

Business Report

(From April 1, 2023 to March 31, 2024)

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 2023, the Japanese economy continued to recover primarily driven by personal consumption and corporate production activities, although there were some signs of stagnation due to rising prices and weak global demand. In terms of overseas economies, while the US economy remained solid with strong employment and personal consumption, the European economy remained stagnant as a result of rising interest rates pushing the economy downward. In China, despite efforts to stimulate the economy through financial easing, domestic demand remained sluggish due to factors such as a slump in the real estate market, and the pace of economic recovery remained uncertain. Under these circumstances, our Company has steadily implemented key measures aimed at establishing a stable earnings base as set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), while continuing to work on strengthening our manufacturing capabilities and improving selling prices. As a result, fiscal 2023 consolidated net sales increased by 70.6 billion yen year on year to 2,543.1 billion yen, and operating profit increased by 100.2 billion yen year on year to 186.6 billion yen, driven by positive factors such as an improvement in steel metal spreads due to a drop in coking coal prices and progress in selling price improvements, an increase in net sales in the machinery and engineering businesses, the start of operation of the Kobe Power Plant No. 4 unit and improved effect of time lags in fuel cost adjustments, and the effect of temporary gains from changes in electricity selling prices (differences between the benchmark selling price of coal and our purchase price), despite a decrease in sales volume in the steel & aluminum business and a decline in inventory valuation gains. Ordinary profit increased by 54.0 billion yen year on year to 160.9 billion yen due to the increase in operating profit despite negative factors such as a fall of compensation income related to the engine certification problem in North America in the construction machinery business, and the recording of equity method investment losses incurred as a result of the restructuring of the automotive aluminum panel business. Profit attributable to owners of parent increased 36.9 billion yen year on year to 109.5 billion yen, as a result of recording gains on the transfer of non-current assets in a subsidiary as extraordinary income, despite the recording of impairment losses on non-current assets in the advanced materials business and other segments as well as the recording of provision for loss on a joint venture agreement resulting from the restructuring of the automotive aluminum panel business as extraordinary loss.

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, the target of dividend payout ratio, which was set at approximately 15 to 25% of consolidated profit attributable to owners of parent, will be approximately 30% of the consolidated profit attributable to owners of parent. Based on this, the Company has resolved to pay a year-end dividend of 45 yen per share for fiscal 2023. This, together with the interim dividend paid earlier, will bring the total annual dividend to 90 yen per share.

The progress and results of the Group's business by business segment are as follows.

Steel & Aluminum

(Steel)

Sales volume of steel products decreased year on year due to decline in sales volume affected by the refurbishment of a steel plate finishing mill, despite an increase in demand in the automotive sector. Meanwhile, the selling prices were higher than the previous fiscal year due to progress in price improvements. As a result, net sales decreased by 2.0% year on year to 891.6 billion yen. Ordinary profit decreased by 9.7 billion yen to 39.2 billion yen due to declines in sales volume and inventory valuation gains, despite the improvement in steel metal spreads along with a drop in coking coal prices and the progress in selling price improvements.

(Aluminum)

Sales volume of aluminum flat rolled products decreased year on year due to a significant decline in sales volume in the IT and semiconductor sectors, which were in the supply-demand adjustment phase, while sales volume remained at a similar level to the previous fiscal year in the automotive sector. The selling prices were higher the previous fiscal year due to the progress in price improvements.

As a result, net sales decreased by 2.2% year on year to 191.1 billion yen. Ordinary loss was 23.1 billion yen, a 16.0 billion yen decrease from the previous fiscal year, due to declines in sales volume and inventory valuation gains, as well as the recording of equity method investment losses resulting from the restructuring of the automotive aluminum panel business.

The results of the overall steel & aluminum business: Net sales decreased by 2.0% year on year to 1,082.7 billion yen, and ordinary profit decreased by 25.8 billion yen to 16.1 billion yen.

● Production Volume (In thousands of tons)

Category	170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)
Crude steel	6,248	6,020
Aluminum flat-rolled products	349	319

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 castings and forgings, which saw increased demand in the shipbuilding sector, as well as in suspensions and aluminum extrusions, which saw a recovery in demand in the automotive sector. On the other hand, sales volume of copper flat rolled products and aluminum castings and forgings decreased year on year due to a decline in demand in the IT and semiconductor sectors.

As a result, net sales increased by 7.3% year on year to 298.1 billion yen, and ordinary profit increased by 2.2 billion yen year on year to 3.2 billion yen due to an increase in sales volume and progress in selling price improvements, despite an increase in costs centered on fixed costs.

● Production Volume (In thousands of tons)

Category	170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)
Aluminum extrusions	40	42
Copper rolled products	55	53

Welding

Sales volume of welding materials decreased year on year due to slow recovery in demand in China and Southeast Asia, and a decline in demand in the Japanese automotive and construction machinery

sectors in China, while domestic sales volume was at a similar level to the previous fiscal year. Selling prices were higher than the previous fiscal year due to progress in price improvements and other factors.

As a result, net sales increased by 5.8% year on year to 93.5 billion yen, and ordinary profit increased by 2.0 billion yen year on year to 4.9 billion yen due to progress in selling price improvements, despite a decrease in sales volume.

Machinery

Orders in the machinery business segment increased by 2.9% year on year to 273.7 billion yen, due to strong demand mainly in the petrochemical and energy sectors, with an order backlog of 251.8 billion yen.

Net sales increased by 15.3% year on year to 234.5 billion yen due to progress in existing orders and an increase in service contracts, and ordinary profit increased by 13.8 billion yen year on year to 29.6 billion yen due to improved order profitability along with increasing orders.

● Orders (Billions of yen)

Category		170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)
Orders	Domestic	99.3	96.0
	Overseas	166.6	177.7
	Total	265.9	273.7
Backlog of Orders	Domestic	48.9	69.7
	Overseas	165.7	182.0
	Total	214.7	251.8

Engineering

Orders increased by 36.0% year by year to 2,143 billion yen driven by favorable factors such as orders for large-scale overseas projects in the DRI-related business and steady orders in the waste treatment-related business, with an order backlog of 4,336 billion yen.

Net sales increased by 17.5% year on year to 170.6 billion yen, and ordinary profit increased by 8.2 billion yen to 12.4 billion yen.

● Orders (Billions of yen)

Category		170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)
Orders	Domestic	120.8	141.9
	Overseas	36.6	72.3
	Total	157.5	214.3
Backlog of Orders	Domestic	283.0	385.2
	Overseas	88.0	48.3
	Total	371.1	433.6

Construction Machinery

Unit sales of hydraulic excavators fell short of the previous fiscal year due to a decline in China where demand was sluggish and in Europe that was affected by the engine certification problem, despite an increase in North America and other regions. Unit sales of crawler cranes increased year on year, due to an increase in sales primarily in North America as progress was made in resolving the engine certification problem, despite a decrease in Europe, which was affected by the engine certification problem and production and shipping delays.

As a result, net sales increased by 5.8% year on year to 404.0 billion yen, due to the progress in selling price improvements, despite a decline in unit sales. Ordinary profit decreased by 3.2 billion yen year on year to 9.1 billion yen, mainly due to a decline in compensation income related to the engine certification problem, despite improvements in selling prices and export profitability resulting from the weaker yen.

Electric Power

Sales volume of electricity increased year on year due to the operation of the Kobe Power Plant No. 4 unit. The unit price of electricity sold decreased year on year due to fluctuations in thermal coal prices.

As a result, net sales decreased by 2.6% year on year to 315.9 billion yen, and ordinary profit increased by 61.2 billion yen year on year to 85.7 billion yen, due to the operation of the Kobe Power Plant No. 4 unit, the improved effect of time lags in fuel cost adjustments for the Kobe Power Plant No. 3 and 4 units, and the effect of temporary gains from changes in electricity selling prices for the Kobe Power Plant No. 1 to 4 units.

Other Businesses

Net sales were 10.8 billion yen, similar to the previous year, and ordinary profit was 48.0 billion yen, similar to the previous year.

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

Note 2: Consolidated net sales include adjustments of (67.1) billion yen. The sales composition ratio is calculated based on the total net sales of each business segment excluding adjustments.

Note 3: Kobelco Research Institute, Inc., which was previously classified as Other Businesses, has been moved to the Machinery segment due to a change in the responsible business segment, effective in fiscal 2023.

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

Summary of the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023)

In the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), the Group set forth two priority issues, “establishing a stable earnings base” and “taking on the challenge of realizing carbon neutrality.” We have been working to further enhance initiatives such as strengthening profitability with a focus on materials. Our aim was to achieve earnings with a return on invested capital (ROIC) of 5% or higher in fiscal 2023 when the startup of new electric power projects was scheduled to be completed, with the assumption that it contributes to earnings.

We set five key measures for establishing a stable earnings base. These were: 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. Of these, issues remain in strategic investment projects in the materials businesses, mainly in the aluminum business, where the Group’s capability to produce earnings declined considerably due to factors such as slow demand recovery. However, by steadily advancing other measures and focusing on passing on increased costs of raw and other materials, energy, labor, and more, to selling prices, we have achieved in fiscal 2023 an ordinary profit of 160.9 billion yen and ROIC of 6.7%, reaching our target of 5% or higher and making progress as planned in establishing a stable earnings base.

Our Group is working together and taking on the challenge of realizing carbon neutrality. We see it 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. Our efforts to reduce CO₂ emissions are steadily progressing in various aspects, as exemplified by the launch of Japan's first low-CO₂ blast furnace steel product Kobenable[®] Steel, which helps reduce CO₂ emissions in the production process, while contributing to reducing CO₂ emissions through our diverse technologies, such as the Group's MIDREX[®] technology and our supply of materials and parts that contribute to automobile weight reduction and vehicle electrification.

The business environment surrounding the Group

The business environment surrounding the Group is expected to present various risks, such as growing demand for a sustainable society, including realizing carbon neutrality, rising raw materials procurement costs and supply chain restructuring to meet the growing need for local production and local consumption against the backdrop of geopolitical risks, diminishing domestic demand and labor shortages driven by Japan's declining population, and rapid transformation of digital technologies represented by generative AI. Meanwhile, new growth opportunities are also expected to arise, such as contributions to social transformation aimed at realizing carbon neutrality, and the development and implementation of new technologies in response to various changes.

The Group must therefore transform its business structure into one that can provide customers with technologies, products, and services that can provide solutions to the future needs of society, while working on the transformation of our human resources, organizations, and systems so that we can flexibly respond to changes in the business environment.

Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026)

The medium-term management plan, announced in May, set forth two priority issues: (1) Enhancing earning power and pursuing growth and (2) 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.

During the period of the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), we worked to create a business foundation focused on establishing a stable earnings base and achieved a certain level of results. During the period of the new Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), while further reinforcing the foundation by enhancing earning power, we will invest various management resources that have been made available from the foundation in pursuing growth and taking on the challenge of realizing carbon neutrality to capture future growth opportunities. Through these efforts, we aim to secure stable earnings with an ROIC of 6% or higher throughout the new medium-term management plan period, looking to achieve an even higher ROIC of 8% when the business climate is favorable to us. Our vision for the future is to become a corporate group that achieves an ROIC of 8% or higher on a stable basis and grows sustainably.

For another priority issue of taking on the challenge of realizing carbon neutrality, which we believe will provide us with various new business opportunities such as energy transition, we will work to contribute to reducing CO₂ emissions through our Group's diverse technologies and expand existing businesses, as well as to create new business opportunities and to actively develop and promote new businesses through integration of technologies. Along with these, in order to reduce CO₂ emissions in our Group's production processes, we will develop detailed initiatives aligned to our roadmaps for the ironmaking process and electric power business by continuing to promote the development of our own unique technologies and utilizing external innovative technology, with a goal of reducing CO₂ emissions by 30-40% by 2030 compared to fiscal 2013 levels and taking steps to achieve carbon neutrality by 2050.

In addition, we have identified our various unique initiatives that transform our business structures, human resources, organizations, systems, etc., as well as initiatives that integrate our human resources, technologies, and business, etc., as seven "Xs" from AX to GX, which are collectively called Kobelco-X. With these drivers to accelerate our efforts and achieve the targets, our Group will work together to strengthen our sustainability management and strive to transform into an appealing company with increased corporate value, thereby building a business entity that drives innovation into the future.

Please refer to the press release section of our website (<https://www.kobelco.co.jp>) (in Japanese) for details of the contents of the "Kobelco Group Medium-Term Management Plan (Fiscal 2024-2026)."

Four key measures

In order to achieve the goals of our priority issues—“enhancing earning power and pursuing growth” and “taking on the challenge of realizing carbon neutrality,” we have set four key measures: (1) Rebuilding the operation bases for the future business environment, (2) Capturing new demand in existing businesses and achieving growth by widening business domains, (3) Reducing CO₂ emissions in production processes, and (4) Strengthening sustainability management through transformation. We will steadily implement these measures.

As to rebuilding the operation bases for the future business environment, we will work to restructure the aluminum rolled products and aluminum advanced materials businesses, where we have yet to achieve profits from strategic investment projects previously implemented due to factors such as slow demand recovery and remaining monozukuri capability issues, including through collaboration with other companies in the automotive panel business, while focusing on efforts to improve our base earnings through volume increases, price improvements, cost reductions and other measures to achieve early profitability, as well as. In other materials businesses such as steel and welding, we will study the ways to maintain global competitiveness while addressing shrinking domestic demand due to declining population, growing demand in emerging countries, and increasing need for local production and local consumption arising from stricter raw material management regulations for carbon neutrality, etc.

For capturing new demand in existing businesses and achieving growth by widening business domains, we will make the most of business expansion and new demand, driven primarily by the energy transition, as great business opportunities. With a focus on the machinery and engineering businesses, we will work to expand and strengthen the sale of existing products while actively promoting the development of new businesses. We will also strive to expand into new business areas such as customer experience-oriented business and solution business, centered on the construction business, utilizing the knowledge, technologies, and expertise that we have built up through our conventional business activities that sell primarily products and services, in combination with digital transformation (DX) technologies.

For reducing CO₂ emissions in production processes, we will aim to ensure the continuity of our steel and electric power businesses. In the steel business, we will work on charging an increased amount of hot briquetted iron (HBI) into the blast furnace and other development items, as well as the feasibility study of a low-CO₂ iron metallurgy project, which will also be beneficial to the above HBI charging technology, in cooperation with the engineering business. In the electric power business, we will work on the co-firing of ammonia at coal-fired power plants, mapping out a detailed path to achieving our CO₂ emissions reduction targets in production processes.

For strengthening sustainability management through transformation, we carried out organizational reforms in April this year, aimed at further strengthening the oversight function of the Board of Directors and enhancing the structure for the executive team’s execution of business operations. Under the new structure, we will implement Kobelco-X, a transformation initiative that demonstrates Kobelco Group’s uniqueness, promoting our effort of enhancing earning power and pursuing growth through “ambidextrous management” that focuses on both enhancing existing businesses and exploring new business opportunities (called AX), while taking on the challenge of realizing carbon neutrality that aims to make our Group carbon neutral and contribute to a green society (called GX). AX and GX are positioned as two wheels of our business strategy, with other five Xs of BX, CX2, DX, EX, and FX functioning as driving forces for realizing the business strategy. We will continue working to reinforce the business foundation, the cornerstone of our corporate activities, aiming to strengthen our sustainability management.

Performance management indicators

The Group has set seven performance management indicators, beginning in April 2019. Regarding materiality, which are important medium- to long-term issues for realizing the Group’s corporate philosophy, we have set new indicators and targets in April this year. Among them, we have selected those to be managed with priority to use them as performance management indicators. Our Group will continue working together to promote and strengthen our initiatives for improving corporate value, looking to non-financial indicators as well.

(2) Assets and Results of Operations

Assets and Results of Operations of the Group

Category		168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)	170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)
Net sales	(Millions of yen)	1,705,566	2,082,582	2,472,508	2,543,142
[Overseas sales of the above]		573,685	722,559	783,480	733,899
Operating profit (loss)	(Millions of yen)	30,398	87,622	86,365	186,628
Ordinary profit (loss)	(Millions of yen)	16,188	93,233	106,837	160,923
Profit (loss) attributable to owners of the parent	(Millions of yen)	23,234	60,083	72,566	109,552
Profit (loss) per share	(yen)	64.05	160.23	183.80	277.38
Total assets	(Millions of yen)	2,582,873	2,728,745	2,874,751	2,919,774
Net assets	(Millions of yen)	769,375	872,346	977,653	1,127,346
Net assets per share	(yen)	1,958.57	2,066.48	2,314.31	2,675.13

(3) Major Businesses (As of March 31, 2024)

The major businesses undertaken by the Group are described below.

Category		Major Products and Businesses
Steel & Aluminum	Wire rods & bars	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 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, special alloys and other new materials (target materials, etc.), material analysis and testing, inspection equipment for FPD/semiconductor
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, and work vessels
Electric Power		Electric power supply
Other		High-pressured gas cylinder manufacturing, superconducting products, and general trading company

(4) Major Offices and Plants (As of March 31, 2024)

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.

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]	Share Capital	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	43.63	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	85.00	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.
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
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

Company Name [Location of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
Kobelco Advanced Lube-System Asia Co., Ltd. [Korea]	7,909 million won	96.36	Assembly of nonstandard compressors, manufacture of auxiliary parts for nonstandard compressors, plastic processing machinery, etc.
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.
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
Toyo Sugiue 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	Manufacture, sale, and service of construction machinery
Chengdu Kobelco Construction Machinery Financial Leasing Ltd. [China] *1	374,199 thousand yuan	88.95	Leasing business
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 (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]	Share Capital	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]	657,661 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: During fiscal 2023, Kobelco Advanced Lube-System Asia Co., Ltd. was newly added.

Note 4: During fiscal 2023, the Company acquired additional shares of Kobe Aluminum Automotive Products (China) Co., Ltd., increasing the Group's ratio of voting rights in it from 60.00% to 85.00%.

Note 5: The construction machinery manufacturing and sales functions of Hangzhou Kobelco Construction Machinery Co., Ltd., which was listed in fiscal year 2022, have been consolidated into Kobelco Construction Machinery (China) Co., Ltd. Since Hangzhou Kobelco Construction Machinery Co., Ltd. is not currently engaged in business activities, it was removed from the list in fiscal 2023.

Note 6: During fiscal 2023, Ulsan Aluminum, Ltd. increased its capital to 657,661 million won due to a capital increase.

Note 7: Toyo Sugiue Co., Ltd. conducted an absorption-type merger of Sasainakamura and Y's Yoshihara and changed its trade name to Kobelco Construction Machinery Total Support Co., Ltd. as of April 1, 2024.

(6) Capital Investments

Total capital investment in fiscal 2023 on a construction (inspection and acceptance) basis is 105.2 billion yen.

(7) Financing Activities

During fiscal 2023, the Group issued 20.0 billion yen in unsecured bonds for part of repayment of borrowings. 50.0 billion yen of Zero Coupon Convertible Bonds were issued to use for part of investments related to carbon neutrality, primarily in the steel business and the electric power business, and for part of repayment of borrowings.

In addition, on April 25, 2024, 20.0 billion yen in unsecured bonds were issued for part of repayment of borrowings.

(8) Major Lenders and Amount of Borrowings (As of March 31, 2024)

Main Lenders	Balance of Loans (Millions of yen)
Mizuho Bank, Ltd.	123,905
MUFG Bank, Ltd.	89,991
Development Bank of Japan Inc.	84,508
Sumitomo Mitsui Banking Corporation	75,604

Note: In addition to the amounts stated above, there was a syndicate loan amounting to a total of 31,700 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, 2024)

(a) Employees of the Group (Persons)

Category	Number of Employees
Steel & Aluminum	12,145
Advanced Materials	4,595
Welding	2,390
Machinery	6,113
Engineering	3,920
Construction Machinery	6,849
Electric Power	303
Other or companywide	1,735
Total	38,050

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

(b) Employees of the Company

Number of Employees	11,534 persons
Increase from the Previous Fiscal Year-End	166 persons
Average Age	39.7 years old
Average Years of Service	15.4 years

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

Note 2: The number of employees stated above does not include 800 seconded employees.

2. Shares of the Company (As of March 31, 2024)

(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	243,379
(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)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	61,384	15.50	–	–
Custody Bank of Japan, Ltd. (Trust Account)	15,291	3.86	–	–
Nippon Steel Corporation	10,735	2.71	6,744	0.71
JPMorgan Securities Japan Co., Ltd.	5,308	1.34	–	–
Nippon Life Insurance Company	5,059	1.28	–	–
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	4,834	1.22	–	–
STATE STREET BANK WEST CLIENT - TREATY 505234	4,648	1.17	–	–
SHIMABUN Corporation	4,420	1.12	–	–
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMS RE CLIENT ASSETS-SETT ACCT	4,392	1.11	–	–
Kobelco Employee Stock Ownership Plan	4,322	1.09	–	–

Note 1: The Company holds 274,087 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 2023 is 8,997 shares (total acquisition price is 14,681,160 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 147 shares (total disposal price is 296,086 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 2023, through the Board Benefit Trust, is as follows. Shares are provided 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 no due date for the share benefits in fiscal 2023. Accordingly, shares have been delivered only to directors who have resigned. In addition, outside directors and directors who are Audit and Supervisory Committee members are not eligible for 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)	20,000	2

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

(1) Directors (As of March 31, 2024)

Positions	Name	Duties & Significant concurrent positions
President (Representative Director)	Mitsugu Yamaguchi	
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, Executive Officer	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
Director, Executive Officer	Shinji Miyaoka	Oversees the Business Development Department and the IT Planning Department. Oversees companywide information systems
Director	Hiroyuki Bamba	Chairman of the Company's Board of Directors
Director	Yumiko Ito	Representative of Ito Law Office, Outside Director of Nippon Express Holdings, Inc.
Director	Shinsuke Kitagawa	Outside Audit & Supervisory Board Member of YUTAKA TRUSTY SECURITIES CO., LTD. President of The Japan Commercial Arbitration Association (JCAA)
Director (Audit & Supervisory Committee Member, full time)	Hiroshi Ishikawa	
Director (Audit & Supervisory Committee Member, full time)	Gunyu Matsumoto	
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 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 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 2023 are as follows:

Positions	Name	Date of leaving
Director	Fusaki Koshiishi	June 21, 2023
Director	Koichiro Shibata	June 21, 2023

Note 8: Duties/positions or significant concurrent positions of directors whose duties/positions or significant concurrent positions changed effective April 1, 2024 are as follows.

Positions	Name	Duties & significant concurrent positions
President (Representative Director)	Yoshihiko Katsukawa	
Executive Vice President (Representative Director)	Hajime Nagara	Oversees the Internal Control and Audit Department, the Environment and Safety 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. Oversees companywide safety and health. Oversees companywide environmental protection and disaster prevention.
Director, Executive Officer	Koichi Sakamoto	Oversees the Quality Management Department, Technology Strategy & Planning Department, and the Intellectual Property Department. Oversees the Technical Development Group. Oversees companywide quality. Oversees companywide TQM activities. Oversees companywide technical development.
Director	Mitsugu Yamaguchi	

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, 2024 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
	Shoji Miyazaki	Head of the Steel & Aluminum Business
Executive Officer	Hitoshi Arimura	General Manager of Moka Works in the Steel & Aluminum Business
	Kazuo Iritani	General Manager 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 Engineering Center and the CWD Project Center in the Engineering Business
	Yoichi Kageki	General Manager 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	Head of 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
	Takahiko Kizawa	General Manager of the Business Development Department in the Steel & Aluminum Business
	Toshihide Kinoshita	Responsible for the IT Management Department and Resource Recycling 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	Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office). Responsible for the special assignments from the president and CEO. Support for the director overseeing the General Administration and CSR Department in IR activities.
	Yuichiro Goto	Assistant to the President and CEO
	Shogo Sarumaru	General Manager of the Production Division in the Machinery Business. Deputy General Manager of the Management Division in the Machinery Business. Assists the head of the Machinery Business in new business planning
	Kazuyuki Suenaga	Head of the Welding Business

Positions	Name	Duties
Executive Officer	Yasufumi Takada	Responsible for the Aluminum Extrusion & Suspension Unit and Copper Rolled Products Unit in the Advanced Materials Business. General Manager of the Steel Powder Unit in the Advanced Materials Business
	Masaki Tanigawa	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
	Satoshi Nishino	Head of the Technical Development Group
	Sumikazu Hoda	Responsible for the Planning & Management Department and the Raw Materials Procurement Department in the Steel & Aluminum Business
	Yuji Mihara	General Manager of the Wire Rod & Bar Products Unit in the Steel & Aluminum Business. General Manager of the Steel Plate Products Unit in the Steel & Aluminum Business
	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. Assists the unit heads in overall steel product technologies in the Steel & Aluminum 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
	Toshiyuki Yamaji	General Manager of the Finance and Accounting Department
Kunihiko Yoshitake	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)	10 (3)	475 (40)	289 (40)	117 (-)	67 (-)	Number of Payees and Amount include two internal directors (excluding Audit & Supervisory Committee members) that resigned in fiscal 2023.
Directors (Audit & Supervisory Committee members) (of which, outside directors)	5 (3)	102 (44)	102 (44)	- (-)	- (-)	
Total	15	577	391	117	67	

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 2023 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.

Note 5: As of April 1, 2024, the Company partially revised the remuneration system for directors and executive officers within the maximum amount of remuneration resolved at the 169th Ordinary General Meeting of Shareholders held on June 22, 2022. Such remuneration system was deliberated by the Nomination & Compensation Committee and resolved at a meeting of the Board of Directors held on January 31, 2024. The Company's Basic Policy on Remuneration for Directors and Executive Officers after revision 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 40–60% 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
 - Note: If Items 4 and 5, which are submitted to this Ordinary General Meeting of Shareholders, are approved, the limit on the payment corresponding to the maximum amount of performance-based compensation will be within 387 million yen in total per fiscal year, and the maximum number of points to be granted for medium- to long-term incentive compensation will be within 471,200 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 |

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. 53%	Approx. 32%	Approx. 16%
Executive Vice President and Representative Director	Approx. 56%	Approx. 28%	Approx. 17%
Director, Executive Officer	Approx. 61%	Approx. 24%	Approx. 15%
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 0–120% 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: 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. In the calculation, the maximum payment coefficient (200%) will be reached when the Company achieves ROIC of 8% as stated 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 0–120% according to profit attributable to owners of parent, the state of

dividend payment for each fiscal year, and performance against ESG-related indicators 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. ESG-related indicators are also used as evaluation indicators as a way of actively promoting solutions to various ESG management issues. Specifically, to comprehensively and objectively evaluate all aspects of our ESG efforts, we use the evaluations of major global ESG rating agencies as indicators. Our benchmark values are a CDP score of A, a FTSE ESG score of 3.9 or higher, and an MSCI ESG rating of AAA.

- 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.

Note: If Item No. 5, which is submitted to this Ordinary General Meeting of Shareholders, is approved, 1,250 million yen will be contributed every three years as funds for acquiring shares.

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 2023	5.0%	79.4 billion yen
Actual value for fiscal 2023	6.7%	109.5 billion yen

Note: The base value in the calculation of performance-based compensation (portion linked to division performance) for fiscal 2023 is set at an ROIC of 5%, based on the targets set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023).

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 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
September, November and December 2023, January 2024	Revision of the remuneration system for directors and executive officers (review of performance-based compensation ratio, review of remuneration for outside directors, introduction of ESG-related indicators, submission of the proposal on revision to the maximum amount of remuneration for directors and executive officers to the General Meeting of Shareholders, review of the Basic Policy on Remuneration for Directors and Executive Officers)
May 2024	Additional contributions to the Board Benefit Trust (BBT) Amount of performance-based compensation and amount of medium- to long-term incentive compensation for fiscal 2023

(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 \times 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 is determined based on dividends, profit, and performance against ESG-related indicators.

(6) Major Activities of Outside Directors During Fiscal 2023

		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	19/19 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	19/19 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.
Director	Shinsuke Kitagawa	19/19 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.

	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) Masaaki Kono	19/19 meetings held (100%)	17/17 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.
Director (Audit & Supervisory Committee Member) Kunio Miura	19/19 meetings held (100%)	17/17 meetings held (100%)	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.

	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
<p>Director (Audit & Supervisory Committee Member)</p> <p>Nobuko Sekiguchi</p>	<p>19/19 meetings held (100%)</p>	<p>17/17 meetings held (100%)</p>	<p>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.</p>

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	177
(b)	Total amount of money and other financial interests paid by the Company and its subsidiaries	559

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 2023 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 business management to, 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

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 30% 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.

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

Stock acquisition rights, etc. of the Company

Status of stock acquisition rights held by the Company's directors and executive officers on the last day of the fiscal year under review that were delivered as consideration for execution of their duties

Not applicable.

Status of stock acquisition rights delivered to employees, etc. during the fiscal year under review as consideration for execution of their duties

Not applicable.

Status of other stock acquisition rights, etc.

Overview of Zero Coupon Convertible Bonds (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) due 2028 (the “Bonds with Stock Acquisition Rights due 2028”) and Zero Coupon Convertible Bonds (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) due 2030 (the “Bonds with Stock Acquisition Rights due 2030”), the issuance of which was resolved at the Board of Directors meeting held on November 28, 2023

Category	Bonds with Stock Acquisition Rights due 2028	Bonds with Stock Acquisition Rights due 2030
Number of stock acquisition rights	Sum of 2,500 and the number of units, which is the total amount of the face value of the bonds regarding replacement bond certificates with stock acquisition rights divided by 10 million yen	Sum of 2,500 and the number of units, which is the total amount of the face value of the bonds regarding replacement bond certificates with stock acquisition rights divided by 10 million yen
Class and number of shares that are the target for stock acquisition rights	Common stock (100 shares per unit) are targeted. The number of target shares is the number obtained by dividing the total amount of the face value of the bonds by the conversion price. Fractions of less than one share resulting from exercise will be rounded down, and no cash adjustments will be made.	Common stock (100 shares per unit) are targeted. The number of target shares is the number obtained by dividing the total amount of the face value of the bonds by the conversion price. Fractions of less than one share resulting from exercise will be rounded down, and no cash adjustments will be made.
Conversion price	2,456 yen; Adjustments will be made under certain conditions. (Note)	2,349.5 yen; Adjustments will be made under certain conditions. (Note)
Period for exercise of stock acquisition rights	From December 28, 2023 until November 30, 2028 (local time at the place where the bonds are deposited for exercise of the stock acquisition rights). However, the stock acquisition rights may not be exercised for a certain period of time.	From December 28, 2023 until November 29, 2030 (local time at the place where the bonds are deposited for exercise of the stock acquisition rights). However, the stock acquisition rights may not be exercised for a certain period of time.
Balance of bonds with stock acquisition rights	25.0 billion yen	25.0 billion yen

Note: In accordance with the resolution of the Board of Directors on May 16, 2024 to pay a year-end dividend of 45 yen per share for the fiscal year under review, the conversion prices of the Bonds with Stock Acquisition Rights due 2028 and the Bonds with Stock Acquisition Rights due 2030 were adjusted to 2,401.6 yen and 2,297.4 yen, respectively, pursuant to the conversion price adjustment clauses of the respective bonds.

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.

Note: The above describes the systems implemented in fiscal 2023. At the Board of Directors meeting held on February 28 this year, the Company resolved to revise the policies for their implementation commencing in fiscal 2024, based on organizational reforms effective April 1. The new Internal Control System Basic Policy is posted on the Company's website (<https://www.kobelco.co.jp/english/>) as reference materials for the 171st Ordinary General Meeting of Shareholders.

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 2023 is as follows.

(a) Compliance measures

- **Meetings of the Compliance Committee**

The Compliance Committee, an advisory body to the Board of Directors, met four (4) 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 focused on top management commitment and training. 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 also using online training, etc.

- **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 117 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, its domestic Group companies, and some of overseas Group companies conducted compliance awareness surveys, and based on the survey results, it planned compliance promotion activities for fiscal 2024.

(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 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, works to improve the effectiveness of risk management by means such as developing and evaluating basic policies on overall risk management, developing specific policies on important risk management issues, evaluating risk control measures implementation plans for top-priority and significant risks, and developing and evaluating companywide risk management plans.

(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. The Committee also exchanged opinions with the corporate auditors of Group companies on audit policies, plans, and issues.

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 companies overseeing operations overseas. The Committee also conducted interviews with the corporate auditors of Group companies 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.

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 (Fiscal 2024–2026), 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 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.”

(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.