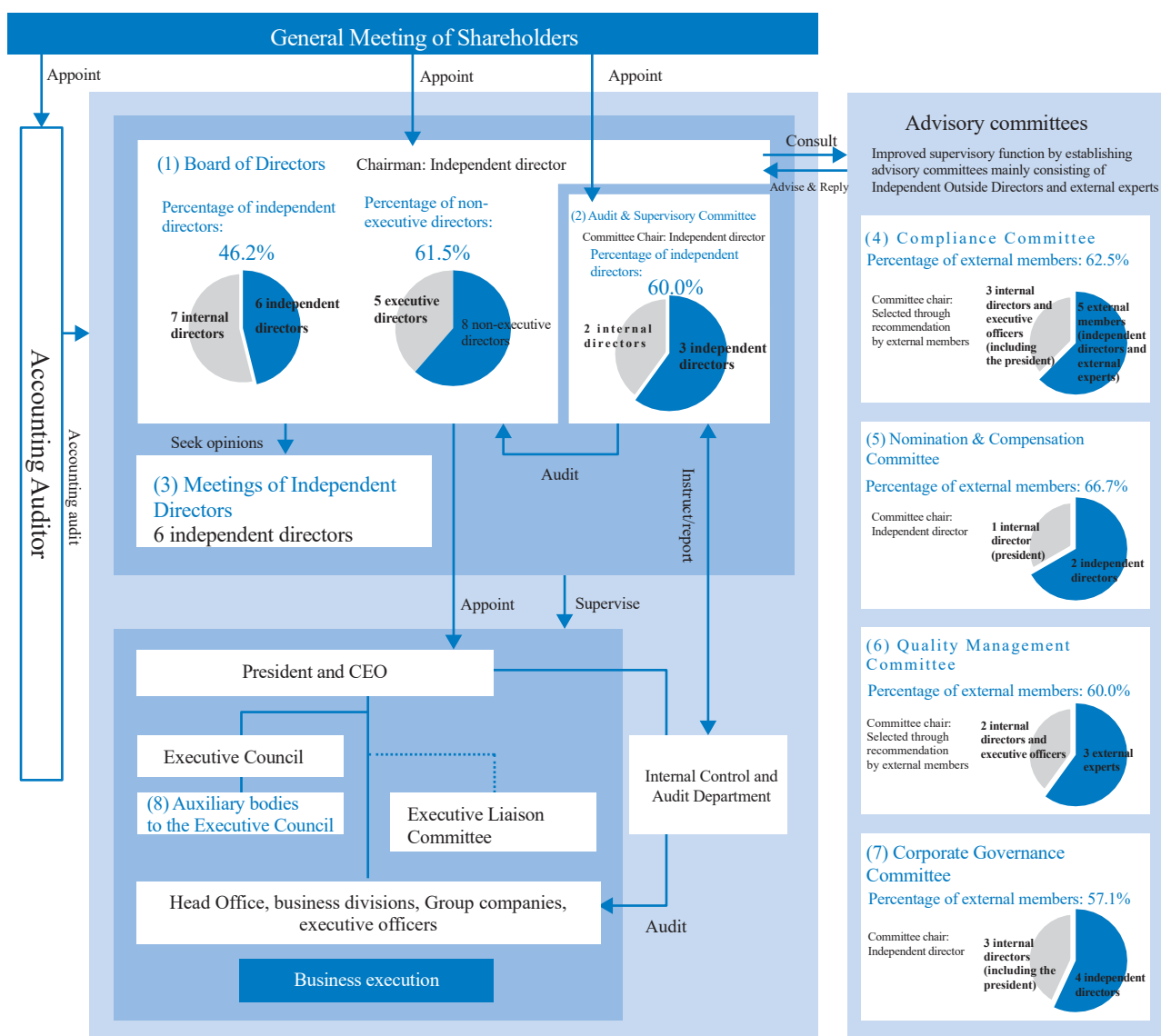
The Company's Outside Directors (including those who are also Audit & Supervisory Committee Members) are recognized as Independent Directors as long as any of the following requirements are not applicable. Requirement "L" only applies to Independent Directors serving on the Audit & Supervisory Committee.

- A) A person who currently executes or has executed businesses of the Group, which includes the Company and its subsidiaries (i.e., executive directors, executive officers (consisting of *shikkoyaku* and *shikkoyakuin*) and other employees; hereinafter the same shall apply).
- B) A person who has a close relative (spouse, relative within the second degree of kinship; hereinafter the same shall apply) who currently executes or has executed businesses of the Group within the past five years.
- C) A person who is currently or has been over the past three years a principal shareholder of the Company (a shareholder who, directly or indirectly, currently owns or has owned 10% or more of all voting rights of the Company), or who currently executes or has executed businesses of the principal shareholders' company within the past three years.
- D) A major business partner of the Company (when the highest payment among payments by this partner to the Company accounts for more than 2% of the Company's annual consolidated net sales in the past three fiscal years) or a person who currently executes or has executed its business over the past three years.
- E) A person who executes businesses thereof whose major business partner is the Company (when the highest payment among payments by the Company to the person accounts for more than 2% of the person's annual consolidated net sales in last three fiscal years) or a person who currently executes or has executed its business over the past three years.
- F) Persons who are or have been over the past three years financial institutions, other large creditors or those executives indispensable for the Company's financing and that the Company depends on to the degree there is no substitute.
- G) A consultant, accountant, or legal professional who has received a large sum of money or other financial gain in the past three years from the Company, excluding remuneration for Director of the Company. If the person receiving such financial gain is an individual, the "large sum" means the larger of 10 million yen or 100 thousand U.S. dollars or more in a year. If the person receiving such financial gain is a party such as a company or an association, the "large sum" means the amount equal to or more than 2% of the party's annual consolidated net sales, and this condition is applicable to an individual who belongs to the party (but excluding an individual independently performing his

or her duties without receiving any remuneration from the party).

- H) Certified public accountants who are Accounting Auditors of the entity or those belong to the audit corporation that is an Accounting Auditor of the Company.
- I) A representative person or the equivalent thereof of a company who receives a donation or aid (which exceeds the larger of 10 million yen, 100 thousand U.S. dollars or 30% of the total average annual cost of the company in a year) from the Company.
- J) A person who executes businesses of the companies that mutually dispatches independent directors/corporate auditors. (The person who executes the business of the Group is an independent director/corporate auditor and the person who executes the business of such a company is the outside director of the Company.)
- K) A person who has a close relative who falls under any of the categories C through J above. The person who executes a business of the Company is limited to directors and executive officers and, the person who belongs to a professional advisory firm such as a law firm is limited to a member or a partner of the firm.
- L) A person who has a close relative who falls under any of the following categories a) through c).
 - a. A person who is currently or has been over the past one year a non-executive director of a subsidiary of the Company.
 - b. A person who is currently or has been over the past one year an accounting advisor of a subsidiary of the Company. (If the accounting advisor is a company, it is limited to those with a certified public accountant or a certified public tax accountant.)
 - c. A person who a non-executive director of the Company.

Reference: The Company's Corporate Governance System



(The above system is subject to the approval of Items 1 and 2.)

(Composition of advisory committees as of April 1, 2023)

(1) Board of Directors

Item	Description	Aim
Number of members (including directors who are Audit & Supervisory Committee members)	Thirteen (13) (Including five (5) directors who are Audit & Supervisory Committee members)	<ul style="list-style-type: none"> ● Ensuring substantial discussion at meetings of the Board of Directors ● Enhancing the supervisory function while increasing diversity
Number of outside directors	Six (6) members (46.2%) (Including three (3) directors who are Audit & Supervisory Committee members)	<ul style="list-style-type: none"> ● Reflecting a fair and neutral viewpoint from outside of the Company and the viewpoint of stakeholders including minority shareholders
Percentage of independent directors	One third or more	<ul style="list-style-type: none"> ● Enhancing fairness and transparency of the Board of Directors ● Advancing discussions on growth strategies as a company
Chairman of the Board of Directors	In principle, selected from among independent directors	
Composition of the Board of Directors	Executive directors include the president and directors who oversee specific key companywide functions	<ul style="list-style-type: none"> ● Strengthening the monitoring function of the Board of Directors
	Eight (8) non-executive directors (five (5) directors who are Audit & Supervisory Committee members and three (3) outside directors) form a majority of the Board of Directors	

(2) Audit & Supervisory Committee

Item	Description	Aim
Number of members	Five (5) (including three (3) outside Audit & Supervisory Committee members)	<ul style="list-style-type: none"> ● Ensuring transparency and fairness ● Strengthening the auditing function
Composition of Audit & Supervisory Committee members	Outside Audit & Supervisory Committee members invited from diverse fields, including legal, financial, and industrial sectors	
Committee chair of the Audit & Supervisory Committee	Selected from among independent directors, in principle	
Full-time Audit & Supervisory Committee members	Two (2) members appointed	<ul style="list-style-type: none"> ● Ensuring the smooth execution of duties by the Audit & Supervisory Committee by maintaining a good audit environment, collecting internal information, and regularly auditing the internal control system of the Company

Voluntary establishment of meetings

Those with an asterisk (*) at the end of the names are advisory bodies to the Board of Directors.

Name	Basic functions
(3) Meetings of Independent Directors	The purpose of the Meetings is to provide and share information regarding the execution of the Company's businesses other than nomination and compensation of executives (attended by executive directors of the Company as necessary to share information and exchange opinions with independent directors).
(4) Compliance Committee*	The Committee deliberates matters regarding compliance with laws, regulations and ethics concerning the Company's business activities.
(5) Nomination & Compensation Committee*	The Committee discusses matters related to the election of candidates or removal of directors or executive officers, including the selection to the chief executive officer (CEO), and the remuneration system for directors or executive officers.
(6) Quality Management Committee*	The Committee constantly monitors and gives advice on activities to strengthen the quality management in the Kobe Steel Group and monitors the effectiveness of the measures to prevent recurrence of quality misconduct.
(7) Corporate Governance Committee*	The Committee deliberates on fundamental policies concerning the corporate governance of the Group, evaluations of the effectiveness of the Board of Directors, measures to improve the effectiveness of the Board of Directors, etc.

(8) Auxiliary bodies to the Executive Council

Sustainability Management Committee, Risk Management Committee, Business Portfolio Management Committee, Investment and Loan Committee, R&D Committee, DX Strategy Committee, Pension Asset Management Committee

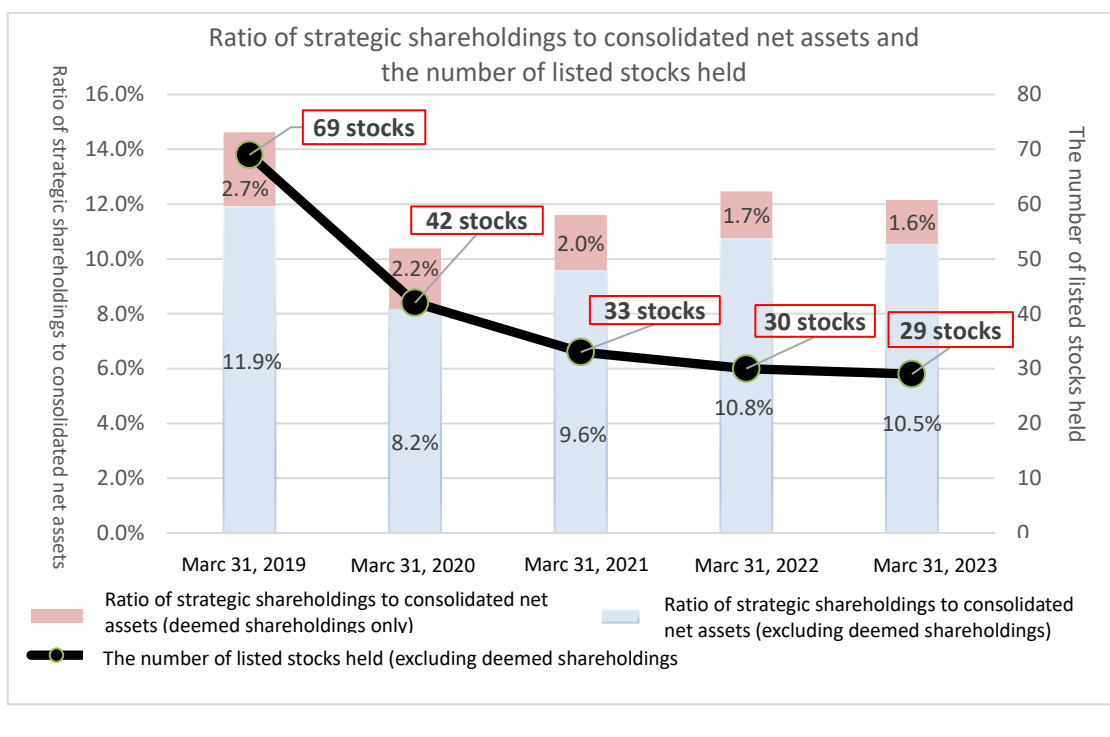
Reference: Strategic Shareholdings

Under the Basic Policy on Strategic Shareholdings, which states that “we will engage in strategic shareholdings, if it is deemed necessary for alliances and other arrangements that contribute to the growth of our Group, after considering capital efficiency, economic rationality and other factors,” the Company has so far conducted verification on the necessity of strategic holdings of listed companies’ shares every year, and those holdings that are judged to have diminished significance have been reduced through sale or other means.

Consequently, as the chart below shows, **the number of listed stocks held (excluding deemed holdings) decreased to 29 as of the end of March 2023**, despite ups and downs along with stock price fluctuations in the ratio of strategic shareholdings to consolidated net assets.

In addition, the Company revised the above basic policy as of April 1, 2023 with addition of the statement that strategic shareholdings shall be kept to a minimum and gradually reduced.

* For the revised Basic Policy on Strategic Shareholdings, please refer to the Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd. on the Company website (available only in Japanese).



Business Report

(From April 1, 2022 to March 31, 2023)

1. Status of the Corporate Group
 - (1) Progress and Results of Operations and Issues to Be Addressed
 - (a) Progress and Results of Operations

During fiscal 2022, the Japanese economy saw progress in normalization of economic activity and continued a recovery trend, mainly in consumer spending and corporate activities, despite price increases due to the sharp rise in raw material and energy prices and the weaker yen. In overseas economies, the pace of recovery slowed as economic activity was restrained due to inflation and monetary tightening in the United States and Europe. In China, a full-fledged recovery has yet to come due to the restrictions on activities under the zero-COVID policy. In addition, semiconductor shortages and supply chain disruptions delayed the recovery of automobile production, which made the business environment surrounding the Company continue to be challenging.

Under these circumstances, the Company has steadily implemented key measures aimed at “establishing a stable earnings base,” as set out in the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), while continuing to strengthen its manufacturing capabilities and improve selling prices.

As a result, the Company’s consolidated financial results for fiscal 2022 are as follows: Net sales increased by 389.9 billion yen year on year to 2,472.5 billion yen; operating profit decreased by 1.2 billion yen year on year to 86.3 billion yen due to a decline in sales volume in the raw materials businesses and construction machinery business, cost increases centered on fixed costs, and a decrease in inventory valuation gains despite a significant improvement in steel metal spreads, ordinary profit increased by 13.6 billion yen year on year to 106.8 billion yen, due to an increase in compensation income related to the engine certification problem. Extraordinary losses amounted to a loss of 8.7 billion yen, mainly due to a loss on liquidation of a construction machinery business in China and an impairment loss on fixed assets, and profit attributable to owners of parent increased by 12.4 billion yen year on year to 72.5 billion yen.

Kobe Steel determines dividends taking its financial condition, business performance, future capital needs and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. Based on this policy, Kobe Steel has decided to pay a year-end dividend of 25 yen per share for fiscal 2022. As a result, the annual dividend, including the interim dividend paid earlier, amounts to 40 yen per share.

Progress and results of the Group's business operations by segment are as follows.

Steel & Aluminum

(Steel)

Sales volume of steel products declined year on year due in part to lower demand for automobiles. Selling prices were higher than the previous fiscal year due to factors such as an increase in the steel market prices and the resolution of the gap between rising raw material prices and selling prices.

As a result, net sales increased by 21.1% year on year to 909.7 billion yen. Ordinary profit increased by 14.4 billion yen year on year to 49 billion yen due to significant improvement in selling prices, despite negative factors such as a decrease in sales volume, cost increases centered on fixed costs, and a decrease in inventory valuation gains.

(Aluminum)

Sales volume of aluminum flat rolled products declined year on year due to sluggish demand for beverage can materials. Selling prices were higher than the previous fiscal year due in part to higher ingot prices being passed on to selling prices.

As a result, net sales increased by 19.3% to 195.4 billion yen. Ordinary profit decreased by 9.9 billion yen year on year to a loss of 7 billion yen, mainly due to a decline in sales volume and a delay in passing on higher procurement costs to selling prices.

Overall, net sales of steel & aluminum increased by 20.8% to 1,105.1 billion yen, and ordinary profit increased by 4.4 billion yen to 41.9 billion yen.

● Production Volume (In thousands of tons)

Category	169th Business Term (Fiscal year 2021)	170th Business Term (Fiscal year 2022)
Crude steel	6,667	6,248
Aluminum flat-rolled products	356	349

Note: The above amount of crude steel includes the quantity produced with electric arc furnaces at Takasago Works.

Advanced Materials

Sales volume of advanced materials increased year on year in steel casting and forgings, which captured demand for shipbuilding, and in titanium, which saw a recovery in demand in the general industrial sector. On the other hand, sales volume of aluminum extrusions, copper flat rolled products and steel powder declined year on year due to lower demand for automobiles.

As a result, net sales decreased by 16.7% year on year to 277.7 billion yen, due in part to the transfer of the copper tube business in the previous fiscal year, and ordinary profit decreased by 4.2 billion yen year on year to 0.9 billion yen, due in part to cost increases centered on fixed costs, and a decrease in inventory valuation gains in the copper tube business.

● Production Volume (In thousands of tons)

Category	169th Business Term (Fiscal year 2021)	170th Business Term (Fiscal year 2022)
Aluminum extrusions	41	40
Copper rolled products	60	55
Copper tubes	76	–

Note: Due to the exclusion of Kobelco & Materials Copper Tube, Ltd. from the scope of the Company's consolidated subsidiaries on March 31, 2022, the production record of copper tubes is not presented in fiscal 2022.

Welding

Sales volume of welding materials declined year on year due to lower demand in Southeast Asia. Selling prices were higher than the previous fiscal year, mainly due to higher procurement costs being passed on to selling prices.

As a result, net sales increased by 15.0% to 88.4 billion yen and ordinary profit increased by 0.0 billion yen to 2.8 billion yen.

Machinery

Orders increased by 20.7% year on year to 249.3 billion yen, with a backlog of 214.7 billion yen, mainly due to strong performance in the petrochemical and energy sectors.

Net sales increased by 12.0% year on year to 186.9 billion yen, and ordinary profit increased by 1.7 billion yen year on year to 14.3 billion yen, mainly due to an increase in net sales and improvements in profitability of orders, driven by strong demand.

● Orders (Billions of yen)

Category		169th Business Term (Fiscal year 2021)	170th Business Term (Fiscal year 2022)
Orders	Domestic	73.1	82.6
	Overseas	133.4	166.6
	Total	206.6	249.3
Backlog of Orders	Domestic	34.8	48.9
	Overseas	122.1	165.7
	Total	157.0	214.7

Engineering

Orders decreased by 24.4% to 157.5 billion yen, compared to fiscal 2021 that saw an increase in orders with several large projects in the DRI-related business and waste treatment-related business, resulting in an order backlog of 371.1 billion yen.

Net sales increased by 7.0% year on year to 145.2 billion yen, while ordinary profit decreased by 3.5 billion yen from the previous fiscal year to 4.1 billion yen, mainly due to changes in the project composition, particularly in the DRI-related business.

● Orders (Billions of yen)

Category		169th Business Term (Fiscal year 2021)	170th Business Term (Fiscal year 2022)
Orders	Domestic	151.7	120.8
	Overseas	56.8	36.6
	Total	208.5	157.5
Backlog of Orders	Domestic	269.5	283.0
	Overseas	73.5	88.0
	Total	343.0	371.1

Construction Machinery

Unit sales of hydraulic excavators declined year on year due to a decline in demand in China, faced with flagging infrastructure investment, as well as in Japan, Europe and North America, affected by shortages of procured parts. Unit sales of crawler cranes declined year on year due to a decline in North America, affected by the engine certification problem. Selling prices were higher than the previous fiscal year due to the increase in procurement costs being passed on to selling prices and the weaker yen against the US dollar and the euro.

As a result, net sales increased by 2.7% year on year to 381.7 billion yen, and ordinary profit increased by 0.2 billion yen year on year to 12.3 billion yen due to an improvement in export profitability along with the weaker yen and an increase in compensation income for the engine certification problem, despite negative factors such as a decline in unit sales and a delay in passing on higher procurement costs to selling prices.

Electric Power

Electricity sales increased year on year due to the operation of the Kobe Power Plant No. 3 unit (which began operation in February 2022) and No. 4 unit (which began operation in February 2023). The unit price of electric power increased year on year due to the increase in thermal coal market prices.

As a result, net sales increased by 195.2% year on year to 324.3 billion yen, and ordinary profit increased by 11.3 billion yen year on year to 24.5 billion yen, mainly due to the operation of the Kobe Power Plant No. 3 and No. 4 units.

Other Businesses

Net sales decreased by 4.5% year on year to 27.5 billion yen, and ordinary profit decreased by 0.7 billion yen year on year to 6.3 billion yen.

Note 1: Orders and backlog of orders include orders placed with Group companies.

Note 2: Consolidated net sales include adjustments of (64.6) billion yen. The ratio of each component to consolidated net sales is calculated based on the total net sales of each business segment, excluding adjustments.

Definition of Ordinary Profit (Loss)*

Ordinary profit under accounting principles generally accepted in Japan (Japanese GAAP) is a category of profit (loss) that comes after operating profit (expense) and non-operating profit (expense), but before extraordinary income and loss. It is also called “pretax recurring profit” or simply “pretax profit.”

(b) Issues to Be Addressed

The business environment surrounding the Group

The business environment surrounding the Group is expected to continue to involve changes in the industrial structure triggered by COVID-19, social transformation toward the realization of carbon neutrality, and progress in digital transformation (hereinafter “DX”) when examined in the medium to long term, despite changes related to current geopolitical risks and other developments. The Group must proactively address each situation and see it as an opportunity for reforming the business structure and gaining new earnings.

The Fiscal 2021–2023 Kobelco Group Medium-Term Management Plan

In the medium-term management plan announced in May 2021, the two most important issues are “establishing a stable earnings base” and “taking on the challenge of realizing carbon neutrality” in light of the key issues faced by the Group and the business environment surrounding the Group.

In order to achieve these goals, the Company will continue to work on measures to strengthen the business foundation, including reviewing the management system and promoting the active participation of diverse human resources.

As the first step, the Company has positioned the term of this medium-term management plan as a period of establishing a stable earnings base by further enhancing initiatives such as strengthening profitability with a focus on materials. The Company aims to secure earnings with a return on invested capital (ROIC) of 5% or higher in fiscal 2023 when the startup of new electric power projects is scheduled to be completed, with the assumption that it contributes to earnings throughout the fiscal year. Furthermore, as a future vision, the Group will aim to transform into a corporate group with sustainable growth and maintain a ROIC of 8% or higher on a stable basis.

The Company regards taking on the challenge of realizing carbon neutrality in the steel and electric power businesses as new business opportunities to contribute to society by leveraging the strengths of the Group, which operates extensive businesses with diverse technologies and human resources as a source for competitiveness. To this end, the Company will make united efforts as the entire Group.

Establishing a stable earnings base

In order to secure earnings with a ROIC of 5% or higher in fiscal 2023 and establish a stable profit base with an aim of achieving a ROIC of 8% or higher in the future, the Company is making steady efforts. Five key measures are envisioned in the medium-term management plan, specifically, strengthening the earnings base of the steel business, smooth start-up/stable operation of new electric power projects, strategic investment in the materials businesses leading to earnings contribution, restructuring unprofitable businesses, and stabilizing earnings in the machinery business and responding to growing markets. In addition, since costs are on the rise, including fixed costs such as labor costs as well as variable costs such as prices of raw and other materials and energy, we will continue to steadily pass on the increased costs to selling prices.

To strengthen the earnings base of the steel business, under the assumption that demand will decrease over the long term, the Company aims to establish a structure to secure stable earnings with crude steel production of 6.3 million tons per year at Kakogawa Works, and to continue turning a profit even with 6.0 million tons by working steadily to improve steel metal spreads. The Group will continue to endeavor to further reduce fixed and variable costs, shift to high-value-added products such as special steel wire rods and high-tensile strength steel (improve product mix), and have overseas businesses contribute to earnings. The Company is proceeding to study how to utilize future upstream-process facilities for steel production in the effort to realize carbon neutrality.

For new electric power projects, the Kobe Power Plant No. 3 and No. 4 units started commercial operations in February 2022 and in February 2023 respectively as scheduled. Through continued efforts to ensure stable operations of these units, the Company expects an annual contribution of approximately 40.0 billion yen to earnings in the electric power business.

For strategic investment projects in the materials businesses, which the Group has been promoting as part of the strategies to reduce automobile weight, the Group's capability to produce earnings has declined considerably due to factors such as delays in passing on rising cost to selling prices. This has happened mainly in the aluminum businesses, as costs are on the rise including variable costs such as prices of raw and other materials and energy and fixed costs such as labor costs, along with slow demand recovery and remaining monozukuri capability issues. The Company will steadily implement initiatives to pass on increased costs to selling prices to achieve an early contribution to earnings.

For the restructuring of unprofitable businesses, the Company proceeded with withdrawals from unprofitable products and streamlining including staff reductions as scheduled in the steel casting and forging business and the titanium business, for which the demand environment and industrial structure are changing, as well as the crane business, which continues to face intensifying competition in Japan and overseas. As a result, the Company successfully made these businesses return to profitability with a certain level of profitability secured.

The machinery business segment is receiving an increasing number of inquiries on environmental contribution menus related to social infrastructure, hydrogen/renewable energy, and CO₂ reduction such as MIDREX®, etc. The Company turned Kobelco Eco-Solutions Co., Ltd. into a wholly owned subsidiary in November 2021 and entered into the capital and business alliance concerning the standard compressor business in January 2022 with the acquisition of shares of Kobelco Compressors Corporation by Miura Co., Ltd. The Company strives to realize the benefits of these measures in an early period and actively work to win orders while promoting intra-Group cooperation. In addition, the Company will promote the development of its distinctive technologies related to hydrogen/renewable energy, waste treatment, and other environmental contribution menus.

Regarding the construction machinery business, the Company will steadily restructure the global production/supply system with the aim of developing an optimal supply system from a global perspective in light of changes in the market environment in China, to achieve stable earnings and reduced production costs. The Company will also strive to turn profits from new value creation business through providing solutions for innovations such as workstyle reforms in the construction industry and commercialization of peripheral businesses for construction machinery through providing know-how on the installation of new systems and other solutions.

Despite the Company's effort to pass on increased costs to selling prices, there has been a significant increase in costs centered on the materials business and the construction machinery business. This has occurred as costs are on the rise including variable costs such as prices of raw and other materials and energy and fixed costs such as labor costs. The Company will continue efforts to improve earnings and ensure stable production through cost reductions and other measures while steadily implementing initiatives to pass on increased costs to selling prices to establish a stable earnings base.

Taking on the challenge of realizing carbon neutrality

As the global trend is clearly moving toward the transition to carbon neutrality and social transformation, the Group faces both risks and opportunities in the internal and external environment. Under these circumstances, the Group believes that its vision for the future is to take on the challenge of realizing carbon neutrality by 2050 and aim to improve corporate value along with this transition.

In minimizing risks, the Group will boldly take on efforts to reduce CO₂ emissions by promoting development of its own unique technologies and utilizing external innovative technology to realize carbon neutrality by 2050. In maximizing opportunities, the Group will leverage its strengths that enable the integration of diverse technologies and diverse menus that contribute to reduction of CO₂ emissions, such as MIDREX® and the supply of materials for lightweighting and vehicle electrification and respond to growing demand for these menus as new business opportunities.

As the initial step, the Group will reduce CO₂ emissions in the production process by 30–40% by 2030 from fiscal 2013 levels and take on the challenge of achieving carbon neutrality by 2050.

Regarding the ironmaking process in particular, the Group strives to lead the industry in the field of CO₂ emission reduction and differentiate itself from other companies by utilizing its unique MIDREX® technologies for blast furnaces as announced in February 2021, while promoting the development of existing technologies (energy-saving technologies, increased use of scrap, AI-based blast furnace operation technology, etc.) as well as other innovative technologies. The Company also started selling Japan's first low-CO₂ blast furnace steel "Kobenable Steel" as announced in May 2022. The Group will promote efforts to further increase the recognition of green steel and expand its market.

The Company announced that a contract was signed in October 2022 by its Group company Midrex Technologies to supply the world's first MIDREX H2™ direct reduction plant that uses 100% hydrogen as reducing gas and another contract was signed by the same company in March 2023 to supply the world's first MIDREX Flex™ direct reduction plant that will be initially operated on reformed natural gas and transitioned to up to 100% H₂ operation. The Group will contribute to the realization of global carbon neutrality through diverse technologies such as the Group's MIDREX® technology and through the supply of materials and parts that contribute to automobile weight reduction and vehicle electrification, with the aim of contributing to reducing CO₂ emissions by 61.00 million tons in 2030 and 0.1 billion tons or more in 2050.

In the electric power business, the Group will supply heat and hydrogen to surrounding areas using steam from the Kobe Power Plant and increase the efficiency of region-wide energy use and promote the collaboration of the electric power business and the engineering business to strengthen CO₂ reduction initiatives, such as co-firing of biomass fuel (sewage sludge and food residue), and is also proceeding to study practical application of initiatives for co-firing of ammonia. In addition, while the Kobe Power Plant will increase the ratio of co-firing of ammonia, and ultimately will take on the challenge of single-fuel firing, the Moka Power Plant will work on maximizing the use of carbon neutral city gas with the aim of achieving carbon neutrality by 2050.

Strengthening the business foundation area

To achieve the two priority goals of establishing a stable earnings base, and taking on the challenge of realizing carbon neutrality, the Company continues to strengthen its business foundation by reviewing its management system, advancing DX strategies, and promoting active participation of diverse human resources, etc. through activities such as Kobelco TQM that span across its business divisions.

Since April 2021, the Company has been reviewing its management system through measures such as strengthening the monitoring function of the Board of Directors by reviewing the composition of the Board of Directors and its advisory bodies and strengthening the organizational structure on the executive side by reviewing the committee structure and executive officer system and reorganizing departments at the head office. The Company is making steady efforts to improve effectiveness under the new structure.

For the promotion of the Company's DX strategy, the Company established the Digital Innovation Technology Center in April 2021 to strengthen and accelerate technological development and business application in the ICT/AI field. Also, the Company has set up the DX Strategy Committee to comprehensively formulate and execute the Group's strategy. Furthermore, in December 2021, the Group announced its Digital Transformation (DX) Strategy, and in January 2022, acquired certification as a "DX-certified operator" under the DX Certification program, established by the Ministry of Economy, Trade and Industry. In the construction machinery business, the Company started offering K-DIVE® service in December 2022. This service will enable DX at construction sites by leveraging heavy machinery remote operation systems, data on operational records and remotely controlled heavy machinery and connecting people, heavy machinery and construction sites at all times. In April 2023, the Company also started selling to the general public K-D2 PLANNER®, add-in software that assists the development of an installation plan of cranes. The Company will continue to strengthen and accelerate DX initiatives more systematically and strategically.

While leveraging its diverse technologies, the Company will promote the reform of the personnel system, reinforcement of human resource development, diversity and inclusion initiatives (recognizing, accepting, and leveraging diversity in human resources), and work style reforms so that its diverse human resources can fully demonstrate their abilities and play an active role in a wide range of business areas of materials, machinery, and electric power, which are the strengths of the Group

In addition, the Company reorganized the Trust Rebuilding Project, which began in fiscal 2018, into the Trust Improvement Project in April 2021 and continues to improve its quality governance and customer trust. Through the Kobelco TQM activities under this project, the Company will continue to work on the improvement not only in the quality of its products and services, but also in the overall quality of business activities, including operations, organizations, and management.

As announced on February 28, 2023, the Company discovered improper claims for reimbursement of travel expenses by a director who was an Audit & Supervisory Committee member of the Company and accepted the resignation of the said director on the same date. Regarding this matter, as announced on March 30, 2023, the Audit & Supervisory Committee formulated measures to prevent recurrence of misconduct and reported to the Board of Directors. The Company will work to promote compliance by making the rules for payment and reimbursement of expenses known to all directors, executive officers, advisors and employees thoroughly once again.

Kobelco Group's materiality (Medium- to long-term important issues)

The Group has been promoting sustainability management under the Group Corporate Philosophy that aims to realize a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives by continuing to provide solutions to the needs of society by making the best use of the talents of its employees and technologies for the sustainable growth of the Group. In order to promote this initiative more effectively, the Company has identified important medium- to long-term issues (materiality) for which management resources are intensively invested among various social issues.

The initiatives of the Kobelco Group under its Medium-Term Management plan aim to address the Group's priority issues with a view to the future beyond the medium-term period. By boldly addressing these key issues, the Group will strive to continue to be indispensable to all stakeholders of the Group and increase its corporate value.

We look forward to your continued guidance and encouragement as well as your continued support for the Group.

(2) Assets and Results of Operations**Assets and Results of Operations of the Group**

Category		167th Business Term (Fiscal year 2019)	168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)	170th Business Term (Fiscal year 2022)
Net sales	(Millions of yen)	1,869,835	1,705,566	2,082,582	2,472,508
[Overseas sales of the above]		653,853	573,685	722,559	783,480
Operating profit (loss)	(Millions of yen)	9,863	30,398	87,622	86,365
Ordinary profit (loss)	(Millions of yen)	(8,079)	16,188	93,233	106,837
Profit (loss) attributable to owners of the parent	(Millions of yen)	(68,008)	23,234	60,083	72,566
Profit (loss) per share	(yen)	(187.55)	64.05	160.23	183.80
Total assets	(Millions of yen)	2,411,191	2,582,873	2,728,745	2,874,751
Net assets	(Millions of yen)	716,369	769,375	872,346	977,653
Net assets per share	(yen)	1,811.10	1,958.57	2,066.48	2,314.31

(3) Major Businesses (As of March 31, 2023)

The major businesses undertaken by the Group are described below.

Category		Major Products and Businesses
Steel & Aluminum	Wire rod & bar products	Ordinary wire rods, special wire rods, special steel wire rods, ordinary steel bars, special steel bars
	Steel sheets, Steel plates	Heavy plates, medium plates, steel sheets (hot-rolled, cold-rolled, surface treated)
	Aluminum flat rolled products	Aluminum can stock, aluminum sheets for automotive panels, aluminum sheets for heat exchangers, aluminum disk material for HDDs
	Other	Steel billets, foundry pig iron, pig iron for steelmaking, slag products, building materials, special steel products, various steel wires
Advanced Materials	Steel castings and forgings	Ship parts, electrical parts, industrial machinery parts, etc.
	Aluminum castings and forgings	Aluminum-alloy and magnesium-alloy castings and forgings (parts for aircrafts and automobiles, etc.)
	Titanium	Titanium and titanium alloys
	Suspensions	Aluminum-alloy castings and forgings and fabricated products (parts for automobiles)
	Aluminum extrusions	Aluminum extrusions and fabricated products (extrusions and parts for automobiles, extrusions for railroad rolling stock, etc.)
	Copper rolled products	Copper strips for semiconductors, copper strips for terminals, leadframes
	Steel powder	Steel powder
Welding		Welding materials (covered welding electrodes, welding wires for automatic and semi-automatic welding, fluxes), welding robots, welding power sources, welding robot systems, welding-related testing, analysis, and consulting
Machinery		Equipment for energy and chemical fields, equipment for nuclear power plants, tire and rubber machinery, plastic processing machinery, ultra-high-pressure presses, physical vapor deposition systems, metalworking machinery, compressors, refrigeration compressors, heat pumps, plants (steel rolling, non-ferrous, etc.), internal combustion engines
Engineering		Various plants and equipment (direct reduced iron, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc.), civil engineering, advanced urban transit systems, chemical and food processing equipment
Construction Machinery		Hydraulic excavators, mini excavators, wheel loaders, crawler cranes, rough terrain cranes, work vessels
Electric Power		Electric power supply
Other		Special alloys and other new materials (target materials, etc.), material analysis and testing, high-pressured gas cylinder manufacturing, superconducting products, general trading company

(4) Major Offices and Plants (As of March 31, 2023)

Head offices		KOBE (Registered Head Office), TOKYO
Domestic branch offices		OSAKA, NAGOYA
Domestic sales offices		HOKKAIDO (Sapporo), TOHOKU (Sendai), HOKURIKU (Toyama), CHUGOKU and SHIKOKU (Hiroshima), KYUSHU (Fukuoka), OKINAWA (Naha)
Overseas offices		DETROIT, BANGKOK, SHANGHAI, MUNICH
Research Laboratories		KOBE (Kobe)
Plants	Steel & Aluminum	KAKOGAWA (Hyogo), KOBE (Kobe), MOKA (Tochigi)
	Advanced Materials	TAKASAGO (Hyogo), CHOFU (Yamaguchi), DAIAN (Mie)
	Welding	FUJISAWA (Kanagawa), IBARAKI (Osaka), SAIJO (Hiroshima), FUKUCHIYAMA (Kyoto)
	Machinery Engineering	TAKASAGO (Hyogo)

Note 1: Overseas offices represent regional headquarters (local subsidiaries).

Note 2: The locations of head offices of major subsidiaries are described in “(5) Major Subsidiaries and Affiliated Companies.”

(5) Major Subsidiaries and Affiliated Companies
(Subsidiaries)

Company Name [Location of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
Nippon Koshuha Steel Co., Ltd. [Tokyo]	12,721 million yen	51.83	Manufacture and sale of special steel
Kobelco Wire Company, Ltd. [Amagasaki, Hyogo] *1	8,062 million yen	43.62	Manufacture and sale of secondary wire rod products Contracting construction work of structures
Kobelco Logistics, Ltd. [Kobe]	2,479 million yen	97.68	Harbor transportation, coastal shipping, customs clearance, truck transportation, warehousing and contracting plant work
Kobelco Bolt, Ltd. [Ichikawa, Chiba]	465 million yen	100.00	Manufacture and sale of bolts for construction and bridges
Kobelco E&M Co., Ltd. [Kobe]	150 million yen	100.00	Design, manufacture, installation, piping and maintenance of plants and equipment
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. [China] *1	884,000 thousand yuan	100.00	Manufacture and sale of aluminum sheets for automotive panels
Kobelco Precision Technology Sdn. Bhd. [Malaysia]	19,000 thousand Malaysian ringgit	100.00	Manufacture and sale of aluminum disk material for HDDs
Kobelco Millcon Steel Co., Ltd. [Thailand]	2,830 million Thai baht	75.00	Manufacture and sale of special steel and ordinary steel wire
Kobe Aluminum Automotive Products (China) Co., Ltd. [China]	239,681 thousand yuan	60.00	Manufacture and sale of aluminum forgings for automotive suspensions
Kobe Aluminum Automotive Products, LLC [United States] *1	154,000 thousand U.S. dollars	97.66	Manufacture and sale of aluminum forgings for automotive suspensions
Kobelco Aluminum Products & Extrusions Inc. [United States] *1	24,000 thousand U.S. dollars	100.00	Manufacture and sale of bumper materials and frame materials for automotive bumpers
Kobelco Welding of Qingdao Co., Ltd. [China]	211,526 thousand yuan	90.00	Manufacture and sale of welding materials, sales of welding robot systems and its parts
Kobelco Welding of Korea Co., Ltd. [Korea]	6,554 million won	87.74	Manufacture and sale of welding materials
Kobelco Compressors Corporation [Tokyo]	7,400 million yen	51.00	Manufacture, sale, and service of air compressors
Kobelco Machinery Engineering Co., Ltd. [Ogaki, Gifu] *1	388 million yen	100.00	Manufacture and sale of internal combustion engines, transmissions, and testing machines, etc.
Shinko Wuxi Compressor Co., Ltd. [China] *1	150,000 thousand yuan	70.00	Manufacture and sale of compressors
Kobelco Compressors Manufacturing (Shanghai) Corporation [China] *1	87,796 thousand yuan	100.00	Development and manufacture of compressors and related products Sale and service of products of the Company
Kobelco Industrial Machinery India Pvt. Ltd. [India] *1	863 million Indian rupees	100.00	Manufacture and sale of rubber mixers and twin-screw roller head extruder
Quintus Technologies AB [Sweden] *1	10 million Swedish krona	100.00	Design, manufacture, sale, and service of isostatic pressing equipment and sheet metal forming equipment
Kobelco Compressors America, Inc. [United States] *1	5 thousand U.S. dollars	100.00	Manufacture and sale of compressor systems for process gas, refrigeration compressor systems and parts, etc.

Company Name [Location of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
Kobelco Eco-Solutions Co., Ltd. [Kobe]	6,020 million yen	100.00	Design, manufacture, construction, and maintenance of environmental plants Design, manufacture and maintenance of industrial machinery and equipment
Kobelco Eco-Maintenance Co., Ltd. [Kobe] *1	80 million yen	100.00	Operation of water treatment facilities and waste treatment facilities etc.
Midrex Technologies, Inc. [United States] *1	1 thousand U.S. dollars	100.00	Design and sale of MIDREX® Process (direct-reduction ironmaking process) plants
Kobelco Construction Machinery Co., Ltd. [Tokyo]	16,000 million yen	100.00	Manufacture and sale of construction machinery
Kobelco Construction Machinery Japan Co., Ltd. [Ichikawa, Chiba] *1	490 million yen	100.00	Sale and service of construction machinery
Toyosugie Co., Ltd. [Takamatsu] *1	350 million yen	100.00	Sale, rental, repair and installation service of construction machinery and industrial machinery
Kobelco Construction Machinery (China) Co., Ltd. [China] *1	2,522,314 thousand yuan	100.00	Sale and service of construction machinery
Chengdu Kobelco Construction Machinery Financial Leasing Ltd. [China] *1	374,199 thousand yuan	88.95	Leasing business
Hangzhou Kobelco Construction Machinery Co., Ltd. [China] *1	261,374 thousand yuan	100.00	Manufacture and sale of construction machinery
Kobelco Construction Machinery Southeast Asia Co., Ltd. [Thailand] *1	2,279 million Thai baht	100.00	Manufacture and sale of construction machinery
Kobelco Construction Equipment India Pvt. Ltd. [India] *1	4,512 million Indian rupees	100.00	Manufacture, sale, and service of construction machinery
Kobelco Construction Machinery Europe B.V. [Netherlands] *1	8,800 thousand euro	100.00	Sale and service of construction machinery
Kobelco International (S) Co., Pte. Ltd. [Singapore] *1	1,058 million yen	100.00	Sale and service of construction machinery
Pt. Daya Kobelco Construction Machinery Indonesia [Indonesia] *1	1,312,592 million Indonesia rupiah	100.00	Sale and service of construction machinery
Kobelco Construction Machinery U.S.A. Inc. [United States] *1	2 thousand U.S. dollars	100.00	Sale and service of construction machinery
Kobelco Power Kobe Inc. [Kobe]	3,000 million yen	100.00	Wholesale power supply
Kobelco Power Moka Inc. [Moka, Tochigi]	600 million yen	100.00	Wholesale power supply
Kobelco Power Kobe No. 2, Inc. [Kobe]	300 million yen	100.00	Wholesale power supply
Kobelco Research Institute, Inc. [Kobe]	300 million yen	100.00	Material analysis and testing, structural analyses Manufacture and sale of target material and inspection equipment for semiconductor and FPD
Kobelco (China) Holding Co., Ltd. [China]	1,775,939 thousand yuan	100.00	A holding company in China
Kobe Steel USA Holdings Inc. [United States]	205 thousand U.S. dollars	100.00	Holding shares of companies in the United States

(Affiliated Companies)

Company Name [Locations of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
Kansai Coke and Chemicals Company, Limited. [Amagasaki, Hyogo]	6,000 million yen	24.00	Manufacture and sale of coke and other chemical products
Nippon Steel Kobelco Metal Products Co., Ltd. [Tokyo]	300 million yen	35.00	Manufacture and sale of products for civil engineering and construction
Kobelco Angang Auto Steel Co., Ltd. [China] *1	700,000 thousand yuan	49.00	Manufacture and sale of cold-rolled, high-tensile strength steel
Ulsan Aluminum, Ltd. [Korea]	618,361 million won	50.00	Manufacture of aluminum sheet base material
PRO-TEC Coating Company, LLC [United States] *1	123,000 thousand U.S. dollars	50.00	Manufacture and sale of galvanized steel sheet and cold-rolled, high-tensile strength steel
Japan Aeroforge, Ltd. [Kurashiki, Okayama]	1,850 million yen	40.54	Manufacture and sale of large forgings
Hokuto Co., Ltd. (Hachinohe, Aomori) *1	30 million yen	34.00	Manufacture, sale, repair and leasing of civil engineering, construction, work, mining, transportation, electrical machinery, etc.
Shinsho Corporation [Osaka] *1 *2	5,650 million yen	36.17	Import/export and trading of iron & steel and nonferrous metal products and machinery, etc.
Shinsei Kobelco Leasing Co., Ltd. [Kobe]	3,243 million yen	20.00	Leasing and installment sale of construction machinery, industrial equipment, office equipment, and other moveable property
TC Kobelco Real Estate Co., Ltd. [Kobe]	3,037 million yen	25.00	Real estate sale and leasing, and insurance agency business

Note 1: *1 in the above table indicates that the shareholdings of subsidiaries are included in the amount.

Note 2: *2 in the above table indicates that shares held as part of a retirement benefits trust are included in the amount.

Note 3: An absorption-type merger for Tesac Shinko Wire Rope Co., Ltd. that was listed in fiscal 2021 was executed with Shinko Wire Company, Ltd. as the surviving company as of April 1, 2022. As a result, it is not listed from fiscal 2022.

Note 4: Shinko Engineering & Maintenance Co., Ltd. changed its name to Kobelco E&M Co., Ltd. as of April 1, 2022.

Note 5: During fiscal 2022, the Company acquired additional shares of Kobelco Millcon Steel Co., Ltd., making it the Company's major subsidiary and increasing the Group's ratio of voting rights in it from 50.00% to 75.00%.

Note 6: During fiscal 2022, Kobelco Construction Equipment India Pvt. Ltd. reduced its capital to 4,512 million Indian rupees due to a capital reduction.

Note 7: During fiscal 2022, Ulsan Aluminum, Ltd. increased its capital to 618,361 million won due to a capital increase.

Note 8: Shinko Lease Co., Ltd. changed its name to Shinsei Kobelco Leasing Co., Ltd. as of April 1, 2022.

Note 9: Shinko Real Estate Co., Ltd. changed its name to TC Kobelco Real Estate Co., Ltd. as of April 1, 2022.

(6) Capital Investments

Total capital investment in fiscal 2022 on a construction (inspection and acceptance) basis is 97.3 billion yen.

The major capital investments completed in fiscal 2022 are as follows:

Category	Facility Name
Completed	Kobelco Power Kobe No. 2, Inc. Kobe Power Plant No. 4 unit in Kobe, Hyogo Prefecture (Electric Power)

(7) Financing Activities

There have been no particular items to note, including the issuance of bonds, during fiscal 2022.

(8) Major Lenders and Amount of Borrowings (As of March 31, 2023)

Main Lenders	Balance of Loans (Millions of yen)
Mizuho Bank, Ltd.	130,289
Development Bank of Japan Inc.	98,218
MUFG Bank, Ltd.	95,319
Sumitomo Mitsui Banking Corporation	81,641
The Yamaguchi Bank, Ltd.	46,807

Note: In addition to the amounts stated above, there was a syndicate loan amounting to a total of 56,100 million yen with Mizuho Bank, Ltd., MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation as agent banks, which is not included in the balance of loans of the respective lenders.

(9) Employees (As of March 31, 2023)

(a) Employees of the Group (Persons)

Category	Number of Employees
Steel & Aluminum	12,268
Advanced Materials	4,489
Welding	2,384
Machinery	4,881
Engineering	3,772
Construction Machinery	7,550
Electric Power	287
Other or companywide	2,857
Total	38,488

Note: The number of employees indicates the number of working employees.

(b) Employees of the Company

Number of Employees	11,368 persons
Increase/Decrease from the Previous Fiscal Year-End	72 persons
Average Age	39.5 years old
Average Years of Service	15.3 years

Note 1: The number of employees indicates the number of working employees.

Note 2: The number of employees stated above does not include 809 seconded employees.

2. Shares of the Company (As of March 31, 2022)

(1) Total number of shares authorized to be issued	600,000,000 shares
(2) The aggregate number of issued shares	396,345,963 shares
(3) Total number of shareholders	174,580
(4) Major shareholders (Top ten shareholders)	

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)	Shares Held in Major Shareholders	
			Number of Shares Held (Thousands of shares)	Number of Shares Held (Thousands of shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	62,777	15.85	–	–
Custody Bank of Japan, Ltd. (Trust Account)	17,876	4.51	–	–
Nippon Steel Corporation	10,735	2.71	6,744	0.71
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	7,572	1.91	–	–
BNYM AS AGT/CLTS NON TREATY JASDEC	6,634	1.67	–	–
Nippon Life Insurance Company	5,447	1.38	–	–
Kobelco Employee Stock Ownership Plan	4,891	1.23	–	–
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	4,584	1.16	–	–
STATE STREET BANK WEST CLIENT - TREATY 505234	4,545	1.15	–	–
SHIMABUN Corporation	4,420	1.12	–	–

Note 1: The Company holds 265,237 shares in treasury stock. Treasury stock is excluded in the calculation of the major shareholders' ratio of shareholding in the Company.

Note 2: The shares acquired by the Company through the purchase of shares less than one unit during fiscal 2022 is 8,224 shares (total acquisition price is 5,641,100 yen). The number of shares of treasury stock disposed of in response to a request for additional purchase of shares less than one unit is 1,146 shares (total disposal price is 795,642 yen).

Note 3: The number of shares delivered to directors (excluding outside directors and directors who are Audit & Supervisory Committee members) by the Company as medium- to long-term incentive compensation during fiscal 2022, through the Board Benefit Trust, is as follows. Shares are paid on a fixed date every three years during the trust period and at the time of leaving the director's position (except where the said person continues to serve as executive officer), and there was a due date for the share benefits in fiscal 2022. Accordingly, the number of shares delivered to the persons who served as directors during the period from fiscal 2019 to fiscal 2021 is stated. As executive officers of the Company are also eligible under the Plan, the number of shares delivered to persons who left the director's position during the relevant period of three fiscal years and continued to serve as executive officer and those who newly took office as director from executive officer during the period is calculated. The calculation is performed by summing the number of points granted in accordance with the term of office as director and that granted in accordance with the term of office as executive officer and then multiplying the resulting sum by a certain coefficient to determine the number of shares, with any fractional number rounded. However, the table below presents the number of shares calculated by multiplying the number of points granted in accordance with the term of office as director by a certain coefficient, with any fractional number rounded, for the sake of convenience. Additionally, the outside directors and directors who are Audit and Supervisory Committee members are not covered by a medium- to long-term incentive compensation considering their responsibilities. Please refer to "3. Directors, Audit & Supervisory Committee Members and Executive Officers" for the Company's remuneration system for Directors and Executive Officers.

	Number of shares	Number of recipients
Directors (excluding outside directors and directors who are Audit & Supervisory Committee members)	93,100	8

3. Directors, Audit & Supervisory Committee Members and Executive Officers

(1) Directors (As of March 31, 2023)

Positions	Name	Duties & Significant concurrent positions
President (Representative Director)	Mitsugu Yamaguchi	
Executive Vice President (Representative Director)	Fusaki Koshiishi	Oversees the Environment and Safety Department and the Quality Management Department. Oversees companywide safety and health. Oversees companywide environmental protection and disaster prevention. Oversees companywide quality.
Executive Vice President (Representative Director)	Koichiro Shibata	Oversees the Business Development Department, the Intellectual Property Department, and the IT Planning Department. Oversees companywide technical development. Oversees companywide information systems.
Director, Executive Officer	Yoshihiko Katsukawa	Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office).
Director, Executive Officer	Hajime Nagara	Oversees the Internal Control and Audit Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance.
Director	Hiroyuki Bamba	Chairman of the Company's Board of Directors
Director	Yumiko Ito	Representative of Ito Law Office, Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd., Outside Director of Nippon Express Holdings, Inc.
Director	Shinsuke Kitagawa	Senior Executive Managing Officer of MITSUI & CO., LTD., President & CEO of Mitsui & Co. Global Strategic Studies Institute
Director (Audit & Supervisory Committee Member, full time)	Hiroshi Ishikawa	
Director (Audit & Supervisory Committee Member)	Masaaki Kono	Committee Chair of the Company's Audit & Supervisory Committee, Chairman and Director of Orient Corporation
Director (Audit & Supervisory Committee Member)	Kunio Miura	Representative of Kawamoto and Miura Law Office, Outside Audit & Supervisory Board Member of ASAHI INTELLIGENCE SERVICE CO., LTD., External Director (Audit and Supervisory Committee Member) of Sumitomo Seika Chemicals Company Limited.
Director (Audit & Supervisory Committee Member)	Nobuko Sekiguchi	Outside Director of DUSKIN CO., LTD., Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION

Note 1: Directors Hiroyuki Bamba, Yumiko Ito, Shinsuke Kitagawa, Masaaki Kono, Kunio Miura and Nobuko Sekiguchi are outside directors under Article 2, Item 15 of the Companies Act.

Note 2: The Company has registered directors Hiroyuki Bamba, Yumiko Ito, Shinsuke Kitagawa, Masaaki Kono, Kunio Miura and Nobuko Sekiguchi as independent directors with the financial instruments exchange.

Note 3: Directors Masaaki Kono and Nobuko Sekiguchi have considerable financial and accounting knowledge.

- Director Masaaki Kono has engaged in banking operations for many years.
- Director Nobuko Sekiguchi has engaged in operations at finance and accounting departments at business enterprises for many years.

Note 4: The Company appoints full-time Audit & Supervisory Committee members at the Audit & Supervisory Committee. Full-time Audit & Supervisory Committee members are appointed to improve the audit environment, gather internal information, and conduct regular audits of the readiness of the internal

governance system for the Audit & Supervisory Committee to facilitate the smoother execution of duties.

Note 5: There are no special relationships that require disclosure in the ongoing business relationships between the Company and MITSUI & CO., LTD. and DUSKIN CO., LTD.

Note 6: There are no special relationships that require disclosure between the Company and entities in which outside directors concurrently served.

Note 7: The directors who left the director's position during fiscal 2022 are as follows:

Position	Name	Reason for leaving the position	Date of leaving
Director	Takao Kitabata	Expiration	June 22, 2022
Director (Audit & Supervisory Committee Member)	Yoshiiku Miyata	Expiration	June 22, 2022
Director (Audit & Supervisory Committee Member, full time)	Yasushi Tsushima	Resignation	February 28, 2023

Note 8: Duties/positions or significant concurrent positions of directors whose duties/positions or significant concurrent positions changed effective April 1, 2023 are as follows.

Positions	Name	Duties & significant concurrent positions
Executive Vice President (Representative Director)	Yoshihiko Katsukawa	Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office).
Executive Vice President (Representative Director)	Hajime Nagara	Oversees the Internal Control and Audit Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance.
Director	Fusaki Koshiishi	
Director	Koichiro Shibata	
Director	Shinsuke Kitagawa	Advisor of MITSUI & CO., LTD.

Reference: The Company's Executive Officer System

The Company has implemented an executive officer system. The names and duties of executive officers as of April 1, 2023 are as follows.

Positions	Name	Duties
Executive Vice President	Masamichi Takeuchi	Head of the Machinery Business, General Manager of the Management Division in the Machinery Business
	Makoto Mizuguchi	Head of the Steel & Aluminum Business
Executive Officer	Kazuo Iritani	General Manager of the Engineering Division in the Machinery Business, General Manager of the Compressor & Static Equipment Engineering Department of the Engineering Division in the Machinery Business, Deputy General Manager of the Management Division in the Machinery Business
	Yasushi Okano	Responsible for the Environment and Safety Department, the Legal Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, and Takasago Works (departments under its direct supervision). Responsible for companywide safety and health. Responsible for companywide environmental protection and disaster prevention
	Hideki Okumura	Responsible for the Project Control Management and Procurement Center, the Project Center, and the CWD Project Center in the Engineering Business
	Yoichi Kageki	General Manager of the New Business Development Division in the Machinery Business, General Manager of the Marketing Department of the New Business Development Division in the Machinery Business. Deputy General Manager of the Management Division in the Machinery Business
	Takeharu Kato	Responsible for the Steel Casting & Forging Unit, Aluminum Casting & Forging Unit, and the Titanium Unit in the Advanced Materials Business
	Ryosaku Kadowaki	Responsible for the Planning & Management Department, Business Transformation Department, Takasago Management Department (excluding the Plant Safety & Environmental Control Section) in the Advanced Materials Business. Responsible for Chofu Works (excluding the Quality Assurance Department and the Safety & Environment Management Section of the General Administration Department), and Daian Works (excluding Quality Assurance Section, Casting & Forging Research & Development Section, Safety & Environment Management Section of the General Administration Department) in the Advanced Materials Business
	Yoichi Kamiyauchi	Responsible for the SQE System Management Department, New Business Promotion Section, Nuclear Project Department, and Infrastructure Project Department in the Engineering Business
	Kazuaki Kawahara	Responsible for the Finance and Accounting Department
	Jiro Kitagawa	Head of the Electric Power Business
	Toshihide Kinoshita	Responsible for the IT Management Department in the Steel & Aluminum Business. Responsible for the special assignments from the Head of the Steel & Aluminum Business. General Manager of the Technology Planning Department in the Steel & Aluminum Business
	Kazuhiko Kimoto	Responsible for the Business Development Department in the Steel & Aluminum Business, General Manager of the Steel Plate Products Unit in the Steel & Aluminum Business
	Yoshinori Kurioka	General Manager of the Production Division in the Machinery Business, Deputy General Manager of the Management Division in the Machinery Business
	Yuichiro Goto	Head of the Technical Development Group
	Koichi Sakamoto	Oversees the Environment and Safety Department, the Quality Management Department, and the Intellectual Property Department. Oversees the Technical Development Group. Oversees companywide safety and health. Oversees companywide environmental protection and disaster prevention. Oversees companywide quality. Oversees companywide TQM activities

Positions	Name	Duties
Executive Officer	Shogo Sarumaru	Responsible for the New Business Development Division and the Sales & Marketing Division in the Machinery Business. Deputy General Manager of the Management Division in the Machinery Business
	Kazuyuki Suenaga	Head of the Welding Business
	Yasufumi Takada	Responsible for the Aluminum Extrusion & Suspension Unit, Copper Rolled Products Unit, and the Steel Powder Unit in the Advanced Materials Business
	Masaki Tanigawa	Responsible for Moka Works in the Steel & Aluminum Business, General Manager of the Aluminum Flat Rolled Products Unit in the Steel & Aluminum Business
	Hajime Nakanishi	Responsible for the Automotive Materials Planning Section, the Automotive Sheet Sales Department, and Nagoya Steel & Aluminum Sheet Sales Department in the Steel & Aluminum Business. General Manager of the Steel Sheet Products Unit in the Steel & Aluminum Business. Responsible for companywide automotive projects
	Shoji Nakamura	General Manager of Kakogawa Works in the Steel & Aluminum Business
	Keitaro Nakamori	Responsible for the Internal Control and Audit Department, the General Administration and CSR Department, the Rugby Center, and domestic branch offices and sales offices. Responsible for companywide compliance
	Akihiro Nishiguchi	Responsible for the Technology Management Department, Quality Assurance Department, Takasago Management Department (Plant Safety & Environmental Control Section), and Takasago Quality Assurance Department in the Advanced Materials Business. Responsible for Chofu Works (the Quality Assurance Department and the Safety & Environment Management Section of the General Administration Department) and Daian Works (the Quality Assurance Section, the Casting & Forging Research & Development Section, and the Safety & Environment Management Section of the General Administration Department) in the Advanced Materials Business
	Sumikazu Hoda	Responsible for the Raw Materials Procurement Department in the Steel & Aluminum Business. General Manager of the Planning & Management Department in the Steel & Aluminum Business
	Yuji Mihara	General Manager of the Wire Rod & Bar Products Unit in the Steel & Aluminum Business
	Shinji Miyaoka	Oversees the Business Development Department and the IT Planning Department. Oversees companywide information systems
	Yoshihiro Miyake	Responsible for the Automotive Sheet Products Technical Marketing Department and the Research & Development Laboratory in the Steel & Aluminum Business. Responsible for overall automotive sheet products in the Steel & Aluminum Business. Responsible for overall technical development of steel products in the Steel & Aluminum Business
	Shoji Miyazaki	Head of the Advanced Materials Business
	Masahiro Motoyuki	Head of the Engineering Business. Responsible for the companywide construction business
Daizo Morita	Responsible for overseas locations (under the Head Office). General Manager of the Corporate Planning Department	
Kunihiko Yoshitake	Vice Head of the Electric Power Business	

(2) Overview of the Agreement Limiting Liability

The Company has entered into agreements limiting liability with outside directors who are not Audit & Supervisory Committee members and directors who are Audit & Supervisory Committee members that are listed in “(1) Directors” as stipulated in Article 423, Paragraph 1 of the Companies Act, pursuant to Article 427, Paragraph 1 of the provisions of the Companies Act and the Company’s Articles of Incorporation. Limits on liability for damages under these agreements shall be the amount set forth by laws and regulations.

(3) Overview of the Compensation Agreement

In order to secure superior talent and prevent directors from being intimidated in the performance of their duties, the Company has entered into a compensation agreement as stipulated in Article 430-2, Paragraph 1 of the Companies Act with all directors (including those who are Audit & Supervisory Committee members) listed in “(1) Directors,” to compensate expenses stipulated in Item 1 of the same Paragraph and the losses stipulated in Item 2 of the same Paragraph to the extent provided by laws and regulations. Under the relevant agreement, the following measures are taken to ensure that the appropriateness of the execution of duties by directors is not impaired.

- (a) In order to compensate the losses mentioned in Item 2 of the same Paragraph, the agreement shall be subject to a binding judgment or reconciliation which the Company deems appropriate.
- (b) If it is found that director’s execution of duties was intended for promoting improper interests or inflicting damage on the Company, or director’s explanation to the Company regarding the claim for compensation was false in any material respect, the Company may determine the said director is not eligible for compensation and demand the return of the amount of compensation already received by the director.

(4) Overview of the Directors and Executive Officers Liability Insurance Contract

The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act with directors (excluding directors who are Audit & Supervisory Committee members), executive officers, and “important employees” as defined by a resolution of the Board of Directors as the insured to secure superior talent and prevent them from being intimidated in the performance of their duties.

To enable appropriate risk-taking by top management, the Company bears all insurance premiums and the insured do not substantially bear any insurance premiums.

The contract covers expenses and damage payments to be borne by insured persons arising from corporate litigation, third-party litigation, and shareholder derivative suits, etc. However, to ensure that the appropriateness of the execution of duties by the insured is not hindered, there are certain exemptions, such as in case of actions taken with the knowledge that such actions are in violation of laws and regulations.

(5) Total Amount of Remuneration for Directors

Category	Number of Payees (Persons)	Amount (Millions of yen)	Breakdown of total amount by type of remuneration (Millions of yen)			Remarks
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation	
Directors (excluding Audit & Supervisory Committee members) (of which, outside directors)	9 (4)	459 (40)	312 (40)	82 (-)	65 (-)	Number of Payees and Amount include one outside director (excluding Audit & Supervisory Committee members), one internal director (who is Audit & Supervisory Committee member) and one outside director (who is Audit & Supervisory Committee member) who left the positions in fiscal 2022.
Directors (Audit & Supervisory Committee members) (of which, outside directors)	6 (4)	107 (44)	107 (44)	- (-)	- (-)	
Total	15	567	419	82	65	

- Note 1: Regarding the total amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members), the 169th Ordinary General Meeting of Shareholders held on June 22, 2022 passed a resolution that the maximum amount of basic remuneration shall be within a total of 460 million yen per fiscal year and that the maximum amount of performance-based compensation shall be within a total of 240 million yen per fiscal year. As of the conclusion of said General Meeting of Shareholders, the number of directors (excluding directors who were Audit & Supervisory Committee members) eligible for basic remuneration was eight (8) (of which, three (3) were outside directors), and the number of directors (excluding directors who were Audit & Supervisory Committee members) eligible for performance-based compensation was five (5). In addition, the 169th Ordinary General Meeting of Shareholders held on June 22, 2022 passed a resolution that the maximum amount to be contributed as funds for acquiring the Company's shares to the Board Benefit Trust (BBT), which has been introduced as a medium- to long-term incentive compensation for directors (excluding outside directors and directors who are Audit & Supervisory Committee members), shall be within 360 million yen for a three-fiscal year period and the number of points granted per fiscal year shall be within 424,100 points. As of the conclusion of said General Meeting of Shareholders, the number of directors (excluding outside directors and directors who are Audit & Supervisory Committee members) who are eligible for medium- to long-term incentive compensation was five (5). In addition, regarding the total amount of remuneration for directors who are Audit and Supervisory Committee members, the 163rd Ordinary General Meeting of Shareholders held on June 22, 2016 passed a resolution that the maximum amount of basic remuneration shall be within a total of 132 million yen per fiscal year. As of the conclusion of said General Meeting of Shareholders, the number of directors who were Audit and Supervisory Committee members eligible for basic remuneration was five (5) (of which, three (3) were outside directors).
- Note 2: The Company does not pay bonuses to directors.
- Note 3: The total amount of performance-based compensation is the estimated amount of payment, and the total amount of medium- to long-term incentive compensation is the amount of expenses posted for points awarded.
- Note 4: The detailed calculation method of the remuneration and other benefits for individual directors of the Company is specified in the internal regulations as approved by the Nomination & Compensation Committee, based on the Company's Basic Policy on Remuneration for Directors and Executive Officers resolved at a meeting of the Board of Directors, and relevant details are determined in accordance with those internal regulations. The remuneration and compensation for individual directors for fiscal 2022 have been determined based on the said internal regulations, and the Board of Directors deems that this is in line with the Company's policy on determination. The Company's Basic Policy on Remuneration for Directors and Executive Officers is as follows.

Basic Policy on Remuneration for Directors and Executive Officers

- 1) Basic Approach to Remuneration for Directors and Executive Officers
 - A) The system aims to secure talented human resources who can contribute to the Company's sustainable development, and appropriately compensate for such efforts.
 - B) The system aims to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
 - C) In offering the incentive for accomplishing consolidated business result targets, the system must be devised with due consideration of the characteristics of each business so that directors and executive officers can fully carry out their roles.
 - D) In ensuring the objectivity and transparency of judgments regarding remuneration decisions, the Nomination & Compensation Committee deliberates on the state of the remuneration system and the necessity of its reevaluation.
- 2) Remuneration Framework
 - A) Based on the resolution at the Ordinary General Meeting of Shareholders, the Board of Directors establishes the Remuneration Regulations for Directors and Executive Officers, Detailed Rules on Remuneration Regulations for Directors and Executive Officers, Performance-Based Compensation Regulations for Directors and Executive Officers, and Stock Benefit Regulations for Directors and Executive Officers, which include the remuneration calculation methods for individual director/executive officer.
 - B) Remuneration for the Company's directors and executive officers consists of basic remuneration (fixed compensation) based on the remuneration rank determined according to rank and assigned duties, performance-based compensation consisting of the portion linked to division performance and the portion linked to individual evaluation for each fiscal year, and medium- to long-term incentive compensation based on stock compensation with the aim of sharing interest in corporate value enhancement with shareholders. Taking into consideration their duties, outside directors and directors who are Audit & Supervisory Committee members are not eligible for performance-based compensation and medium- to long-term incentive compensation. The remuneration rank is determined by the president taking account of the level of responsibility of the assigned duties and reported to the Nomination & Compensation Committee and the Board of Directors.
 - C) Of performance-based compensation, the standard pay amount for the portion linked to division performance will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank, the amount for the portion linked to individual evaluation will be set at the level of -5% to 5% of basic remuneration for each rank and remuneration rank, and the value of medium- to long-term incentive compensation provided per fiscal year will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank.
 - D) Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders
 - Remuneration for directors (excluding directors who are Audit & Supervisory Committee members)

The limit of basic remuneration	Within a total of 460 million yen per fiscal year
The limit of performance-based compensation	Within a total of 240 million yen per fiscal year
Maximum points to be granted for medium- to long-term incentive compensation	Within a total of 424,100 points per fiscal year
 - Remuneration for directors who are also Audit & Supervisory Committee members (basic remuneration only)

	Within a total of 132 million yen per fiscal year
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Reference: Composition of Remuneration for Directors and Executive Officers

The composition of remuneration for directors and executive officers is as follows. The percentages of the performance-based compensation and medium- to long-term incentive compensation are higher for the positions that require a higher level of performance and responsibility.

Rank	Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation
President, CEO and Representative Director	Approx. 63%	Approx. 19%	Approx. 19%
Executive Vice President and Representative Director	Approx. 63%	Approx. 19%	Approx. 19%
Director, Executive Officer	Approx. 67%	Approx. 17%	Approx. 17%
Director who is an Audit & Supervisory Committee Member	100%	–	–
Outside Director	100%	–	–

*1 The amounts of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation granted vary depending on business results. The range of fluctuation is 0–200% of the standard pay amount for the portion linked to division performance of performance-based compensation and 0–100% of the standard pay amount for medium- to long-term incentive compensation. The percentages of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation in the above table show the case where respective payments are made at 100% of the standard pay amount. In addition to the above table, the amount for the portion linked to individual evaluation is paid in the range of -5% to 5% of basic remuneration.

*2 Executive directors and executive officers are based on a standard remuneration rank.

3) Performance-Based Compensation

A) In terms of the portion linked to division performance of performance-based compensation, a performance target will be set based on business management indices as stated in the Medium-term Management Plan. Each business division will also set a performance target based on performance management indices for each business division. The amount to be paid is determined by multiplying the standard pay amount for each rank and remuneration rank by 0–200% according to the accomplishment of the target. The business management indices, which serve as the basis of calculation, are established by the Board of Directors.

B) The portion linked to individual evaluation of performance-based compensation is subject to comprehensive evaluation, including the performance of assigned duties and business unit, the accomplishment of the target, and other aspects. The amount to be paid is determined by multiplying the basic remuneration for each rank and remuneration rank by -5% to 5% according to the evaluation results. Evaluation for executive officers overseeing business divisions and heads of business divisions is determined by the president, and evaluation for other executive officers is determined by the president after primary evaluation by executive officers overseeing business divisions and heads of business divisions. The details of evaluation are reported to the Nomination & Compensation Committee.

Note: The individual evaluation reflects the status of ESG-related initiatives in the work entrusted to each director and executive officer.

C) The calculation methods for the standard pay amount for each rank and remuneration rank are set forth in the Detailed Rules on Executive Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.

D) Business management indices are disclosed in the Business Report.

Note: From fiscal 2021, ROIC is used as an evaluation indicator to promote the efficiency of management resources with an awareness of capital cost and strengthening of the business foundation. The base value in the calculation is set at a ROIC of 5%, based on the targets set forth in the Medium-Term Management Plan.

4) Medium- to Long-Term Incentive Compensation

A) For medium- to long-term incentive compensation, a system known as Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit uses a base point number calculated based on the standard pay amount for each rank and remuneration rank, and the number of points determined by multiplying the base point number by 0–100% according to profit attributable to owners of parent and the state of dividend payment for each fiscal year will be granted. On a fixed date during each trust period of three years, the Company's shares will be provided according to the number of points granted.

Note: Since the Company considers the return of profits to shareholders as one of its most important management issues, the Company uses profit attributable to owners of parent (hereinafter, "profit") as an evaluation indicator of the Company's performance. The base

value for the calculation is profit of 79.4 billion yen, which reflects the dividend payout ratio as stated in the Company's dividend policy.

- B) The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-based Compensation Regulations for Directors and Executive Officers.
- C) As funds for acquiring shares through the trust, in principle, 1.1 billion yen will be contributed every three years. However, when there are remaining shares of the Company in the trust property as of the last date of the previous trust period, they will be used as funds for the subsequent trust periods, and an amount derived by deducting the amount of the remaining Company shares, etc. from 1.1 billion yen will be contributed.
- 5) The Timing of the Determination and the Payment of Remuneration Amount
- A) Basic remuneration will be paid every month from the month of appointment to the position in a monthly amount derived by dividing basic remuneration based on rank and remuneration rank by 12 months. If there is a change to the basic remuneration in the middle of the month due to a change in the assigned tasks and other reasons, the revised remuneration will be paid from the month following the change.
- B) Of performance-based compensation, the amount for the portion linked to division performance will be determined based on the calculation formula after the end of each fiscal year and paid lump-sum by the end of the month following the month when the Ordinary General Meeting of Shareholders is convened. The portion linked to individual evaluation will be paid together with the portion linked to division performance in the amount determined based on the calculation formula according to the results of individual evaluation after the end of each fiscal year.
- C) In terms of medium- to long-term incentive compensation, the number of points will be determined based on the calculation formula after the end of each fiscal year and granted on June 30 each year. Company shares, etc. will be provided every three years on a fixed date during the trust period.
- 6) Method to Determine Remuneration Standards
Remuneration standards are determined based on the survey data, collected by an external specialized agency, concerning the remuneration for directors and executive officers so that the standards are commensurate with the Company's corporate scale and the duties expected of directors and executive officers.
- 7) Method to Determine and Examine Remuneration Policy
- A) The policy concerning remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is determined by resolution of the Board of Directors, and the policy concerning remuneration for directors who are Audit & Supervisory Committee members is determined by discussion among all Audit & Supervisory Committee members.
- B) The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee. If it is necessary to revise the remuneration system, the Company will present a revised remuneration plan at a meeting of the Board of Directors for resolution.

Reference:

Base value and actual value of indicators for each compensation

Compensation item	Performance-based compensation	Medium- to long-term incentive compensation
Indicator	ROIC	Profit attributable to owners of parent
Base value for fiscal 2022	5.0%	79.4 billion yen
Actual value for fiscal 2022	4.9%	72.5 billion yen

Activities of the Board of Directors and the Nomination & Compensation Committee during the most recent fiscal year

The following matters regarding remuneration for directors and executive officers for fiscal 2022 were discussed and reported to the Board of Directors by the Nomination & Compensation Committee and then resolved by the Board of Directors.

Meeting period	Deliberations and resolutions
April–May 2022	Submission of the proposal on revision to the maximum amount of remuneration for directors and executive officers to the General Meeting of Shareholders
June 2022	Revision of the Basic Policy on Remuneration for Directors and Executive Officers (revision to the maximum amount of remuneration for directors and executive officers)
May 2023	Amount of performance-based compensation and amount of medium- to long-term incentive compensation for fiscal 2022

(Calculation method for the portion linked to division performance of performance-based compensation)

$$\boxed{\text{Performance-based compensation (portion linked to division performance)}} = \boxed{\text{Standard pay amount for each rank and remuneration rank*1}} \times \boxed{\text{Coefficient based on evaluation index*2}}$$

*1 Standard pay amount for each rank and remuneration rank:

The standard pay amount for each rank and remuneration rank is set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.

*2 Coefficient based on evaluation index:

The coefficient is calculated based on the following formula using the ROIC over the given period as the evaluation index.

The applicable business division for the portion linked to division performance shall be determined for respective prospective recipients based on their commissioned work. In addition, in the case where the assigned duties to a director are performed in the head office divisions (including the Technical Development Group) or the electric power business division, the said director's performance-based compensation shall not include the portion of compensation linked to division performance and shall be calculated by multiplying the portion linked to Companywide performance by a factor of 1.0 [Portion linked to Companywide performance × 1.0] regardless of the following formula.

$$\boxed{\text{Coefficient based on evaluation index (\%)}} = \boxed{\text{(A) Portion linked to Companywide performance (\%)}} \times \boxed{0.7} + \boxed{\text{(B) Portion linked to division performance (\%)}} \times \boxed{0.3}$$

$$\boxed{\text{(A) Portion linked to Companywide performance (\%)}} = \left(\boxed{100/3} \times \boxed{\text{Companywide Consolidated ROIC}} - \boxed{2/3} \right) \times \boxed{100}$$

$$\boxed{\text{(B) Portion linked to division performance (\%)}} = \left(\boxed{100/3} \times \boxed{\text{Consolidated ROIC by business division}} - \boxed{2/3} \right) \times \boxed{100}$$

*Decimal points are rounded off in the figures for the portion linked to Companywide performance and the portion linked to division performance. In the event that the value falls below 0%, it will be defined as 0%. In the event that the value goes above 200%, it will be defined as 200%.

(Calculation method for points to grant medium- to long-term incentive compensation)

$$\boxed{\text{Number of points to be provided}} = \boxed{\text{Base point number for each rank and remuneration rank*1}} \times \boxed{\text{Coefficient based on evaluation index*2}}$$

*1 Base point number for each rank and remuneration rank:

The base point number for each rank and remuneration rank is set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.

*2 Coefficient based on evaluation index:

The coefficient based on evaluation index is determined according to actual dividends and profit.

(6) Major Activities of Outside Directors During Fiscal 2022

	Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
Director Hiroyuki Bamba	16/16 meetings held (100%)	—	Provided advice and suggestions concerning corporate management based on his abundant experience in different business fields from ours in the world of industry and deep insight as a corporate executive. At Meetings of Independent Directors, he received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among independent directors, as a person responsible for monitoring the management of the Company. In addition, as Chairman of the Board of Directors, Committee Chair of the Nomination & Compensation Committee, and a member of the Corporate Governance Committee, he contributed to the enhancement of the monitoring functions of the management of the Company.
Director Yumiko Ito	16/16 meetings held (100%)	—	Provided advice and suggestions concerning corporate management based on her experience in the legal profession as an Attorney at Law, and abundant experience as a corporate executive centered on legal affairs in a different business field from ours in the world of industry. At Meetings of Independent Directors, she received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among independent directors, as a person responsible for monitoring the management of the Company. In addition, as Committee Chair of the Corporate Governance Committee, she contributed to the enhancement of the monitoring function of the management of the Company.

	Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
Director Shinsuke Kitagawa	11/11 meetings held (100%)	–	Provided advice and suggestions concerning corporate management based on deep insight for the world of industry overall based on his abundant experience in economic and industrial policies, primarily in natural resources domain, and experiences in different business fields from ours. At Meetings of Independent Directors, he received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among independent directors, as a person responsible for monitoring the management of the Company. In addition, he contributed to the enhancement of the monitoring function of the management of the Company as a member of the Corporate Governance Committee.
Director (Audit & Supervisory Committee Member) Masaaki Kono	16/16 meetings held (100%)	18/18 meetings held (100%)	Provided advice and suggestions concerning corporate management based on his abundant experience in credit management and financial management at financial institutions and deep insight as a corporate executive of financial institutions. He also actively shared his thoughts on matters related to compliance. At Meetings of Independent Directors, he received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint, based on active discussion on related matters among independent directors, as a person responsible for monitoring the management of the Company. In addition, as Committee Chair of the Audit & Supervisory Committee, member of the Nomination & Compensation Committee, and a member of the Corporate Governance Committee, he contributed to the enhancement of the monitoring functions of the management of the Company, while actively visiting and auditing business locations as Audit & Supervisory Committee Member.

	Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
Director (Audit & Supervisory Committee Member) Kunio Miura	16/16 meetings held (100%)	17/18 meetings held (94%)	Provided advice and suggestions concerning corporate management based on his deep insight backed by his abundant experience in the legal profession as a judge and an Attorney at Law and his extensive knowledge as an outside director and outside audit & supervisory board member of listed companies. He also actively shared his thoughts on matters related to compliance. At Meetings of Independent Directors, he received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among independent directors, as a person responsible for monitoring the management of the Company. In addition, he contributed to the enhancement of the monitoring functions of the management of the Company as the Committee Chair of the Compliance Committee, and actively visited and audited business locations as Audit & Supervisory Committee Member.
Director (Audit & Supervisory Committee Member) Nobuko Sekiguchi	11/11 meetings held (100%)	13/13 meetings held (100%)	Provided advice and suggestions concerning corporate management based on deep insight underpinned by her abundant experience in finance, accounting and business management in different business fields from ours in the world of industry and extensive knowledge as outside officers at listed companies. She also actively shared her thoughts on matters related to compliance. At Meetings of Independent Directors, she received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among independent directors, as a person responsible for monitoring the management of the Company. In addition, as Audit & Supervisory Committee Member, she actively visited and audited business locations.

Note: Since June 22, 2022 on which Directors Shinsuke Kitagawa and Nobuko Sekiguchi took office as Director, the Board of Directors and the Audit & Supervisory Committee met 11 and 13 times, respectively.

4. Accounting Auditor

(1) Name of Accounting Auditor
KPMG AZSA LLC

(2) Remuneration and Other Amounts Paid to Accounting Auditor

	Category	Amount (Millions of yen)
(a)	Remuneration and other amounts paid to Accounting Auditor by the Company	169
(b)	Total amount of money and other financial interests paid by the Company and its subsidiaries	475

Note 1: In the audit agreement between the Accounting Auditor and the Company, the amount of remuneration for audit based on the Companies Act and for audit based on the Financial Instruments and Exchange Act is not classified and cannot be classified in substance. Hence, the amount in the item (a) above indicates the total of these amounts.

Note 2: The Audit & Supervisory Committee determined that the amount of remuneration and other amounts paid to the Accounting Auditor was appropriate and gave its consent under Article 399, Paragraph 1 of the Companies Act as a result of the review of the details of the audit plan for fiscal 2022 and the basis for calculation of remuneration, while also taking into consideration the audit results of the Accounting Auditor for the previous fiscal year.

Note 3: Among major subsidiaries of the Company, subsidiaries located overseas are audited by auditing firms other than the Accounting Auditor of the Company.

(3) Description of Non-Auditing Services

The Company entrusts the Accounting Auditor with advisory and other services relating to internal control, which are services (non-auditing services) not included in the services under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) Policy for Decisions on Dismissal and Non-Reappointment of Accounting Auditor

If the Accounting Auditor is found to fall under any of the provisions of Article 340, Paragraph 1 of the Companies Act, the Company's Audit & Supervisory Committee shall dismiss the Accounting Auditor. Such dismissal shall require the consent of all the Audit & Supervisory Committee members.

In addition, if the Company deems that the Accounting Auditor is unable to perform an accounting audit appropriately, or if the Company deems it necessary to dismiss the said auditor for other reasons, the Audit & Supervisory Committee shall determine the details of a proposal for the dismissal or non-reappointment of the said auditor, and based on this, the Board of Directors shall submit it as an agenda item to the General Meeting of Shareholders.

5. The Company's Structures and Policies

(1) Structures for Ensuring the Propriety of Business Operations

The Company's basic policy concerning the structure for ensuring the propriety of business operations (Internal Control System Basic Policy) is as follows:

(a) Structures for ensuring compliance with laws and regulations and the Company's Articles of Incorporation in the performance of duties by Directors and employees

Under the Group Corporate Philosophy, the Company shall establish Compliance Regulations that set forth basic matters regarding compliance systems and their operation, etc.

The Company shall plan and implement Group's compliance promotion activities based on the Kobelco Group's Compliance Program.

The Company and major Group companies shall build a structure to ensure compliance with laws, regulations, social norms, etc., that incorporates inspections by outside experts, including the establishment of a Compliance Committee—an advisory body to the Board of Directors with committee members from outside of the Company—and the introduction of an internal reporting (whistleblowing) system, in which outside lawyers act as designated contact points.

(b) Establishment of structures for ensuring proper financial reporting

The Company shall establish an in-house structure to ensure proper financial reporting in accordance with the "Regulations for Internal Control Concerning Financial Reporting."

(c) Structures regarding the retention and management of information relating to the performance of duties by Directors

The Company shall establish Regulations for Retention and Control of Information Concerning Performance of Duties by Directors, and properly store and manage information concerning the performance of duties by directors in accordance with it.

(d) Rules and structures for the management of risk of loss

The Company shall establish a Risk Management Committee as an auxiliary body to the Executive Council. The Committee shall plan and evaluate basic policies on overall risk management, develop specific policies on important risk management issues, evaluate risk countermeasure implementation plans for highest priority and important risks, and plan and evaluate companywide risk management plans.

In addition, the Company shall establish Risk Management Regulations and, in accordance with them, develop risk management activities in tandem with business activities to appropriately address risks that may impair corporate value. The internal audit division shall verify the appropriateness and effectiveness of the systems for risk management.

(e) Structures for ensuring the efficient performance of duties by directors

The Company's Board of Directors shall focus on determining important management directions and monitoring, including risk management. Executive directors include the president and directors who oversee key specific companywide functions.

To realize a management structure for which transparency and fairness are ensured, the Company shall appoint outside directors who are Audit & Supervisory Committee members and outside directors who are not Audit & Supervisory Committee members.

In order to enhance the effectiveness of the monitoring function of the Board of Directors, the Company shall establish a Compliance Committee, Nomination & Compensation Committee, Quality Management Committee, and Corporate Governance Committee as advisory bodies.

The Company shall adopt the Business Unit System to promote prompt decision-making and fully demonstrate the Group's collective strengths, through information sharing and cooperation across business divisions.

The Company shall hold meetings of the Executive Council as a forum for executive officers, who are appointed by the Board of Directors, to execute the operations of each business division and to deliberate important management matters and matters to be presented to the Board of Directors meetings.

In order to enhance the effectiveness of the deliberations at the Executive Council, the Company shall establish various committees as auxiliary bodies to the Executive Council to address important matters related to companywide strategies such as sustainability management, risk management, business portfolio management, and investment and loan. In addition, the Company shall also establish an Executive Liaison Committee, comprised of directors, executive officers, and fellows who execute business operations of the Company, and the presidents and executives of affiliated companies designated by the president of the Company, to facilitate the sharing of information on important matters relating to management.

(f) Structures for ensuring the proper operation of the Group, consisting of the Company and its subsidiaries

The Company shall set Group Company Management Regulations and oblige its subsidiaries to consult with the supervisory division and the head office division of the Company and report important matters when they make important decisions. The Company shall also require Group Companies to obtain prior approval of the Board of Directors and the president of the Company concerning disposal of assets that surpass a certain amount in value.

The Company shall set Group Standards that set forth the minimum rules to be established by Group companies. All subsidiaries of the Company shall establish their own rules and procedures in accordance with these Standards in order to promote the risk management through providing training, raising awareness, and facilitating implementation. Each subsidiary of the Company shall formulate its own appropriate preventive maintenance measures in accordance with the Risk Management Regulations.

The Company shall dispatch its employees to its subsidiaries as directors and/or corporate auditors of such subsidiaries and oversee the management of these subsidiaries.

In addition, the Company shall require its subsidiaries to share the Group Corporate Philosophy, establish a compliance committee and undertake other initiatives, such as establishing an internal reporting (whistleblowing) system, based on the Kobelco Group's Compliance Program in order to build a system to ensure compliance with laws and regulations.

However, for listed companies, the Company shall take care not to bind the independent judgment of the managers of such companies, in order to ensure certain managerial independence of listed companies from the Company.

(g) Matters regarding directors and employees who assist in the duties of the Audit & Supervisory Committee, matters regarding the independence of both said directors and employees from directors who are not Audit & Supervisory Committee members, and matters regarding ensuring the effectiveness of instructions given by the Audit & Supervisory Committee to the said directors and employees

The Company shall organize an Audit & Supervisory Committee Members' Office to support the duties of the Audit & Supervisory Committee and assign dedicated staff. Personnel changes, performance appraisal, and other issues relating to the employees of the Audit & Supervisory Committee Members' Office shall require prior discussions with the Audit & Supervisory Committee in order to ensure the independence of the employees from the directors (excluding directors who are Audit & Supervisory Committee members) and the effectiveness of such instructions.

Employees of the Audit & Supervisory Committee Members' Office shall support the audits by the Audit & Supervisory Committee based on instructions by the Audit & Supervisory Committee in accordance with the Rules regarding Audits by the Audit & Supervisory Committee. Directors (excluding directors who are Audit & Supervisory Committee members), executive officers and employees shall not hinder such support activities by the Audit & Supervisory Committee Members' Office and cooperate to ensure the effectiveness of the audits by the Audit & Supervisory Committee.

(h) Structures for reporting to the Audit & Supervisory Committee by directors (excluding directors who are Audit & Supervisory Committee members) and employees and other structures regarding reporting to the Audit & Supervisory Committee; structures for reporting to the Audit & Supervisory Committee by directors and employees of the Company's subsidiaries; and structures to ensure that a person who has made the said report does not receive unfair treatment due to the making of the said report

Directors (excluding directors who are Audit & Supervisory Committee members), executive officers and employees shall periodically report to the Audit & Supervisory Committee on the status of performance of duties, important committees, and other matters, in addition to matters designated by law. They shall also report each time material risks that occur in business activities and the status of response to them, as well as the development and operation of structures for ensuring proper financial reporting.

Additionally, they shall report the current circumstances of subsidiaries to the Audit & Supervisory Committee depending on the necessity to do so. The Internal Control and Audit Department shall report the status of risk management activities and compliance of the entire Group to the Audit & Supervisory Committee.

Under the Compliance Regulations, the Company shall prohibit retaliation to whistleblowers who inform through the internal reporting system and to employees who make reports to the Audit & Supervisory Committee and ensure that this information is known to employees.

(i) Matters concerning the policies on procedures for advance payment or reimbursement of expenses arising from the execution of the duties of the Audit and Supervisory Committee and the treatment of other expenses or debts arising from the execution of said duties

If an Audit & Supervisory Committee member requests payment for expenses arising from the execution of duties based on the Companies Act, the Company shall pay for such expenses or debts, except when the Company confirms that the execution of such duties is not necessary. For the expenses necessary for the Audit & Supervisory Committee to execute its duties, the Company shall budget a certain amount in advance every year for expenses that the Audit & Supervisory Committee deems necessary for its duties.

(j) Other structures to ensure effective audits by the Audit & Supervisory Committee

To ensure the effectiveness of audits by the Audit & Supervisory Committee, the Company shall require the Audit & Supervisory Committee to provide explanations of its annual audit policies and plans at meetings of the Board of Directors and on other occasions. The Company shall improve the audit environment by holding periodic meetings between the Audit & Supervisory Committee and the president and through cooperation with the internal audit division.

Note: Any subsidiary directly or indirectly owned by the Company is considered as a Group company and subject to the Company's management.

(2) Operational Status of the Structure for Ensuring the Propriety of Business Operations

The Company is taking measures to develop the Structure for Ensuring the Propriety of Business Operations, and ensure its proper operation, in line with its basic policy on this structure. A summary of the operational status of the structure in fiscal 2022 is as follows.

(a) Compliance measures

• Meetings of the Compliance Committee

The Compliance Committee, an advisory body to the Board of Directors, met three (3) times and its activities include reports on the results of activities in the previous fiscal year and the formulation and approval of the annual plan.

• Implementation of the Kobelco Group's Compliance Program

Based on the Kobelco Group's Compliance Program, the Company implemented initiatives on top management commitment, training and others. In addition, domestic Group companies also steadily introduced this program and conducted diagnoses of the status of activities related to compliance systems, competition laws, bribery and corruption prevention, and security trade control, etc.

• Implementation of compliance training

The Company classified its compliance training programs by job grade, applicable laws and regulations, and roles, and implemented them as planned, while making use of online training and e-learning.

• Monitoring activities and usage status of internal reporting (whistleblowing) system

Compliance with competition laws and security trade control laws was regularly monitored. The internal reporting system received 111 reports, including those from domestic and overseas Group companies, and responded to them appropriately. The status of response to the cases were reported to the Compliance Committee.

• Implementation of compliance awareness surveys

The Company and its domestic Group companies conducted compliance awareness surveys this fiscal year, continuing from previous years, and based on the survey results, it planned compliance promotion activities for fiscal 2023.

(b) Risk management

In order to respond appropriately to risks that may damage the Group's corporate value, the Company has been carrying out risk management activities.

• Response to high-priority potential risks

The Company have been promoting risk management activities for high-priority potential risks that are likely to have a significant impact on the entire Group under the direction of risk owners (relevant executive officers). The activity plan and implementation status of activities are reported to the Board of Directors, and top management confirms the status of activities.

• Implementation of risk management activities

Under the direction of risk owners, the chief executor of risk management in each department conducted risk management activities based on a cycle of identifying and examining risks → formulating risk management plans → implementing → monitoring → reviewing for improvement for the next fiscal year. The results of these activities are incorporated in plans for the next fiscal year and subsequent fiscal years after top management has verified them. This system has been proactively deployed at all Group companies. In addition, the Risk Management Committee, which has been established as an auxiliary body to the Executive Council, formulates and evaluates basic policies concerning risk management in general and specific policies concerning important issues of risk management and works to improve the effectiveness of risk management.

(c) Measures for ensuring the efficiency of execution of duties by directors

In order to enhance the effectiveness of the monitoring function of the Board of Directors, the Company convened various committees, which have been established as advisory bodies to the Board of Directors. The Company conducted an evaluation of the effectiveness of the Board of Directors in order to stimulate discussion at meetings of the Board of Directors and enhance its supervisory function. Surveys and interviews were conducted with each director, based on the results of the effectiveness evaluation in the previous fiscal year, management issues faced by the Company, and other factors. After discussions at meetings of the Board of Directors, the Company disclosed the results on the Company's website, and the Board of Directors Secretariat took the initiative in responding to the issues identified.

The Executive Council met 23 times to hold discussions on matters such as management directions including business strategies. The full-time Audit & Supervisory Committee members attended meetings of the Executive Council, and steps were taken to enhance supervisory functions by providing information to the Audit & Supervisory Committee. In order to enhance the effectiveness of the Executive Council, the Company convened various committees, which have been established as auxiliary bodies to the Board of Directors. In addition, the Company is working to enhance supervisory functions by holding Meetings of Independent Directors for information sharing.

(d) Status of measures to ensure the effectiveness of audits by the Audit & Supervisory Committee

The Audit & Supervisory Committee conducted interviews with executive directors including the president, heads of business divisions, and executive officers, exchanged views with outside directors, and implemented on-site audits at domestic and overseas locations.

By making use of the internal control system, the Committee held monthly meetings with the Internal Control and Audit Department in an effort to promote information-sharing and cooperation and conducted interviews with planning and administration departments in business divisions and audits of companies overseeing operations overseas. The Committee also conducted interviews with the corporate auditors of subsidiaries concerning the status of their activities.

In addition, the Committee is working to maintain close cooperation with the Accounting Auditor through periodic exchange of opinions at quarterly reviews and other activities on issues including evaluation results of internal control concerning financial reporting.

(3) Basic Policy for Parties who Have Control Over Decisions of the Company Financial and Business Policies (Basic Policy on Corporate Control)

(a) Description of the Basic Policy

The Company has formed unique business domains over its 110-year history, which extends back to its founding in 1905. The Company's materials and machinery businesses span especially broad areas, and the diversity of the individual businesses that comprise these business fields has enabled the Company to create unique synergies. These businesses are supported by a wide range of stakeholders, including the Company's employees who take on bold challenges in the fields of research and development and manufacturing, business partners and customers in Japan and abroad—mainly in the transportation equipment, energy and infrastructure sectors—with whom the Company has nurtured relationships of trust over many years. For a wide range of customers, the Company supplies unique and diverse product lineups, including materials and components that are difficult to substitute in the materials businesses, and energy-efficient and eco-friendly products in the machinery businesses, and it also provides highly public services such as the supply of electricity—a crucial component of social infrastructure—in the electric power business. The Company recognizes its significant responsibility to society to continue to provide these products and services. The Company believes that its corporate value relies on the sources that originated from: the synergies created through the exchange and fusion of technologies across business divisions; the provision of unique and high-value-added products; relationships of trust built with stakeholders through these activities: the responsibility to provide social infrastructure; and the trust of society.

The Company, as a listed company, deems that there may be a situation where it must approve even a large-scale purchase of the Company's shares involving a change of its corporate control, as long as such purchase contributes to the securing and enhancement of its corporate value generated from the sources described above, and, ultimately, to the common interests of its shareholders in the course of open stock trading. However, for this to happen, the party who has control over decisions on the Company's financial and business policies must fully understand the sources of the Company's corporate value, such as the Company's management philosophy and the relationship of mutual trust with its stakeholders who support the Company, which are essential for the enhancement of corporate value and, ultimately, the common interests of its shareholders. With this understanding, such a party must secure and enhance the Company's corporate value and, ultimately, the common interests of its shareholders.

Taking this into consideration, the Company will strive to secure its corporate value and the common interests of its shareholders by taking appropriate measures against the one who makes or intends to make a large-scale purchase of the Company's shares within the scope permitted by relevant laws and regulations.

(b) Special initiatives that contribute to the realization of basic policies concerning the effective utilization of the Company's assets, the formation of an appropriate corporate group, and other corporate control matters

(i) Initiatives to enhance corporate value by developing management strategies

The Company is working to realize the Kobelco Group Medium-Term Management Plan (FY2021-FY2023), in order to enhance its corporate value by demonstrating its competitive advantages through solving social issues utilizing the Group's distinctive technologies, including contributing to the realization of a green society and ensuring safety and security in community development and manufacturing, and by pursuing corporate governance to support these efforts.

The Company will strive to enhance its corporate value through providing solutions to the needs of society, by making the best use of the talents of its employees and its technologies, based on the three core business areas of the materials businesses, machinery businesses, and the electric power business, with the aim of realizing "a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives."

* For the details of the Kobelco Group Medium-Term Management Plan (FY2021-FY2023), please see the press release section on the Company's website (<https://www.kobelco.co.jp/english/>).

(ii) Initiatives to enhance corporate value by strengthening corporate governance

The Company believes that it is necessary to strengthen corporate governance in order to continuously improve corporate value.

The Company has made various efforts to strengthen its corporate governance system, including the transition to a company with an Audit & Supervisory Committee, the review of the members of the Board of Directors, the enhancement of supervisory functions through the establishment of advisory bodies such as the Nomination & Compensation Committee and the Corporate Governance Committee, both of which consist of a majority of members from outside the Company, and the review of the remuneration system for directors and executive officers.

Going forward, the Company will continue looking for ways to further strengthen corporate governance, centering on the Corporate Governance Committee, taking into account the results of the Board of Directors' effectiveness evaluation.

(c) Initiatives to prevent inappropriate parties from having control over decisions on the Company's financial and business policies in light of its Basic Policy on Corporate Control

From the perspective of securing the Company's corporate value and the common interests of its shareholders, the Company will request that a party who makes or intends to make a large-scale purchase provide necessary and sufficient information to enable the shareholders to make an appropriate decision on whether or not to have them make such large-scale purchase in accordance with relevant laws and regulations and disclose the opinions of the Board of Directors of the Company and other information so as to secure the necessary time and information for the shareholders.

If it is reasonably assumed that the Company's corporate value and the common interests of shareholders may be harmed unless prompt defensive measures are taken, the Board of Directors will endeavor to secure its corporate value and the common interests of its shareholders, as an obvious obligation of the Board of Directors entrusted with management of the Company by its shareholders, by promptly deciding on the details of specific measures deemed most appropriate at the time and implementing them within the scope permitted by the relevant laws and regulations.

The initiatives stipulated in the Items (b) and (c) above are in line with the Company's corporate value and the common interests of its shareholders, based on the policy stipulated in the Item (a) above, and are not intended to maintain the status of directors of the Company.

(4) Policy on Decisions Concerning Dividends of Surplus, etc.

The Company positions the return of profits to shareholders as a key issue for management and works to improve the corporate value of the entire Group by promoting business development from a medium- to long-term perspective.

For the distribution of dividends, the Company takes its financial condition, business performance, future capital needs and other factors into overall consideration. In determining dividend amounts, the Company will look at each period's business performance and payout ratio, with the aim of paying dividends on a continuous and steady basis in principle.

The Company will strive to improve profitability and improve and strengthen its financial position by allocating the retained earnings to investments necessary for future growth.

For the time being, the Company will aim for a dividend payout ratio of 15–25% of consolidated profit in consideration of the distribution of profits commensurate with business performance.

The Company's Articles of Incorporation stipulate that dividend of surplus shall be determined by resolution at the Board of Directors in accordance with Article 459, Paragraph 1 and Article 460, Paragraph 1 of the Companies Act.

Based on this, the Company's basic policy is to pay dividends twice a year by resolution at the Board of Directors at the end of the interim period and at the end of the fiscal year, which are the record dates stipulated in the Articles of Incorporation. If the dividends are to be paid on any other record date, the record date shall be separately set by the Board of Directors.

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Note: Amounts shown in this business report are rounded down to the nearest whole unit.

Consolidated Balance Sheets

(As of March 31, 2023)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current Assets	1,415,987	Current liabilities	1,049,803
Cash and deposits	203,520	Notes and accounts payable	605,709
Notes receivable	24,535	Short-term borrowings	169,216
Accounts receivable	377,962	Bonds due within one year	900
Contract assets	26,074	Accounts payable - other	43,840
Merchandise and finished goods	242,752	Income and enterprise taxes payable	13,140
Work-in-process	167,485	Contract liabilities	58,828
Raw materials and supplies	290,419	Provision for bonuses	23,529
Other	88,039	Provision for product warranties	17,488
Allowance for doubtful accounts	(4,802)	Provision for loss on construction contracts	8,775
Fixed assets	1,458,764	Provision for loss on guarantees	956
Tangible fixed assets	1,066,035	Provision for customer compensation expenses	288
Buildings and structures	292,878	Other	107,129
Machinery and equipment	586,122	Long-term liabilities	847,295
Tools, equipment and fixtures	15,054	Bonds and notes	45,000
Land	135,518	Long-term borrowings	646,697
Construction in progress	36,462	Lease obligations	45,240
Intangible fixed assets	37,579	Deferred tax liabilities	6,555
Software	22,772	Deferred tax liabilities on land revaluation	3,253
Other	14,807	Net defined benefit liability	71,376
Investments and other assets	355,148	Provision for environmental measures	1,228
Investments in securities	204,627	Provision for dismantlement-related expenses	1,459
Long-term loans receivable	3,005	Other	26,482
Deferred tax assets	46,681	Total liabilities	1,897,098
Net defined benefit asset	22,091	NET ASSETS	
Other	99,030	Stockholders' equity	838,238
Allowance for doubtful accounts	(20,287)	Common stock	250,930
		Capital surplus	116,430
		Retained earnings	472,757
		Treasury stock, at cost	(1,879)
		Accumulated other comprehensive income	75,717
		Unrealized gains on securities, net of taxes	34,877
		Deferred gains (losses) on hedges, net of taxes	(7,082)
		Land revaluation differences, net of taxes	(3,400)
		Foreign currency translation adjustments	32,562
		Remeasurements of defined benefit plans, net of taxes	18,760
		Non-controlling interests	63,696
		Total net assets	977,653
Total assets	2,874,751	Total liabilities and net assets	2,874,751

(Amounts are rounded down to the nearest million yen.)

Consolidated Statements of Income

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Item	Amount	
Net sales		2,472,508
Cost of sales		2,151,217
Gross profit		321,290
Selling, general and administrative expenses		234,925
Operating profit		86,365
Non-operating income		
Interest and dividend income	6,337	
Other	52,510	58,847
Non-operating expenses		
Interest expenses	13,343	
Other	25,031	38,375
Ordinary profit		106,837
Extraordinary losses		
Impairment losses	4,438	
Loss on liquidation of business	4,332	8,770
Profit before income taxes		98,066
Income taxes – current	25,024	
Income taxes – deferred	(2,281)	22,743
Profit		75,322
Profit attributable to non-controlling interests		2,756
Profit attributable to owners of parent		72,566

(Amounts are rounded down to the nearest million yen.)

Non-Consolidated Balance Sheets

(As of March 31, 2023)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current Assets	856,786	Current liabilities	702,172
Cash and deposits	18,863	Accounts payable	438,598
Notes receivable	671	Short-term borrowings	112,190
Accounts receivable	164,164	Lease obligations	4,918
Contract assets	2,280	Accounts payable - other	25,669
Lease receivables	28	Accrued expenses	26,955
Merchandise and finished goods	128,507	Income and enterprise taxes payable	1,914
Work-in-process	120,202	Contract liabilities	30,495
Raw materials and supplies	210,869	Deposits received	14,881
Advance payments - trade	3,883	Unearned revenue	515
Prepaid expenses	3,336	Provision for bonuses	9,729
Short-term loans receivable	109,095	Provision for product warranties	2,501
Accounts receivable - other	78,648	Provision for loss on construction contracts	7,695
Other	16,300	Provision for environmental measures	335
Allowance for doubtful accounts	(66)	Provision for customer compensation expenses	239
Fixed assets	998,505	Asset retirement obligations	11
Tangible fixed assets	517,333	Other	25,519
Buildings	95,929	Long-term liabilities	519,949
Structures	42,223	Bonds and notes	45,000
Machinery and equipment	277,969	Long-term borrowings	390,668
Vehicles	576	Lease obligations	29,947
Tools, equipment and fixtures	7,028	Provision for retirement benefits	47,394
Land	65,230	Provision for environmental measures	540
Construction in progress	28,375	Provision for dismantlement-related expenses	1,459
Intangible fixed assets	14,204	Asset retirement obligations	694
Software	12,939	Other	4,243
Right of using facilities	178	Total liabilities	1,222,122
Other	1,085	NET ASSETS	
Investments and other assets	466,968	Stockholders' equity	604,211
Investments in securities	103,156	Common stock	250,930
Shares of subsidiaries and associates and investments in capital	217,295	Capital surplus	122,697
Long-term loans receivable	114,939	Legal capital surplus	122,697
Prepaid pension cost	13,958	Retained earnings	231,564
Deferred tax assets	8,785	Other retained earnings	231,564
Other	15,925	Reserve for special depreciation	41
Allowance for doubtful accounts	(7,092)	Reserve for advanced depreciation of fixed assets	1,641
		Retained earnings brought forward	229,881
		Treasury stock, at cost	(979)
		Valuation and translation adjustments	28,957
		Unrealized gains on securities, net of taxes	29,363
		Deferred gains (losses) on hedges net of taxes	(406)
		Total net assets	633,169
Total assets	1,855,291	Total liabilities and net assets	1,855,291

(Amounts are rounded down to the nearest million yen.)

Non-Consolidated Statements of Income

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Item	Amount	
Net sales		1,403,979
Cost of sales		1,271,010
Gross profit		132,969
Selling, general and administrative expenses		89,362
Operating profit		43,606
Non-operating income		
Interest and dividend income	31,271	
Other	17,678	48,950
Non-operating expenses		
Interest expenses	6,806	
Other	25,211	32,018
Ordinary profit		60,538
Profit before income taxes		60,538
Income taxes – current	5,058	
Income taxes – deferred	355	5,413
Profit		55,125

(Amounts are rounded down to the nearest million yen.)

[Reference] Status of Consolidated Cash Flow (From April 1, 2022 to March 31, 2023)

Item	Amount
	(Millions of yen)
Net cash provided by operating activities	119,692
Net cash provided by investing activities	(97,267)
Net cash provided by financing activities	(85,564)
Effect of exchange rate changes on cash and cash equivalents	5,756
Increase (decrease) in cash and cash equivalents	(57,382)
Cash and cash equivalents at the beginning of fiscal year	260,511
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	265
Cash and cash equivalents at the end of fiscal year	203,394

Consolidated Statement of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance as of April 1, 2022	250,930	116,434	418,033	(2,261)	783,136
Amount of change					
Dividends of surplus			(17,823)		(17,823)
Net income attributable to owners of the parent			72,566		72,566
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock			(1)	323	321
Changes in stockholders interest due to transaction with non-controlling interests		47			47
Change in scope of consolidation and equity method			(16)		(16)
Change in shares of parent owned by entities accounted for using equity method		(51)		65	13
Net changes other than stockholders' equity					
Total changes	—	(4)	54,723	382	55,102
Balance as of March 31, 2023	250,930	116,430	472,757	(1,879)	838,238

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on securities, net of taxes	Deferred gains (losses) on hedges, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income		
Balance as of April 1, 2022	28,987	(13,141)	(3,400)	16,054	3,689	32,189	57,019	872,346
Amount of change								
Dividends of surplus								(17,823)
Net income attributable to owners of the parent								72,566
Purchase of treasury stock								(5)
Disposal of treasury stock								321
Changes in stockholders interest due to transaction with non-controlling interests								47
Change in scope of consolidation and equity method								(16)
Change in shares of parent owned by entities accounted for using equity method								13
Net changes other than stockholders' equity	5,889	6,058	—	16,508	15,071	43,527	6,676	50,204
Total changes	5,889	6,058	—	16,508	15,071	43,527	6,676	105,307
Balance as of March 31, 2023	34,877	(7,082)	(3,400)	32,562	18,760	75,717	63,696	977,653

(Amounts are rounded down to the nearest million yen.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Important Matters Forming the Basis of the Preparation of Consolidated Financial Statements

1. Matters Concerning the Scope of Consolidation

Kobe Steel, Ltd. (the “Company”) has 202 subsidiaries, of which 171 subsidiaries are included in the scope of consolidation (the “Kobe Steel Group”). Names of major consolidated subsidiaries are as follows.

Nippon Koshuha Steel Co., Ltd., Kobelco Wire Company, Ltd., Kobelco Logistics, Ltd., Kobelco Bolt, Ltd., Kobelco E&M Co., Ltd., Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd., Kobelco Precision Technology Sdn. Bhd., Kobelco Millcon Steel Co., Ltd., Kobe Aluminum Automotive Products (China) Co., Ltd., Kobe Aluminum Automotive Products, LLC, Kobelco Aluminum Products & Extrusions Inc., Kobelco Welding of Qingdao Co., Ltd., Kobelco Welding of Korea Co., Ltd., Kobelco Compressors Corporation, Kobelco Machinery Engineering Co., Ltd., Shinko Wuxi Compressor Co., Ltd., Kobelco Compressors Manufacturing (Shanghai) Corporation, Kobelco Industrial Machinery India Pvt. Ltd., Quintus Technologies AB, Kobelco Compressors America, Inc., Kobelco Eco-Solutions Co., Ltd., Kobelco Eco-Maintenance Co., Ltd., Midrex Technologies, Inc., Kobelco Construction Machinery Co., Ltd., Kobelco Construction Machinery Japan Co., Ltd., Toyosugiue Co., Ltd., Kobelco Construction Machinery (China) Co., Ltd., Chengdu Kobelco Construction Machinery Financial Leasing Ltd., Hangzhou Kobelco Construction Machinery Co., Ltd., Kobelco Construction Machinery Southeast Asia Co., Ltd., Kobelco Construction Equipment India Pvt. Ltd., Kobelco Construction Machinery Europe B.V., Kobelco International (S) Co., Pte. Ltd., Pt. Daya Kobelco Construction Machinery Indonesia, Kobelco Construction Machinery USA, Inc., Kobelco Power Kobe Inc., Kobelco Power Moka Inc., Kobelco Power Kobe No. 2, Inc., Kobelco Research Institute, Inc., Kobelco (China) Holding Co., Ltd., Kobe Steel USA Holdings Inc.

For fiscal year 2022, four companies, including Kobelco Millcon Steel Co., Ltd., are newly consolidated and two companies, including Tesac Shinko Wire Rope Co., Ltd., are excluded from the scope of consolidation due to absorption-type merger, etc.

Thirty-one non-consolidated subsidiaries, including Kobelco E&M Vietnam Co., Ltd., are excluded from the scope of consolidation because the aggregated amounts of their total assets, sales, profit (corresponding to amount of equity interest), retained earnings (corresponding to amount of equity interest) and other indicators are insignificant compared with those of the consolidated companies.

2. Matters Concerning the Application of the Equity Method

Of the 31 non-consolidated subsidiaries and 49 affiliates, 35 companies are accounted for by the equity method. Names of major companies accounted for by the equity method are as follows.

Kansai Coke and Chemicals Company, Limited, Nippon Steel Kobelco Metal Products Co., Ltd., Kobelco Angang Auto Steel Co., Ltd., Ulsan Aluminum, Ltd., PRO-TEC Coating Company, LLC, Japan Aeroforge, Ltd., Hokuto Co., Ltd., Shinsho Corporation, Shinsei Kobelco Leasing Co., Ltd., TC Kobelco Real Estate Co., Ltd.

For fiscal year 2022, two companies, including Kobelco Millcon Steel Co., Ltd., are excluded from the scope of the companies accounted for by the equity method due to additional acquisition of their shares, etc.

Thirty-one non-consolidated subsidiaries (Kobelco E&M Vietnam Co., Ltd. and others) and 14 affiliates (J&T Welding Supply Co., Ltd. and others) are not accounted for by the equity method. The aggregated amounts of their profit (corresponding to amount of equity interest), retained earnings (corresponding to amount of equity interest) and other indicators are insignificant compared with those of the consolidated companies and those that are accounted for by the equity method. Accordingly, they are not accounted for by the equity method.

3. Matters Concerning Accounting Policies

(1) Basis and method for valuation of significant assets

A. Basis and method for valuation of securities

Available-for-sale securities

- i) Securities other than shares, etc. that do not have a market price
Fair value basis, based on the market price etc. on the balance sheet date (with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets and cost of securities sold is primarily determined using the moving average method).
- ii) Shares, etc. that do not have a market price
Cost basis, determined mainly using the moving average method.

B. Basis for valuation of derivatives

Fair value basis

C. Basis and method for valuation of inventories

Cost basis, determined principally by the average method for inventories in the Steel & Aluminum Business, Advanced Materials Business (except for cast forged steel products), Welding Business and Electric Power Business, and by the specific identification method for cast forged steel products in the Advanced Materials Business and inventories in the Machinery Business, Engineering Business and Construction Machinery Business (the book value on the balance sheets may be written down to market value due to decline in the profitability).

(2) Depreciation and amortization method for significant depreciable assets

a) Tangible fixed assets

- i) Owned fixed assets
Primarily by the straight-line method.
- ii) Leased assets
 - Under finance leases that transfer ownership of the leased assets
By the same method as the owned fixed assets.
 - Under finance leases that do not transfer ownership of the leased assets
By the straight-line method over the respective lease term (equal to estimated useful lives) with no residual value.

b) Intangible fixed assets

Primarily by the straight-line method.
For software for internal use, by the straight-line method over the estimated internal use lives (primarily 5 years).

(3) Basis for recognition of significant allowances and provisions

a) Allowance for doubtful accounts

To provide for potential losses on doubtful accounts, allowance is made at an amount based on the actual bad debt ratio in the past for normal accounts, and estimated uncollectible amounts based on specific collectability assessments for certain individual receivables, such as those with a possibility of default.

b) Provision for bonuses

To provide for employee bonus payments, provision is made based on the estimated amounts to be paid.

c) Provision for product warranties

To provide for after-sales and after-construction and delivery warranty cost payments, mainly for steel castings and forgings as well as titanium products in the Advanced Materials Business, Machinery Business, Engineering Business and Construction Machinery Business, provision is made at an estimated amount as of the end of the fiscal year 2022 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount as of the fiscal year 2022 for certain individual cases.

d) Provision for loss on construction contracts

To provide for future losses on construction contracts, mainly for steel castings and forgings in the Advanced Materials Business, Machinery Business and Engineering Business, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal year 2022.

e) Provision for loss on guarantees

Provision for future loss on guarantees is based on an estimate of total loss at the end of the fiscal year 2022, considering the financial position, etc. of the guaranteed parties on a case- by- case basis.

f) Provision for dismantlement related expenses

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at the Kobe Wire Rod & Bar Plant, provision is made at an estimated amount at the end of the fiscal year 2022.

g) Provision for customer compensation expenses

For expenses related to a response to the misconduct that through data falsification and/or fabrication of inspection results, products that did not meet, among others, public standards or customer specifications were shipped or provided to customers as if they had met these requirements, including compensation for product exchanges and investigations carried out by customers, etc., provision is made at an estimated amount at the end of the fiscal year 2022.

h) Provision for environmental measures

For the cost of PCB waste treatment required by “Law Concerning Special Measure against Promotion of Proper Treatment of Polychlorinated Biphenyl (PCB) Waste” and others, provision is made at an estimated amount at the end of the fiscal year 2022.

(4) Accounting method for retirement benefits

To provide for payments of retirement benefits to employees, the amount of retirement benefit obligations net of the amount of plan is established assets based on the amount expected at the end of the fiscal year 2022.

In determining retirement benefit obligations, the benefit formula basis is adopted as the attribution method of the projected retirement benefit obligations up to the current consolidated fiscal year.

Prior service costs are charged to income mainly using the straight-line method based on the average remaining service period of the employees.

Actuarial differences are charged to income from the period following the period in which it arises mainly using the straight-line method based on the average remaining service period of the employees.

Unrecognized prior service costs and unrecognized actuarial differences, net of applicable taxes, are stated in "Remeasurements of defined benefit plans, net of taxes" in accumulated other comprehensive income under net assets.

(5) Basis for recognition of revenue and expenses

The Group applies the following five steps with respect to recognition of revenue.

Step 1: Identify a contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when or as the performance obligations are satisfied

Revenues from the materials business (steel and aluminum, advanced materials, and welding) are primarily from product sales; revenues from the machinery business (machinery, engineering, and construction machinery) are primarily from product sales, construction contracts, and provision of services; and revenues from the electric power business are primarily from the supply of electric power.

a) Performance obligation satisfied at a point in time

For sales of products, in principle, revenue is recognized at the time of delivery of such product, since control of the product is transferred to a customer and the performance obligation is satisfied at that time. However, if the period from the time of shipment to the time when control of the product is transferred to a customer is a normal period of time, control of the product is deemed to be transferred to the customer at the time of shipment, and revenue is recognized at the time of shipment.

For provision of services, the performance obligation is satisfied when services are provided, and revenue is recognized at that time.

For supply of electric power, the performance obligation is satisfied when electric power is supplied, and the Company recognizes revenue based on the amount of electric power supplied to a customer, as measured by meter readings taken on the contractually specified measurement date.

- b) Performance obligation satisfied over a certain period of time
- For construction contracts, the Company primarily estimates the progress toward satisfaction of performance obligations to be provided to a customer and recognizes revenue based on such progress. Since the accrual of cost is an appropriate measure of the degree of progress of construction, the degree of progress is calculated as the ratio of the cumulative actual cost incurred to the estimated total cost. The consideration for transactions is received primarily in stages during the contract period, separately from the satisfaction of performance obligations, and the remaining amount is received after a specified period of time has elapsed following the satisfaction of performance obligations. For provision of services, revenue is recognized based on a percentage of the total amount of services transferred.

Revenue is measured at the amount of consideration promised in a contract with a customer, less discounts, rebates, etc. If the consideration promised in a contract with a customer includes variable consideration such as discount, the Company includes an estimate of variable consideration in the transaction price only to the extent that it is highly unlikely that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration for transaction is generally received within approximately one year of satisfaction of the performance obligation and does not include a significant financial component.

- (6) Basis for translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the consolidated balance sheet date, except for those hedged by foreign currency exchange contracts, with the resulting gains and losses recognized in income.

Assets and liabilities of consolidated foreign subsidiaries are translated into Japanese yen at the spot exchange rates as of the balance sheet date and revenues and expenses are translated into Japanese yen at average rates for the period, with the resulting gains and losses included in “Foreign currency translation adjustments” under net assets and “Non-controlling interests”.

- (7) Principal method for hedge accounting

- A. Method for hedge accounting Deferred hedge method is applied.

Assigning method is applied to monetary receivables and payables denominated in foreign currencies that are specifically covered by foreign currency exchange contracts and qualify for such assigning. Exceptional method is applied to interest rate swaps that meet specific matching criteria and qualify for such accounting.

- B. Hedging instruments and hedged items
- a) Hedging instruments Foreign currency exchange contracts, interest rate swap contracts and commodity forward contracts
- b) Hedged items Assets and liabilities exposed to losses from market fluctuations related to foreign exchange rates, interest rates and trading of bare metal such as aluminum (including those expected from forecasted transactions).
- C. Hedging policy and method for assessing the hedge effectiveness
- The Group uses hedge transactions to reduce the risks from market fluctuations and do not enter into hedge transactions for speculative purposes.
- The Company assesses the hedge effectiveness in accordance with its internal rules.
- The consolidated subsidiaries assess the hedge effectiveness in accordance with similar internal rules through the Company's responsible division or the subsidiary's own responsible division.
- (8) Method for amortization of goodwill
- Goodwill is amortized using the straight-line method (or immediately charged to income if immaterial) over the practically estimated effective periods where estimable during the period in which it arises, or otherwise, over five years.
- (9) Application of the group tax-sharing system
- The group tax-sharing system is applied.

Notes Regarding Accounting Estimates

1. Impairment of fixed assets

Regarding fixed assets, if the Group judges that there is an indication of impairment, such as continuous operating losses, the Group estimates recoverability based on future cash flows and assesses whether or not it must recognize an impairment loss. If the total amount of future cash flows that will be generated by the asset group is below the book value of the fixed asset, the Group recognizes an impairment loss.

The Group records impairment losses of 4,438 million yen for the fiscal year under review, and the breakdown is as per the description in "Notes to Consolidated Statements of Income," under "2. Impairment Losses."

The book value of fixed assets at the end of the fiscal year under review was 1,103,615 million yen (1,066,035 million yen for tangible fixed assets and 37,579 million yen for intangible fixed assets), including multiple asset groups for which the Group did not recognize an impairment loss despite there being an indication of impairment. The main asset groups to which this applies were as follows.

<Construction Machinery>

The Group judged that there was an indication of impairment for fixed assets used in the businesses of Kobelco Construction Machinery Co., Ltd., a subsidiary of the Company in the Construction Machinery Business, as a result of continuous operating losses caused by increasingly fierce competition overseas, higher procurement costs for steel, production cutbacks due to parts supply shortages, and other factors. In future business plans, the Group has incorporated key assumptions, including an improvement in sales prices and an increase in units sold based on higher demand in sales areas owing to increased construction investment and expansion of the market share. The undiscounted total amount of future cash flows estimated based on business plans formulated under these assumptions

exceeded the book value of the fixed assets of 61,126 million yen (54,357 million yen for tangible fixed assets and 6,769 million yen for intangible fixed assets), and therefore the Group did not recognize an impairment loss.

If there are significant changes to the assumptions for these estimates, such as a large divergence between assumptions set when estimates were made and actual results, and future cash flows underperform as a result, the Group may recognize an impairment loss in the next consolidated fiscal year.

2. Deferred tax assets

The Group recorded 46,681 million yen in “deferred tax assets” under “investments and other assets” in “fixed assets” on the consolidated balance sheet for deductible temporary differences, tax losses carried forward, etc. with a high possibility of being deducted from future taxable income.

The Group has estimated taxable income over a certain future period based on the Medium-Term Management Plan, budget, and other business plans that management has judged to be appropriate, and has also made judgments about when specific deductible temporary differences are expected to be reversed. As such, the Group has judged that the possibility of recovery is high for deferred tax assets pertaining to deductible temporary differences expected to be reversed within a certain period, etc. In addition, the Group has incorporated key assumptions, including forecasts of demand and sales prices in the main businesses, when formulating business plans.

If projections of future taxable income fluctuate significantly as a result of the impact on the Group’s demand field caused by the prolonged global shortage of semiconductors and other factors, as well as delays in resolving the gap between prices for raw and other materials and energy and sales prices, or other factors, and the recoverability of deferred tax assets fluctuates significantly as a result, there may be a material impact on the recorded amount of deferred tax assets in the next consolidated fiscal year.

Additional Information

1. Introduction of the Board Benefit Trust (BBT) for Directors and Other Executives

The Company introduced a new stock compensation plan, a “Board Benefit Trust (BBT)”, to more clearly link the compensation of Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive Officers to the Company’s performance and the value of its stock, and in order to encourage the Directors to contribute to improve medium- to long-term business performance and enhance corporate value. The accounting method regarding the BBT agreement complies with the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts (Practical Issues Task Force (PITF) No. 30, March 26, 2015).

1) Overview of transactions

This plan is a stock compensation plan under which money contributed by the Company is used as funds to acquire the Company’s shares through a trust. With regard to Directors and Executive Officers (hereinafter “Directors and Other Executives”), in accordance with the director stock benefit rules established by the Company, the Company’s shares (hereinafter the “Company’s Shares and Money”) and the cash equivalent to the amount converted from the market price of the Company’s Shares are provided through the trust. In addition, Directors and Other Executives shall receive the Company’s Shares and Money in principle every three years on a fixed date during the trust period.

2) Kobe Steel stock remaining in the Trust

The Company’s stock remaining in the trust is posted as treasury stock in a part of net assets based on the book value (excludes amounts for incidental expenses). The corresponding treasury stock’s book value at the end of the fiscal year under review was 350 million yen for 390,000 shares.

2. Approach to the impact of the novel coronavirus infection when forming accounting estimates

The Group forms accounting estimates of the recoverability of deferred tax assets based on the assumption that the impact on the business performance of the next fiscal year of the spread of the novel coronavirus infection is immaterial.

Notes to Consolidated Balance Sheets

1. Assets Pledged as Collateral and Collateralized Debt

(1) Assets pledged as collateral

Tangible fixed assets	258,042 million yen
Cash and deposits	58,741
<u>Other</u>	<u>53,182</u>
Total	369,966

(2) Collateralized debt

Long-term borrowings	243,369 million yen
<u>Short-term borrowings</u>	<u>29,005</u>
Total	272,374

2. Accumulated Depreciation of Tangible Fixed Assets 2,660,760 million yen

3. Guarantee Liabilities

(1) Guarantees of loans from financial institutions are provided to companies other than consolidated companies.

13 construction machinery sales agents in China	4,325 million yen*
Japan Aeroforge, Ltd.	1,323
<u>Others (9 companies and others)</u>	<u>926</u>
Total	6,574

*Kobelco Construction Machinery (China) Co., Ltd., a consolidated subsidiary of the Company, will be obligated to perform the obligations under relevant debts if a sales agent fails to pay in connection with a lease transaction of construction machinery between a leasing company and the sales agent.

Kobelco Construction Machinery (China) Co., Ltd. sells construction machinery to customers through sales agents or leasing companies. Sales agents pledge guarantees to buy construction machinery, pledged as collateral at the amounts of the balance on bank loans or future minimum lease payments. Kobelco Construction Machinery (China) Co., Ltd. pledges reinsurance for this guarantee. The balances of the reinsurance were 5,920 million yen at the end of fiscal year 2022.

(2) Notes receivable discounted	1,086 million yen
(3) Trade notes receivable endorsed	3,658 million yen
(4) Repurchase obligation accompanying securitization of receivables	5,379 million yen

Notes to Consolidated Statements of Income

1. Revenue from contracts with customers

With respect to net sales, the amount of other revenues than revenue from contracts with customers is not material. Accordingly, revenue from contracts with customers and that recognized from other sources are not separately stated. The amount of revenue from contracts with customers is stated in “Notes on Revenue Recognition,” under “1. Disaggregation of revenue from contracts with customers.”

2. Impairment losses

The Group recognizes impairment losses on the following asset groups (4,438 million yen). The breakdown is buildings and structures of 3,120 million yen, machinery and transportation equipment of 458 million yen, tools, furniture and fixtures of 191 million yen, land of 43 million yen, software of 279 million, and other in intangible fixed assets of 345 million yen.

Use	Location and number of properties	Type and amount (Million yen)
Construction machinery manufacturing facilities, etc. (Kobelco Construction Machinery (China) Co., Ltd.)	Sichuan Province, China 3 properties	Buildings and structures, etc. 4,096
Idle assets	Chuo-ku, Kobe and others 6 properties in total	Other in intangible fixed assets, etc. 341

In the Group’s determination of impairment losses, the assets for business use are, in principle, grouped by business office while taking into account the situation of continuous income/loss management and the unit of cash generation. Idle assets are grouped for each individual property.

A recoverable value is measured primarily based on a net sales value which is determined based on an appraisal value, estimated sales value, and others.

The background for recognizing impairment losses for each main asset group is as follows.

Construction machinery manufacturing facilities, etc. (Kobelco Construction Machinery (China) Co., Ltd.)

The book value of 6,787 million yen was reduced to the recoverable value due to lower profitability as a result of a decline in demand caused by slower infrastructure investment and other factors, and the amount of such reduction is recognized as an impairment loss (4,096 million yen) in extraordinary losses.

3. Loss on liquidation of business

Loss on liquidation of business of 4,332 million yen consist of compensation, etc. paid to resignees as a result of the consolidation of the production of hydraulic excavators of Hangzhou Kobelco Construction Machinery Co., Ltd., a production subsidiary in China in the Construction Machinery Business, into Kobelco Construction Machinery (China) Co., Ltd. of 3,419 million yen and additional retirement benefits, etc. expected to be paid as a result of business downsizing of Koshuha Precision Co., Ltd., a subsidiary in the Steel & Aluminum Business, of 912 million yen.

Notes to Consolidated Statements of Changes in Net Assets

1. Type and Total Number of Shares Issued at the End of Fiscal Year 2022
Common stock 396,345,963 shares

2. Matters Concerning Dividends

(1) Dividends paid

Resolution	Type of stock	Total dividends	Dividends per share	Record date	Effective date	Source of dividends
May 18, 2022 Board of Directors' meeting	Common stock	11,882 million yen	30.0 yen	March 31, 2022	June 23, 2022	Retained earnings
November 9, 2022 Board of Directors' meeting	Common stock	5,941 million yen	15.0 yen	September 30, 2022	December 1, 2022	Retained earnings

(2) Dividends with the record date in fiscal year 2022 and the effective date in fiscal year 2023

At a meeting of the Board of Directors to be held on May 17, 2023, the Company intends to submit an agenda item concerning the payment of dividends on common stock as follows.

- 1) Total dividends 9,902 million yen
- 2) Dividends per share 25.0 yen
- 3) Record date March 31, 2023
- 4) Effective date June 1, 2023

The Company intends for the source of dividends to be retained earnings.

Notes on Financial Instruments

1. Matters Concerning Status of Financial Instruments

The Kobe Steel Group raises long-term funds mainly by bank loans and issuance of bonds based on its capital budget as well as its investment and loan plan. For short-term capital needs, the Kobe Steel Group raises funds mainly by bank loans and commercial paper in relation to its projected income and working capital. The Kobe Steel Group invests temporary excess cash in secure financial assets.

Notes and accounts receivable are exposed to the credit risks of customers. In order to manage these risks, the Company follows its internal credit management rules and the consolidated subsidiaries follow similar rules. Investments in securities consist principally of the shares of customers and are exposed to the risk of changes in quoted market prices, etc. Quoted market prices of securities are regularly monitored and reported to the Board of Directors.

Notes and accounts payable and borrowings are exposed to liquidity risk related to financing. The Company controls financial plans at the group level to manage the risk. Derivative transactions are utilized to avoid the risks from market fluctuations related to foreign exchange rates, interest rates and trading of aluminum bare metal etc. and the Group does not enter into derivative transactions for speculative purposes. In order to manage these risks, the Company follows its internal rules and the consolidated subsidiaries follow similar rules.

2. Matters concerning fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet, fair value and the difference as of March 31, 2023 are as follows.

(Millions of yen)

	Carrying amount *3	Fair value *3	Difference
(1) Investments in securities *4			
a) Securities of subsidiaries and affiliates	6,249	6,838	589
b) Available-for-sale securities	97,804	97,804	—
(2) Short-term borrowings	(169,216)	(173,418)	(4,202)
(3) Bonds and notes due within one year	(900)	(893)	6
(4) Bonds and notes	(45,000)	(45,344)	(344)
(5) Long-term borrowings	(646,697)	(643,792)	2,905
(6) Lease obligations (long-term liabilities)	(45,240)	(44,366)	874
(7) Derivative transactions *5			
a) Hedge accounting not applied	(1,466)	(1,466)	—
b) Hedge accounting applied	(9,974)	(9,974)	—

*1 “Cash and deposits” are omitted because they comprise cash and short-term instruments whose carrying amount approximates their fair value.

*2 “Notes receivable,” “Accounts receivable,” “Notes and accounts payable,” and “Accounts payable - other” are omitted because they comprise short-term instruments whose fair value approximates their carrying amount.

*3 Liabilities are presented with parentheses.

*4 Shares, etc. that do not have a market price are not included in “(1) Investments in securities.” The carrying amount of these financial instruments in the consolidated balance sheet are as follows:

(Millions of yen)

Classification	Carrying amount in consolidated balance sheets
Unlisted shares, etc.	100,573

*5 Assets and liabilities arising from derivative transactions are presented after offsetting and with parentheses if the offset results in a liability.

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value in the consolidated balance sheets

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investments in securities				
b) Available-for-sale securities	97,804	—	—	97,804
(7) Derivative transactions				
a) Hedge accounting not applied	—	(1,466)	—	(1,466)
b) Hedge accounting applied	—	(9,974)	—	(9,974)

(2) Financial instruments other than those measured at fair value in the consolidated balance sheet

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investments in securities				
a) Shares of subsidiaries and affiliates	6,838	—	—	6,838
(2) Short-term borrowings	—	(173,418)	—	(173,418)
(3) Bonds and notes due within one year	—	(893)	—	(893)
(4) Bonds and notes	—	(45,344)	—	(45,344)
(5) Long-term borrowings	—	(643,792)	—	(643,792)
(6) Lease obligations (long-term liabilities)	—	(44,366)	—	(44,366)

Note: A description of the valuation technique(s) and inputs used in the fair value measurements

(1) Investments in securities

Listed shares are valued using market prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

(2) Short-term borrowings, (5) Long-term borrowings, and (6) Lease obligations (long-term liabilities)

The fair values are determined based on the present value by discounting the sum of principal and interest by the assumed rate which would be applied if a similar new borrowing or lease payments were entered into. The fair values of floating rate long-term borrowings hedged by interest rate swaps that qualify for hedge accounting and meet specific matching criteria for an exceptional method, are calculated by discounting the sum of principal and interest, including the differential paid or received under the swap agreements, by the reasonably estimated rate which would be applied if a similar new borrowing were entered into. They are all classified as Level 2.

(3) Bonds and notes due within one year and (4) Bonds and notes

The fair values are determined based on market prices (reference statistical prices and yields), etc. and are classified as Level 2.

(7) Derivative transactions

For foreign currency exchange contracts, the fair values are determined based on the discounted present value method using observable inputs including forward foreign exchange rates. For interest rate swaps and currency swaps, the fair values are determined based on quotes obtained from counterparty financial institutions with which contracts calculated primarily based on the discounted present value method using observable inputs including interest rates and foreign exchange rates have been entered into. For commodity forward contracts, the fair values are

determined based on the discounted present value method using observable inputs including commodity futures prices, and they are classified as Level 2.

For certain forward exchange contracts for which the “assigning” method is applied, the fair values are included in the fair values of the hedged accounts receivable and accounts payable.

For interest rate swaps for which the “exceptional” method is applied, the fair values are included in the fair values of the hedged long-term borrowings (see (5) above).

Notes on Revenue Recognition

1. Disaggregation of revenue from contracts with customers

The following is a breakdown of the Group’s net sales by reportable segment, broken down by region and by the time of transfer of goods or services.

(1) Breakdown by region

(Millions of yen)

	Reportable segments						
	Steel & Aluminum			Advanced Materials	Welding	Machinery	Engineering
	Steel	Aluminum sheet	Total				
Japan	702,008	118,988	820,997	149,507	46,792	68,318	110,845
China	37,850	44,913	82,763	24,309	8,775	40,920	10,620
Other	135,623	26,372	161,995	92,362	31,750	72,353	22,273
Net sales to external customers	875,483	190,274	1,065,757	266,179	87,318	181,592	143,739

	Reportable segments			Other (Note 1)	Total	Adjustment	Carrying amount in consolidated statements of income
	Construction Machinery	Electric power	Total				
Japan	150,915	324,369	1,671,746	15,714	1,687,461	1,567	1,689,028
China	28,093	—	195,483	1,270	196,753	35	196,789
Other	202,711	—	583,447	3,200	586,647	44	586,691
Net sales to external customers	381,720	324,369	2,450,677	20,184	2,470,861	1,646	2,472,508

(2) Breakdown by the time of transfer of goods or services

(Millions of yen)

	Reportable segments						
	Steel & Aluminum			Advanced Materials	Welding	Machinery	Engineering
	Steel	Aluminum sheet	Total				
Goods or services transferred at a point in time	863,088	190,274	1,053,362	266,179	87,318	164,651	49,426
Goods or services transferred over a certain period of time	12,394	—	12,394	—	—	16,940	94,313
Net sales to external customers	875,483	190,274	1,065,757	266,179	87,318	181,592	143,739

	Reportable segments			Other (Note 1)	Total	Adjustment	Carrying amount in consolidated statements of income
	Construction Machinery	Electric power	Total				
Goods or services transferred at a point in time	372,500	324,369	2,317,808	19,662	2,337,470	1,613	2,339,083
Goods or services transferred over a certain period of time	9,220	—	132,869	522	133,391	33	133,424
Net sales to external customers	381,720	324,369	2,450,677	20,184	2,470,861	1,646	2,472,508

Note 1: The “Other” segment is a business segment not included in the reportable segments and includes Kobelco Research Institute, Inc. (special alloys and other new materials (target materials, etc.), analysis of various materials, etc.) and other businesses.

Note 2: Net sales to external customers primarily consist of revenue recognized from contracts with customers, and revenue recognized from other sources is included in revenue from contracts with customers.

Note 3: Information on net sales broken down by region is based on the location of customers and broken down by country.

2. Information to understand the amount of revenue for the current fiscal year and subsequent fiscal years

(1) Contract asset and contract liability balances

(Millions of yen)

	Amount
Receivables from contracts with customers (beginning balance)	328,098
Receivables from contracts with customers (ending balance)	402,497
Contract assets (beginning balance)	29,874
Contract assets (ending balance)	26,074
Contract liabilities (beginning balance)	45,218
Contract liabilities (ending balance)	58,828

Contract assets relate to the consideration for transaction for which an invoice has not yet been issued under the contract for revenue recognized based on progress, mainly in the machinery and engineering businesses. Once the right to the consideration becomes unconditional, it is reclassified to receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers. Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 33,058 million yen. The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied in the previous fiscal year is not material.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient to the notes on transaction prices allocated to the remaining performance obligations, and does not disclose contracts with an original expected duration of one year or less. Such performance obligations primarily relate to the sales of products, construction contracts, and provision of services in the machinery and engineering businesses. The total transaction price allocated to the remaining performance obligations and the time frame over which the Group expects to recognize the amount as revenue are as follows.

(Millions of yen)

	Amount
Within one year	238,441
Over one year	374,676
Total	613,118

Notes on Per Share Information

Net assets per share	2,314.31 yen
Net income per share	183.80 yen

Note: The Company's shares (posted as treasury stock in stockholders' equity) remaining in the trust related to the Board Benefit Trust (BBT) plan are included in treasury stock. These are excluded from the calculation of the number of shares at the end of the period and the average number of shares during the period when calculating net assets per share and net income per share.

The number of such shares at the end of the period excluded from the calculation of net assets per share for this fiscal year was 390,000 shares, while the average number of shares during the period excluded from the calculation of net income per share for this fiscal year was 500,000 shares.

(Amounts are rounded down to the nearest million yen.)

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Stockholders' equity								
	Common stock	Capital surplus		Retained earnings				Treasury stock, at cost	Total stockholders' equity
		Legal capital surplus	Total capital surpluses	Other retained earnings			Total retained earnings		
				Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	Retained earnings brought forward			
Balance as of April 1, 2022	250,930	122,697	122,697	82	1,781	192,401	194,264	(1,296)	566,595
Amount of change									
Reversal of reserve for special depreciation				(41)		41	—		—
Reversal of reserve for advanced depreciation of fixed assets					(139)	139	—		—
Dividends of surplus						(17,823)	(17,823)		(17,823)
Net income						55,125	55,125		55,125
Purchase of treasury stock								(5)	(5)
Disposal of treasury stock						(1)	(1)	323	321
Net changes other than stockholders' equity									
Total changes	—	—	—	(41)	(139)	37,479	37,299	317	37,616
Balance as of March 31, 2023	250,930	122,697	122,697	41	1,641	229,881	231,564	(979)	604,211

	Valuation and translation adjustments			Total net assets
	Unrealized gains on securities, net of taxes	Deferred gains (losses) on hedges net of taxes	Total valuation and translation adjustments	
Balance as of April 1, 2022	23,250	(1,330)	21,920	588,515
Amount of change				
Reversal of reserve for special depreciation				—
Reversal of reserve for advanced depreciation of fixed assets				—
Dividends of surplus				(17,823)
Net income				55,125
Purchase of treasury stock				(5)
Disposal of treasury stock				321
Net changes other than stockholders' equity	6,112	924	7,036	7,036
Total changes	6,112	924	7,036	44,653
Balance as of March 31, 2023	29,363	(406)	28,957	633,169

(Amounts are rounded down to the nearest million yen.)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Matters concerning Significant Accounting Policies

1. Basis and Method for Valuation of Securities

- (1) Securities of subsidiaries and affiliates Cost basis, determined using the moving average method.
- (2) Available-for-sale securities
 - Securities other than shares, etc. that do not have a market price
Fair value basis, based on the market price etc. on the balance sheet date (with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets and cost of securities sold is primarily determined using the moving average method).
 - Shares, etc. that do not have a market price Cost basis, determined using the moving average method.

2. Basis for Valuation of Derivatives

Fair value basis

3. Basis and Method for Valuation of Inventories

Cost basis, determined by the average method for inventories in the Steel & Aluminum Business, Advanced Materials Business (except for cast forged steel products) and Welding Business, and by the specific identification method for cast forged steel products in the Advanced Materials Business and inventories in the Machinery Business and Engineering Business (the book value on the balance sheet may be written down to market value due to decline in the profitability).

4. Depreciation and Amortization Method for Fixed Assets

- (1) Tangible fixed assets
 - a) Owned fixed assets By the straight-line method.
 - b) Leased assets
 - Under finance leases that transfer ownership of the leased assets
By the same method as the owned fixed assets.
 - Under finance leases that do not transfer ownership of the leased assets
By the straight-line method over the respective lease term (equal to estimated useful lives) with no residual value.
- (2) Intangible fixed assets By the straight-line method.
For software for internal use, by the straight-line method over the estimated internal use lives (five (5) years).
- (3) Long-term prepaid expenses By the straight-line method.

5. Basis for Recognition of Allowances and Provisions

(1) Allowance for doubtful accounts

To provide for potential losses on doubtful accounts, allowance is made at an amount based on the actual bad debt ratio in the past for normal accounts, and estimated uncollectible amounts based on specific collectability assessments for certain individual receivables, such as those with a possibility of default.

(2) Provision for bonuses

To provide for employee bonus payments, provision is made based on the estimated amounts to be paid.

(3) Provision for product warranties

To provide for after-sales and after-construction and delivery warranty cost payments, for steel castings and forgings as well as titanium products in the Advanced Materials Business, Machinery Business, and Engineering Business, provision is made at an estimated amount as of the end of the fiscal year 2022 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount as of the end of the fiscal year 2022 for certain individual cases.

(4) Provision for loss on construction contracts

To provide for future losses on construction contracts, for steel castings and forgings in the Advanced Materials Business, Machinery Business and Engineering Business, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal year 2022.

(5) Provision for dismantlement-related expenses

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at the Kobe Wire Rod & Bar Plant, provision is made at an estimated amount at the end of the fiscal year 2022.

(6) Provision for customer compensation expenses

For expenses related to a response to the misconduct that through data falsification and/or fabrication of inspection results, products that did not meet, among others, public standards or customer specifications were shipped or provided to customers as if they had met these requirements, including compensation for product exchanges and investigations carried out by customers, etc., provision is made at an estimated amount at the end of the fiscal year 2022.

(7) Provision for environmental measures

For the cost of PCB waste treatment required by “Law Concerning Special Measure against Promotion of Proper Treatment of Polychlorinated Biphenyl (PCB) Waste”, provision is made at an estimated amount at the end of the fiscal year 2022.

(8) Provision for retirement benefits

To provide for payments of retirement benefits to employees, provision is made based on the retirement benefit obligation and the estimated amount of plan assets at the end of the fiscal year 2022.

Prior service costs are charged to income using the straight-line method based on the average remaining service period of the employees.

Actuarial differences are charged to income from the period following the period in which it arises using the straight-line method based on the average remaining service period of the employees.

6. Basis for Recognition of Revenue and Expenses

The Company applies the following five steps with respect to recognition of revenue.

Step 1: Identify a contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when or as the performance obligations are satisfied

Revenues from the materials business (steel and aluminum, advanced materials, and welding) are primarily from product sales; revenues from the machinery business (machinery and engineering) are primarily from product sales, construction contracts, and provision of services; revenues from the electric power business are primarily from construction contracts and provision of services.

- | | |
|---|--|
| a) Performance obligation satisfied at a point in time | For sales of products, in principle, revenue is recognized at the time of delivery of such product, since control of the product is transferred to a customer and the performance obligation is satisfied at that time. However, if the period from the time of shipment to the time when control of the product is transferred to a customer is a normal period of time, control of the product is deemed to be transferred to the customer at the time of shipment, and revenue is recognized at the time of shipment. |
| b) Performance obligation satisfied over a certain period of time | For construction contracts, the Company primarily estimates the progress toward satisfaction of performance obligations to be provided to a customer and recognizes revenue based on such progress. Since the accrual of cost is an appropriate measure of the degree of progress of construction, the degree of progress is calculated as the ratio of the cumulative actual cost incurred to the estimated total cost. The consideration for transactions is received primarily in stages during the contract period, separately from the satisfaction of performance obligations, and the remaining amount is received after a specified period of time has elapsed following the satisfaction of performance obligations.
For provision of services, revenue is recognized based on a percentage of the total amount of services transferred. |

Revenue is measured at the amount of consideration promised in a contract with a customer, less discounts, rebates, etc. If the consideration promised in a contract with a customer includes variable consideration such as discount, the Company includes an estimate of variable consideration in the transaction price only to the extent that it is highly unlikely that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration for transaction is generally received within approximately one year of satisfaction of the performance obligation and does not include a significant financial component.

7. Basis for Translation of Assets and Liabilities Denominated in Foreign Currencies into Japanese Yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the balance sheet date, except for those hedged by foreign currency exchange contracts, with the resulting gains and losses recognized in income.

8. Method for Hedge Accounting

- (1) Method for hedge accounting Deferred hedge method is applied.
Assigning method is applied to monetary receivables and payables denominated in foreign currencies that are specifically covered by foreign currency exchange contracts and qualify for such assigning.
Exceptional method is applied to interest rate swaps and currency swaps that meet specific matching criteria and qualify for such accounting.
- (2) Hedging instruments and hedged items
- | | |
|---------------------|--|
| Hedging instruments | Foreign currency exchange contracts, interest rate swap contracts, currency swaps, and commodity forward contracts |
| Hedged items | Assets and liabilities exposed to losses from market fluctuations related to foreign exchange rates, interest rates, currencies, and trading of bare metal such as aluminum (including those expected from forecasted transactions). |
- (3) Hedging policy and method for assessing the hedge effectiveness
The Company uses hedge transactions to reduce the risks from market fluctuations and does not enter into hedge transactions for speculative purposes.
The Company assesses the hedge effectiveness in accordance with its internal rules.

9. Accounting for Retirement Benefits

Accounting method for unrecognized prior service costs and unrecognized actuarial differences for retirement benefits are different from that applied in preparing the consolidated financial statements.

10. Application of the Group Tax-Sharing System

The group tax-sharing system is applied.

Notes Regarding Accounting Estimates

Deferred tax assets

The Company recorded 8,785 million yen in “deferred tax assets” under “investments and other assets” in “fixed assets” on the non-consolidated balance sheet for deductible temporary differences, tax losses carried forward, etc. with a high possibility of being deducted from future taxable income.

The main assumptions, etc. used in estimates of the above amounts are the same as those described in “Notes Regarding Accounting Estimates” under “2. Deferred tax assets” in the Notes to Consolidated Financial Statements.

Additional Information

1. Introduction of the Board Benefit Trust (BBT) for Directors and Other Executives
Notes on transactions that provide the Company's shares through the trust for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive Officers are omitted as the same details are contained in "Additional information" in the Notes to Consolidated Financial Statements.
2. Approach to the impact of the novel coronavirus infection when forming accounting estimates
The Company forms accounting estimates of the recoverability of deferred tax assets based on the assumption that the impact on the business performance of the next fiscal year of the spread of the novel coronavirus infection is immaterial.

Notes to Non-consolidated Balance Sheet

1. Assets Pledged as Collateral and Collateralized Debt
 - (1) Assets pledged as collateral

Securities of subsidiaries and affiliates	11,110 million yen	*1 *2
Other	65,570	*1 *2
 - (2) Collateralized debt

Borrowings of subsidiaries and affiliates from financial institutions	271,626 million yen	*1 *2
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*1 Of the assets pledged as collateral, 25,572 million yen is the mortgages established for borrowings of 48,071 million yen from financial institutions to Kobelco Power Moka Inc., which is one of the primary operators of the wholesale power supply business.

*2 Of the assets pledged as collateral, 51,089 million yen is the mortgages established for borrowings of 223,216 million yen from financial institutions to Kobelco Power Kobe No. 2, Inc., which is one of the primary operators of the wholesale power supply business.
2. Accumulated Depreciation of Tangible Fixed Assets 2,048,652 million yen
3. Guarantee Liabilities
 - (1) Guarantees of borrowings from financial institutions are provided to other companies.

Quintus Technologies AB	3,599 million yen	
Kobelco Millcon Steel Co., Ltd.	3,059	*
Shinko Wuxi Compressor Co., Ltd.	2,995	
Kobelco South East Asia Ltd.	2,408	
Japan Aeroforge, Ltd.	1,323	
Others (13 companies and others)	5,335	*
Total	18,721	

The above includes activities similar to guarantees (16 million yen).

*Of which, 2,556 million yen is covered by reassurances from other companies.
 - (2) Repurchase obligation accompanying securitization of receivables 2,066 million yen

4. Monetary Receivables and Payables to Subsidiaries and Affiliates	
Short-term monetary receivables	256,920 million yen
Long-term monetary receivables	121,613
Short-term monetary payables	96,540
Long-term monetary payables	130

Notes to Non-consolidated Statements of Income

Transactions with Subsidiaries and Affiliates

Operating transactions

Net sales	464,441 million yen
Purchases	1,019,854
Non-operating transactions	285,096

Notes to Non-consolidated Statements of Changes in Net Assets

Type and number of treasury stock at the end of fiscal year 2022

Common stock	655,137 shares
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Note: 389,900 shares of Kobe Steel owned by Custody Bank of Japan, Ltd. (Trust Account E) related to the Board Benefit Trust (BBT) are included in treasury stock listed above.

Notes on Tax Effect Accounting

Major causes for accrual of deferred tax assets are loss on write-down of equity securities and provision for retirement benefits, and assets that are not recognized as recoverable are posted in the valuation reserve.

In addition, starting from fiscal year 2022, the Company applies the group tax-sharing system. Further, in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Guidance No. 42, August 12, 2021), the Company places the accounting treatment and disclosure of income taxes, local income taxes and tax effect accounting under the group tax-sharing system.

Notes on Transactions with Related Parties

Category	Company name	Ownership of voting rights etc. (Ownership percentage)	Relationships with related parties	Description of transactions	Transaction amounts (million yen)	Account	Fiscal year-end balance (million yen)	
Subsidiaries	Kobelco Power Moka Inc.	100.00% directly	Loan of funds Interlocking directors, etc.	Recovery of funds	1,904	Long-term loans receivable Short-term loans receivable	24,072 408	
				Interest income	525	Other current assets	1	
	Kobelco Power Kobe Inc.	100.00% directly	Contracted operation and management of power stations Interlocking directors, etc.	Agent purchase of coal, etc.	150,905	Accounts receivable - other	13,542	
	Kobelco Power Kobe No. 2, Inc.	100.00% directly	Contracted operation and management of power stations Loan of funds Interlocking directors, etc.	Agent purchase of coal, etc.	114,276	Accounts receivable - other	39,752	
				Loan of funds	241	Long-term loans receivable Short-term loans receivable	25,235 13,795	
				Interest income	1,155	Other investments Other current assets	2,057 366	
	Kobe Steel International (USA) Inc.	100.00% indirectly	Loan of funds Interlocking directors, etc.	Recovery of funds	2,708	Long-term loans receivable Short-term loans receivable	25,404 3,337	
				Interest income	951	Other current assets	184	
	Affiliates	Shinsho Corporation	13.42% directly and 1.05% indirectly (21.70%)	Sales of certain finished goods of the Company Purchase of raw materials Interlocking directors, etc.	Purchase of raw materials for iron and steel, other raw materials and materials for equipment	813,013	Accounts payable	28,474
					Supply of coal, etc.	137,507	Accounts receivable - other	3,244
Kansai Coke and Chemicals Company, Limited.		24.00% directly	Supply of coal, etc. Purchase of coke, etc. Interlocking directors, etc.	Purchase of coke, etc.	143,459	Accounts payable	32,254	

Note 1: The terms and conditions and policies for their determination:

The terms and conditions applicable to the above transactions are determined through price negotiations on an arm's length basis and with reference to normal market prices.

Interest rates on loans are reasonably determined in consideration of market interest rates.

The transaction amounts are shown on a net basis.

Note 2: Consumption taxes are not included in the amount of the transactions, but are included in the amount of fiscal year-end balances.

Note 3: The figure contained in parentheses is excluded from above number and represents the percentage of ownership with which the Company has received consent for exercise of voting rights.

Notes on Per Share Information

Net assets per share	1,600.16 yen
Net income per share	139.35 yen

Note: The Company's shares (posted as treasury stock in stockholders' equity) remaining in the trust related to the Board Benefit Trust (BBT) plan are included in treasury stock. These are excluded from the calculation of the number of shares at the end of the period and the average number of shares during the period when calculating net assets per share and net income per share. The number of such shares at the end of the period excluded from the calculation of net assets per share for this fiscal year was 390,000 shares, while the average number of shares during the period excluded from the calculation of net income per share for this fiscal year was 500,000 shares.

(Amounts are rounded down to the nearest million yen.)