



## Governance

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# Corporate Governance

## Basic Stance on Corporate Governance

The Kobelco Group recognizes that corporate value encompasses not only business results and technological capabilities but also the stance on social responsibility to all stakeholders, including shareholders, business partners, people of local communities, and Group employees. We believe that working earnestly to improve all of these factors leads to the enhancement of corporate value.

Therefore, corporate governance is not merely a form of the organization, but it is a framework for realizing all the efforts the Group is undertaking. In the development of the framework, we place importance on the following: establishing a system that contributes to improving corporate value through appropriate risk-taking, collaborating with stakeholders, promoting appropriate dialogue with

investors in the capital market, ensuring the rights of and fairness for shareholders, and ensuring transparency.

Based on this belief, our Group aims to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities.

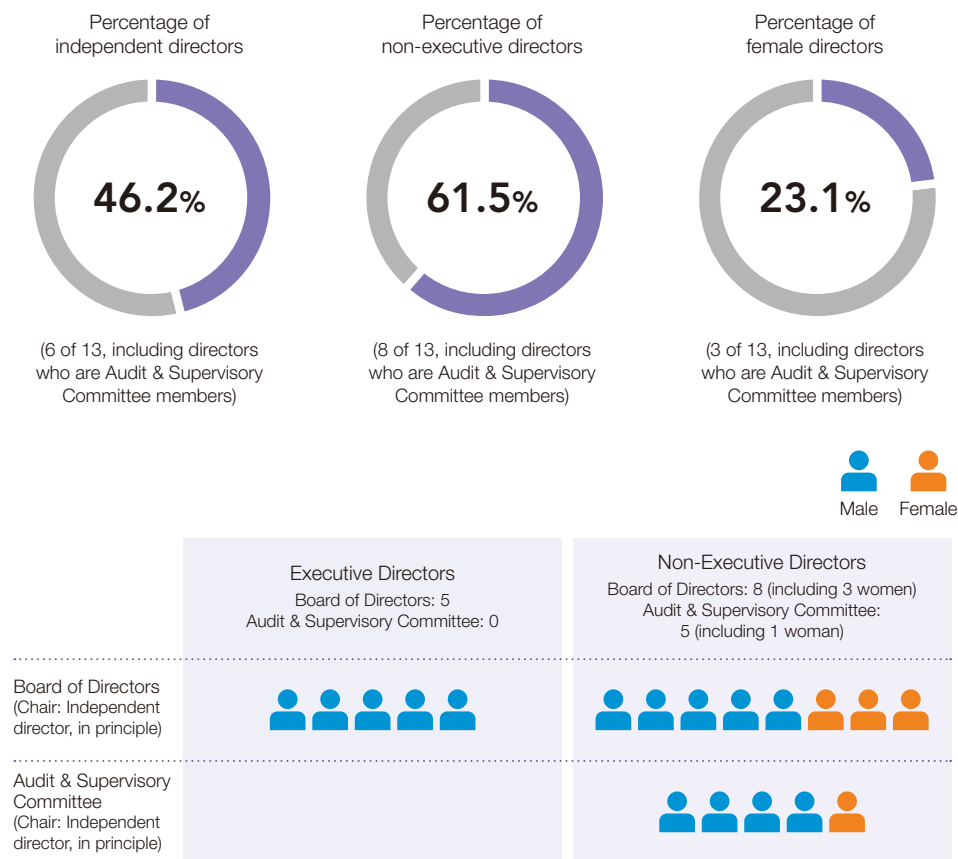
► **Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.**

## Initiatives to Strengthen Corporate Governance

	1999	2010	2015	2020	2024	(FY)
Philosophy and Policies	<ul style="list-style-type: none"> <li>• 2000 Establishes Corporate Code of Ethics</li> </ul>	<ul style="list-style-type: none"> <li>→ • 2006 Establishes Corporate Philosophy</li> </ul>	<ul style="list-style-type: none"> <li>→ • 2017 Turns Corporate Philosophy into the Core Values of KOBELCO and establishes the Six Pledges of KOBELCO Men and Women</li> </ul>	<ul style="list-style-type: none"> <li>→ • 2020 Establishes the new Group Corporate Philosophy by integrating the newly formulated KOBELCO's View of the Future and KOBELCO's Mission</li> </ul>	<ul style="list-style-type: none"> <li>• 2015 Establishes the Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.</li> </ul>	
Organizational Structure	<ul style="list-style-type: none"> <li>• 1999 Introduces an internal company system and adopts an executive officer system</li> </ul>	<ul style="list-style-type: none"> <li>→ • 2010 Abolishes the internal company system and introduces a business unit system</li> </ul>	<ul style="list-style-type: none"> <li>• 2003 Establishes the Compliance Committee as an advisory committee to the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>• 2015 Establishes the Meetings of Independent Directors</li> <li>• 2016 Becomes a company with an Audit &amp; Supervisory Committee</li> <li>• 2018 Reassesses the role of the Board of Directors from the standpoint of enhancing its oversight functions</li> </ul>	<ul style="list-style-type: none"> <li>→ • 2021 · Shifts to a Board of Directors that places greater emphasis on decisions regarding important management directions as well as on monitoring that encompasses risk management</li> <li>· Establishes the Corporate Governance Committee as an advisory body to the Board of Directors</li> <li>• 2022 Reduces the maximum number of directors (excluding directors who are Audit &amp; Supervisory Committee members) from 15 to 10</li> </ul>	<ul style="list-style-type: none"> <li>• 2024 Establishes Sustainability Management Meetings</li> </ul>
Directors and Executive Officers		<ul style="list-style-type: none"> <li>• 2007 Appoints two independent directors</li> </ul>	<ul style="list-style-type: none"> <li>• 2015 Establishes principles on appointment of directors/Audit &amp; Supervisory Board members and establishes standards for independent directors/auditors</li> <li>• 2016 Establishes training policy for directors and executive officers</li> <li>• 2019 Appoints the Company's first female director</li> <li>• 2021 Abolishes the positions of senior managing executive officer and managing executive officer</li> </ul>			
Effectiveness Evaluation			<ul style="list-style-type: none"> <li>• 2016 Introduces evaluation system for the Board of Directors</li> </ul>			
Remuneration			<ul style="list-style-type: none"> <li>• 2016 Revises directors' remuneration system (introduces stock-type remuneration)</li> </ul>	<ul style="list-style-type: none"> <li>• 2024 Revises directors' remuneration system (introduces ESG-related indicators, etc.)</li> </ul>		

## Corporate Governance

### Corporate Governance Highlights



Note: Our Company has registered all six independent directors as independent directors with a financial instruments exchange.

### Policy on the Management Structure (Management Structure and the Scope of Delegation in Management)

Our Company believes the source of its corporate value lies in synergies generated by a wide range of segments in different demand fields, business environments, sales channels, and business scales, while recognizing that the pursuit of technological development and innovation, which is the cornerstone of the Company's sustainable growth, cannot be achieved without discussions with manufacturing sections.

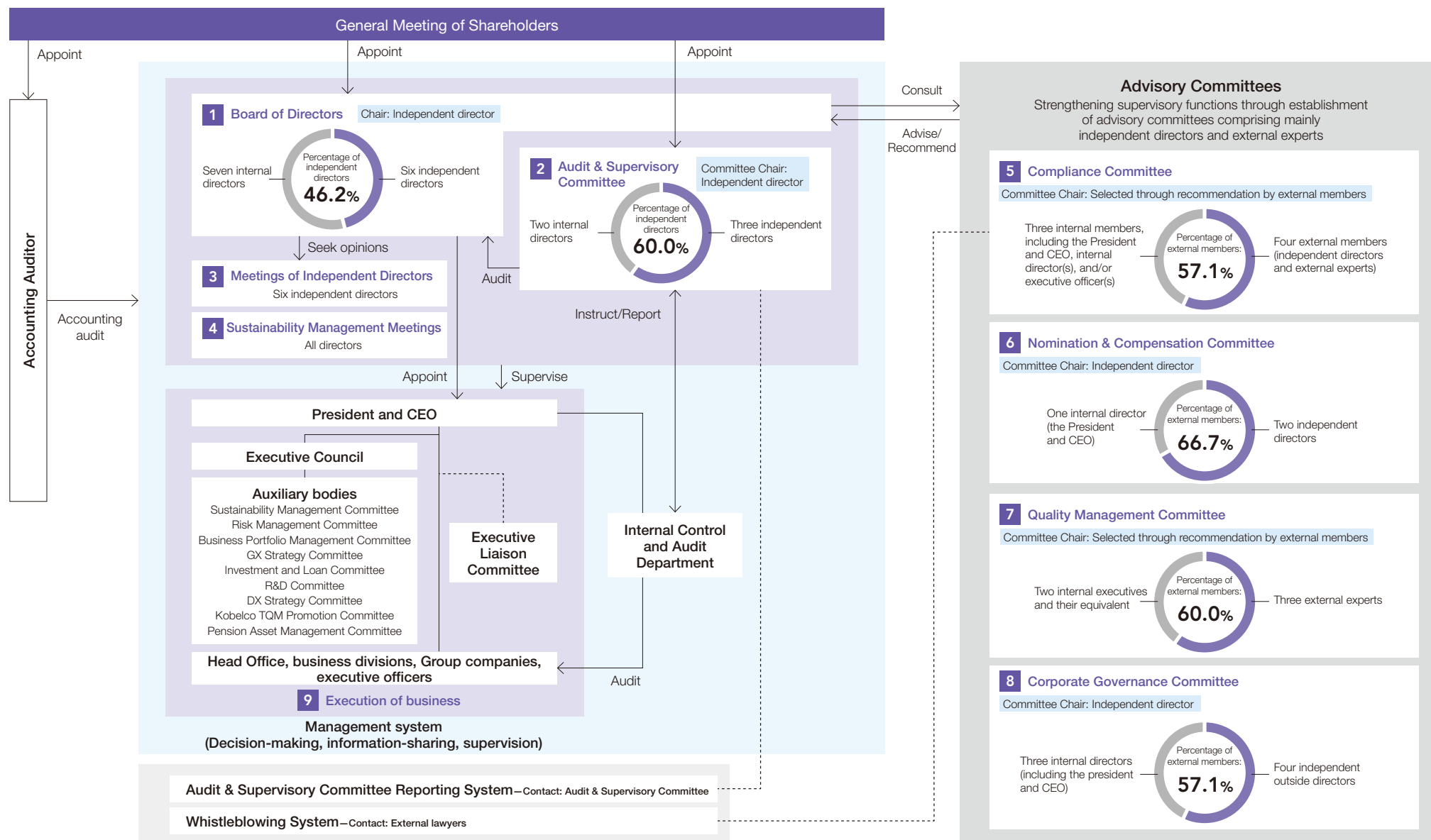
Furthermore, the Company believes it is necessary for the Board of Directors to hold active discussions and make appropriate decisions regarding the risk management and the distribution of management resources for a wide range of businesses, and at the same time, to flexibly supervise business execution. In order to achieve this, it is desirable that the Board of Directors have members with a correct understanding of the Company's business execution without completely separating the supervisory and execution functions.

In line with this approach, the Company has adopted an Audit & Supervisory Committee whose members have voting rights on the Board of Directors. Under this governance structure, the Company aims to enable comprehensive audits of its extensive businesses, maintain and strengthen the supervisory function of the Board of Directors, and accelerate decision-making on management, with no clear boundaries that separate the supervisory and execution functions.

In order to improve the effectiveness of monitoring, the Company has established advisory committees, which are responsible for providing appropriate recommendations to the Board of Directors regarding compliance, nomination and compensation, quality management, and corporate governance. In order to improve the effectiveness of business execution, the Company established the Executive Council as a forum where executives, including the president and CEO, discuss important matters. In addition, the Company has set up various committees as auxiliary bodies to the Executive Council in order to oversee and promote important matters related to the entire company, such as sustainability and business portfolio management. The activities of these committees are monitored by the Board of Directors.

## Corporate Governance

## Our Corporate Governance System



## Corporate Governance

### 1 Board of Directors

The number of directors (excluding directors who are Audit & Supervisory Committee members) shall be not more than 10 as stipulated under the Articles of Incorporation of the Company. The Company takes the following measures to ensure that an appropriate number of directors constitutes the Board of Directors to facilitate substantial discussion at meetings of the Board of Directors as well as enhance the auditing function, while considering its diversity.

The Company's Board of Directors places emphasis on determining important management directions and monitoring, including risk management. In addition to the president and CEO, directors who oversee the specific functions of Companywide importance shall be appointed as executive directors. In order to further enhance active discussions, appropriate decision-making, and supervision, it is essential to reflect external fair and neutral viewpoints and the viewpoints of stakeholders including minority shareholders. Therefore, in addition to the independent directors who are Audit & Supervisory Committee members, the Company invites several independent directors who are not Audit & Supervisory Committee members to the Board of Directors. The Chair of the Board of Directors is elected from among the independent directors.

### 2 Audit & Supervisory Committee

In principle, the Audit & Supervisory Committee of Kobe Steel consists of five directors, including two internal directors and three independent directors. This membership is not only in accordance with the rules of Japan's Companies Act on a company with an Audit & Supervisory Committee, which require at least three non-executive directors (the majority of whom shall be independent directors), but also ensures transparency and fairness and encourages satisfactory auditing for the execution of duties by directors responsible for a wide range of business segments. The Audit & Supervisory Committee Chair is selected from among the independent directors.

Internal directors who are full-time Audit & Supervisory Committee members are mainly responsible for acting as liaisons between the management team and the Audit & Supervisory Committee and for coordinating with the internal audit departments. Independent directors who are Audit & Supervisory Committee members are responsible for providing expert knowledge with respect to auditing and for maintaining fairness. To ensure these roles are fulfilled, the Company appoints independent Audit & Supervisory Committee members from diverse fields, including legal, financial, and industrial circles. In addition, at least one of the Audit & Supervisory Committee members shall have a considerable degree of knowledge on finance and accounting in order to improve the effectiveness of audits.

### 3 Meetings of Independent Directors

The Company has established the Meetings of Independent Directors to take full advantage of the independent directors' capabilities. The meetings are a platform where the Company shares with independent directors information regarding the Company's businesses excluding the nomination and compensation of executives.

The Meetings of Independent Directors consist solely of independent directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary.

The executive directors of the Company attend the Meetings of Independent Directors as appropriate to share information and exchange opinions with the independent directors.

### 4 Sustainability Management Meetings

The Company established the Sustainability Management Meetings to strengthen the monitoring function of the Board of Directors by sharing broad awareness periodically and exchanging opinions with executive management, including business divisions, and discussing the Group's major sustainability-related activities (Companywide strategies in the areas of carbon neutrality, human resources, quality).

The Sustainability Management Meetings consists of all the directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary.

### 5 Compliance Committee

The Company has established the Compliance Committee as an independent advisory body to the Board of Directors. The committee deliberates matters regarding compliance with laws, regulations, and ethics in the Company's business activities.

The Compliance Committee consists of the president and CEO, the director/executive officer overseeing Companywide compliance, the executive officer responsible for Companywide compliance, lawyers (without a retainer agreement executed by the Company) as a contact point for the internal whistleblowing system, independent directors, and external experts. The majority of the committee consists of members from outside the Company. The committee chair is selected through mutual recommendation among the external members.

The Compliance Committee formulates fundamental policies regarding compliance activities, monitors the progress of compliance activities, and submits reports and recommendations on necessary actions to the Board of Directors. The committee holds regular meetings semiannually and ad-hoc meetings when necessary.

## Corporate Governance

### 6 Nomination & Compensation Committee

The Company has established the Nomination & Compensation Committee as a body to report on matters such as the nomination, appointment, and dismissal of candidates for directors and executive officers, including the appointment of a chief executive officer, as well as the remuneration system for directors and executive officers and other matters, with the aim of further increasing the fairness and transparency of the operation of the Board of Directors. The Nomination & Compensation Committee consists of three to five members appointed by the Board of Directors, including the president and CEO, with the majority of members comprising independent directors. Meetings are held at least once every fiscal year and as needed. The Board of Directors fully respects the opinions reported by the Nomination & Compensation Committee and decides on the matters reported.

The committee chair is selected from among the independent directors.

### 7 Quality Management Committee

The Company has established the Quality Management Committee as an advisory body to the Board of Directors. The committee undertakes continuous monitoring and makes recommendations regarding quality management enhancement activities within the Group, as well as monitors the effectiveness of measures to prevent recurrence of the quality misconduct. The membership of the committee consists of two internal executives of the Company or their equivalent and three external experts selected by the Board of Directors who have technical or legal knowledge on quality control. The committee chair is selected through mutual recommendation among the external members.

### 8 Corporate Governance Committee

The Company has established the Corporate Governance Committee as an advisory body to the Board of Directors. The committee deliberates matters regarding corporate governance, including the formulation of basic policies, in order to realize corporate governance that helps to achieve the sustainable growth of the Group and enhance corporate value.

The Corporate Governance Committee consists of the president and CEO, the director/executive officer overseeing the Corporate Planning Department, the director/executive officer overseeing the General Administration and CSR Department, and independent directors appointed by the Board of Directors. Independent directors form a majority of the committee. The committee chair is selected through mutual recommendation among the members who are independent directors. The Corporate Governance Committee meets at least once every fiscal year and calls a meeting as needed.

### 9 Execution of Business

The Board of Directors places emphasis on determining important management directions and monitoring that encompasses risk management. The executive officers shall be responsible for the execution of business. The Company's executive officers are appointed by the Board of Directors. They do not constitute a statutory body, but they are deemed as an important position for executing business entrusted by the Board of Directors. Under this structure, the Executive Council (which meets twice a month) is convened as a forum for deliberating important matters related to management and matters to be discussed by the Board of Directors. The membership of the Executive Council consists of the president and CEO, executive directors, the executive officer responsible for the Corporate Planning Department, executive officers nominated by the president and CEO (heads of business divisions), presidents of affiliated companies, standing directors who are full-time Audit & Supervisory Committee members, and members appointed for each project.

The Executive Council is not a decision-making body, but a forum for frank discussion aimed at giving additional consideration to the execution of business by each business division and the Group from various aspects. Matters deliberated by the Executive Council are submitted to the Board of Directors as matters to be resolved or reported.

To enhance the effectiveness of deliberations by the Executive Council, the Company forms various auxiliary committees dedicated to addressing key matters concerning its business strategy, such as sustainability management, risk management, business portfolio management, GX strategy, investment and loans, and Kobelco TQM promotion, among others.

In addition, the Company establishes the Executive Liaison Committee (which meets quarterly) consisting of directors, executive officers and fellows who execute business, and the presidents and executives of affiliated companies nominated by the president and CEO.

The Executive Liaison Committee is a forum to share information on important matters related to management, and it is also considered a venue to conduct training by inviting instructors from within and outside the Company in order to acquire and update as appropriate various knowledge necessary for the integrated management and business execution of the Group.

### Knowledge, Experience, and Skills That Are Particularly Expected to Be Demonstrated for the Improvement of the Functions of the Board of Directors (Skills Matrix)

In order to address the Group's medium- to long-term material issues (materiality) and to implement the Medium-Term Management Plan (Fiscal 2024–2026), which was formulated and announced in May 2024, we have put together a skills matrix of the knowledge, experience, and skills that the Board of Directors particularly expects the directors to demonstrate for the improvement of the functions of the Board of Directors. These areas of knowledge, experience, and skills will be reviewed as necessary in response to changes in the business environment, the formulation of new management plans, and other changes.

## Corporate Governance

### Views on Knowledge, Experience, and Skills That Are Particularly Expected to Be Demonstrated for the Improvement of the Functions of the Board of Directors

- The Kobelco Group aims to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities.
- In order for the Board of Directors to appropriately determine important management directions and conduct monitoring that encompasses risk management, aimed at enhancing the Kobelco Group's corporate value over the medium to long term, we believe it is necessary to have the Board of Directors consisting of directors who have well-balanced knowledge, experience, and

skills in the following three key areas: (1) Comprehensive skills in overall management, (2) Skills in solving social issues and creating new value, and (3) Skills in further strengthening the business foundation. In particular, we expect independent directors to demonstrate their knowledge, experience, and skills with regard to insights into other industry sectors.

- Items in the key areas have been determined after discussion at the Corporate Governance Committee and the Nomination & Compensation Committee, taking into account the Company's business strategy and business characteristics as well as the business environment and the Company's management plan.

Name	Gender	Length of service as director (Years)	Comprehensive skills in overall management		Skills in solving social issues and creating new value			Skills in further strengthening the business foundation			Insights into other industry sectors	Attendance at Board of Directors' meetings (FY2023)	Attendance at Audit & Supervisory Committee meetings (FY2023)
			Business management and administration	ESG	Sales strategy and marketing	Technical development, intellectual properties, production technologies, and DX	Global business	Finance and accounting	Organization and human resources	Legal and risk management			
President, CEO and Representative Director Yoshihiko Katsukawa	Male	6	●	●			●	●				19 of 19 meetings (100%)	—
Executive Vice President and Representative Director Hajime Nagara	Male	4	●	●					●	●		19 of 19 meetings (100%)	—
Director, Executive Officer Koichi Sakamoto	Male	1	●	●		●						14 of 14 meetings (100%)	—
Director, Executive Officer Shinji Miyaoka	Male	1	●		●	●	●					14 of 14 meetings (100%)	—
Director, Executive Officer Kazuhiko Kimoto	Male	—	●	●	●		●					—	—
Independent Director Yumiko Ito	Female	5		●			●			●	●	19 of 19 meetings (100%)	—
Independent Director Shinsuke Kitagawa	Male	2		●			●			●	●	19 of 19 meetings (100%)	—
Independent Director Yoshie Tsukamoto	Female	—	●		●	●					●	—	—
Director, Audit & Supervisory Committee Member Gunyu Matsumoto	Male	1	●					●	●			14 of 14 meetings (100%)	12 of 12 meetings (100%)
Director, Audit & Supervisory Committee Member Yuichiro Goto	Male	—		●	●	●						—	—
Independent Director, Audit & Supervisory Committee Member Masaaki Kono	Male	4	●	●				●			●	19 of 19 meetings (100%)	17 of 17 meetings (100%)
Independent Director, Audit & Supervisory Committee Member Kunio Miura	Male	4		●						●	●	19 of 19 meetings (100%)	17 of 17 meetings (100%)
Independent Director, Audit & Supervisory Committee Member Nobuko Sekiguchi	Female	2		●			●	●			●	19 of 19 meetings (100%)	17 of 17 meetings (100%)

Notes: 1. This matrix does not present all the knowledge, experience, and skills that each person possesses, but rather maximum four ticks (●) are given for areas that are particularly expected.

2. Directors Koichi Sakamoto, Shinji Miyaoka, and Gunyu Matsumoto took office as Director on June 21, 2023. Since then, the Board of Directors and the Audit & Supervisory Committee have met 14 times and 12 times, respectively.



## Corporate Governance

### Initiatives to Ensure the Effectiveness of the Board of Directors

The Company carries out the following initiatives in order to ensure that the Board of Directors fulfills its decision-making and supervisory functions appropriately.

- Every year, the Audit & Supervisory Committee interviews each director to verify the decisions on business execution made by the Board of Directors and the implementation of efficient business execution as stipulated in the basic policy of the internal control system.
- In the operation of the Board of Directors, the Company distributes meeting materials at least three days prior to the date of the meeting as necessary in order to enable active and sufficient deliberations at meetings of the Board of Directors. To this end, the Company will promote the use of electromagnetic means with due consideration for the protection of trade secrets, so that meeting materials can be received regardless of the whereabouts of the directors.
- In addition to meeting materials for the Board of Directors, the Company provides the directors with sufficient information and explanation as necessary, upon the request of the directors, etc.
- To revitalize and deepen discussions at meetings of the Board of Directors and further enhance the monitoring function for business activities, the Company has an independent director serve as the Chair of the Board of Directors, in principle.
- The Company has established a secretariat for the Board of Directors within the Corporate Planning Department. The Secretariat determines and organizes the annual schedule of meetings of the Board of Directors and anticipates agenda items to the extent possible, in advance of the fiscal year. In addition, the Secretariat coordinates with each department to ensure that the number of deliberation items and the frequency of meetings are appropriate, and that sufficient deliberation time is secured.
- The Board of Directors and the Audit & Supervisory Committee strive to improve the effectiveness of the supervisory function of the Board of Directors by seeking advice from external experts and others at the Company's expense when deemed necessary.
- Through supervision and auditing of the internal control system, the Board of Directors and the Audit & Supervisory Committee ensures the smooth provision of information as requested by each director and Audit & Supervisory Committee member.
- For the verification of the effectiveness of the Board of Directors, the Corporate Governance Committee requests each director to complete a questionnaire every fiscal year and provides a preliminary evaluation of the survey results. Based on this, the Board of Directors discusses and evaluates its effectiveness and identifies issues at its meetings. The questionnaire items are reviewed by the Board of Directors based on the evaluation results of each fiscal year. A summary of evaluation results is disclosed every fiscal year.

### ● Evaluation Results for Fiscal 2023

#### Overview of the Effectiveness Evaluation of the Board of Directors

Evaluators	All 13 directors
Implementation process	Conducted questionnaire survey targeting all directors and individual interviews by the Corporate Governance Committee The Company entrusted a third-party organization to carry out the questionnaire survey.
Evaluation items	(1) Structure of the Board of Directors, (2) Agenda of Board of Directors' meetings, (3) Materials for Board of Directors' meetings, (4) Operation of the Board of Directors, (5) Provision of information to directors, (6) Discussions during Board of Directors' meetings, (7) Monitoring function of the Board of Directors, (8) Mutual evaluation of directors, and (9) Other
Evaluation method	<ul style="list-style-type: none"> <li>• Based on the results of the questionnaire and interviews, the Corporate Governance Committee submits to the Board of Directors the results of the effectiveness evaluation and proposes the future direction for improving the effectiveness.</li> <li>• The Board of Directors reviews the evaluation results and identifies current issues. Based on these, the Board of Directors deliberates future initiatives for improving effectiveness and makes decisions on future measures.</li> </ul>

### ● Summary of Analysis and Evaluation Results

- In the evaluation of Board effectiveness for fiscal 2022, we found that it is necessary to strengthen the monitoring function of the Board of Directors by setting a planned agenda and deepening discussions on the realization of a path to enhance corporate value over the medium to long term.
- Therefore, in fiscal 2023, as a result of efforts to share information with directors and hold discussions with execution on themes concerning the business portfolio and sustainability to formulate Medium-Term Management Plan (Fiscal 2024–2026) as well as major investment projects in a well-planned manner, the Board of Directors has deepened its understanding of the executives' efforts and found that the function of the Board of Directors as a monitoring board has been enhanced.
- Based on the above, the Company believes that the effectiveness of the Board of Directors has been continuously improved based on the effectiveness evaluation results so far. We will continue with these initiatives in fiscal 2024 and strive to make further improvements.
- Additionally, the Company established Sustainability Management Meetings in April 2024 to further strengthen the monitoring function of the Board of Directors as a forum to share understanding and exchange opinions with executives, broadly and regularly, on our Group's major sustainability activities (Companywide strategies in areas such as carbon neutrality, human resources, quality, etc.)



## Corporate Governance

### ● Future Initiatives for Improving Effectiveness

- The Company will continue to utilize meetings of independent directors and offline meetings to further strengthen the monitoring function of the Board of Directors by regularly exchanging opinions with executives on major sustainability activities at the newly established Sustainability Management Meetings.
- The Company will continue to work to improve the efficiency and discussion-oriented operation of the Board of Directors.

### Training and Succession Plan for Directors and Executive Officers

#### ● Training for Directors and Executive Officers

In order for directors and executive officers to fulfill their roles and responsibilities, the Company offers the following training programs as opportunities to acquire and appropriately update the necessary knowledge. The Company will support the expenses for training.

- At the time of appointment, directors and executive officers receive sufficient explanation from the relevant departments regarding the Company's business and financial situation, etc. If needed, the Company also provides opportunities for directors and executive officers to acquire knowledge and information through visits to manufacturing sites and other means.
- In particular, for newly appointed directors and executive officers from within the Company, the Company provides opportunities for training on the roles and responsibilities of directors and executive officers, as well as legal affairs and corporate governance.
- The Company holds training sessions several times a year, inviting instructors from inside and outside the Company for the purpose of helping directors and executive officers acquire various knowledge on legal revisions and corporate management, etc., and update it as appropriate.
- The Company holds the Compliance Top Seminar once a year as an opportunity to learn from outside instructors about what is required of top management for compliance.
- In addition, the Company facilitates and encourages directors and executive officers to take external training on management strategy, finance and accounting, and organization, etc., and the Company provides support for it.
- The status of attendance at these training sessions is checked once a year and reported to the Board of Directors.

### ● Views on the Development of Successors to the CEO

The Company recognizes that the development of successors to the CEO is one of the most important issues for its management. The qualities and human resources required to solve the Company's management issues and enhance corporate value are discussed on a continued basis at the Nomination & Compensation Committee, chaired by an independent director and composed of a majority of independent directors.

- The appointment of the CEO is determined by the Board of Directors after deliberations at the Nomination & Compensation Committee taking into account the Company's business environment and the implementation of management plans, etc., which are reported to the Board of Directors.
- In developing successors to the CEO, the Company selects multiple candidates from among directors and executive officers and appoints them to important management roles after discussion at the Nomination & Compensation Committee.
- The Company provides directors and executive officers with training opportunities to acquire the knowledge and qualities necessary for the management of the Company. The Corporate Governance Committee examines the training menu in light of the Company's business environment and other factors and reports to the Board of Directors every fiscal year.
- The training status of each director and executive officer is checked by the Corporate Governance Committee once a year.

## Corporate Governance

### Remuneration for Directors, Executive Officers, and the Accounting Auditor

#### 1 Basic Approach to Remuneration for Directors and Executive Officers

1. The system aims to secure talented human resources who can contribute to the Company's sustainable development, and appropriately compensate for such efforts.
2. The system aims to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
3. 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.
4. 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

1. 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 Executive Remuneration Regulations for Directors and Executive Officers and the 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.
2. 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, independent 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 into account the level of responsibility of the assigned duties and reported to the Nomination & Compensation Committee and the Board of Directors.
3. 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.

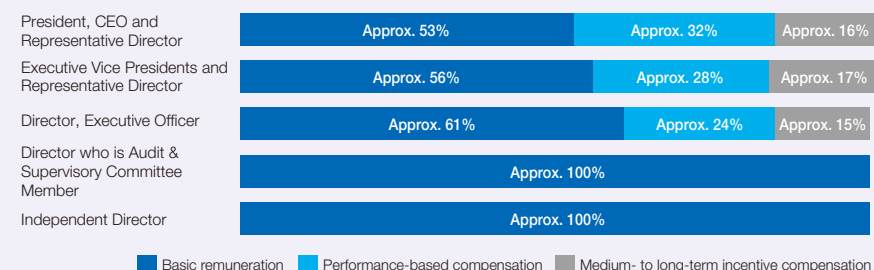
4. Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders are as follows.

- 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 387 million yen per fiscal year  
Maximum points to be granted for medium- to long-term incentive compensation..... Within a total of 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.



- Notes: 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 graph represent the case where respective payments are made at 100% of the standard pay amount.  
In addition to the above amount, 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.

## Corporate Governance

### 3 Performance-Based Compensation

1. 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.
2. 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.

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

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

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

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

$$\text{(A) Portion linked to Companywide performance (\%)} = \left[ \frac{100/3}{\text{Companywide Consolidated ROIC}} - \frac{2/3}{\text{Consolidated ROIC for each business division}} \right] \times 100$$

$$\text{(B) Portion linked to division performance (\%)} = \left[ \frac{100/3}{\text{Consolidated ROIC for each business division}} - \frac{2/3}{\text{Companywide Consolidated ROIC}} \right] \times 100$$

- 3 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%.

3. The calculation methods for the standard pay amount for each rank and remuneration rank 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.
4. 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

1. For medium- to long-term incentive compensation, a system known as the 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 an important issue for management, 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.

2. 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.
3. As funds for acquisition of shares thorough the trust, in principle, 1.25 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 day 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 1.25 billion yen will be contributed.

#### Calculation method of points to grant medium- to long-term incentive compensation

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

- 1 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 The coefficient is determined based on dividends, profit, and performance against ESG-related indicators.

## Corporate Governance

### 5 Timing of the Determination and the Payment of Remuneration Amount

1. 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.
2. 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 in a 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.
3. 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

1. 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 through discussions among all Audit & Supervisory Committee members.
2. 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 committee will present a revised remuneration plan at a meeting of the Board of Directors for resolution.

### Reference

#### Base Value and Actual Value for Indicators for Each Compensation

Compensation item	Performance-based compensation	Medium- to long-term incentive compensation
Indicators	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 in Recent Fiscal Years

The following items regarding the remuneration for directors and executive officers have been deliberated by the Nomination & Compensation Committee and then decided on by the Board of Directors.

Meeting period	Deliberations and resolutions
Sept., Nov., and Dec. 2023 and Jan. 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 contribution to the Board Benefit Trust Amounts of performance-based compensation and medium- to long-term incentive compensation for fiscal 2023

#### Fiscal 2023 Remuneration for Directors

Category	Number of Directors (Persons)	Amount (Millions of yen)	Breakdown of total remuneration (Millions of yen)			Remarks
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation	
Directors excluding Audit & Supervisory Committee members (of whom are independent directors)	10 (3)	475 (40)	289 (40)	117 (—)	67 (—)	The number of payees and the amount of payment include two internal directors (not Audit & Supervisory Committee members) who resigned during fiscal 2023.
Directors, Audit & Supervisory Committee members (of whom are independent directors)	5 (3)	102 (44)	102 (44)	— (—)	— (—)	
Total	15	577	391	117	67	

#### Remuneration for the Accounting Auditor

In fiscal 2023, remuneration and other amounts payable to the accounting auditor by the Company totaled 177 million yen, and the total amount of money and other financial interests payable by the Company and its subsidiaries was 559 million yen.

## Corporate Governance

### Strategic Holdings of Shares

#### ● Basic Policy on Strategic Holdings of Shares

Our policy on strategic holdings of shares is as follows.

- We will engage in strategic holdings of shares, if it is deemed necessary for alliances and other arrangements that contribute to the growth of our Group, after considering capital efficiency and economic rationality. However, the holdings of these shares will be kept to the minimum amount necessary and efforts will be made to reduce these holdings in stages.
- The holdings of shares shall be subject to the approval of the Board of Directors or the head of the business division in accordance with the internal approval procedures, taking into account the amount of funds required and the purpose of the holdings.
- Since we do not hold shares for pure investment purposes, we do not judge the necessity of holding shares solely based on short-term stock price levels. Each fiscal year, the Board of Directors verifies the amount of shares held and the necessity of holding shares, taking into account changes in the purpose of the holdings and in the business environment, cash flow, etc., and we will sell/transfer shares, or take other measures, as necessary.
- A summary of the verification results is made available on our corporate website every fiscal year.
- In cases where a company that holds shares of Kobe Steel for the purpose of alliances or other reasons expresses an intention to sell or otherwise dispose of those shares, we will not take any action to prevent such sale.

#### ● Criteria for Exercising Voting Rights

The Company's criteria for exercising voting rights are as follows.

- We will agree with the proposal by the relevant company, in principle, if its management is deemed consistent with the basic policy and purpose of the holdings, such as forming an alliance with our Company.
- In the following cases, the department in charge will conduct verification and undertake detailed investigations, including interviews with the relevant company. Cases in which no unqualified opinion is given by the accounting auditor.
  - A) Cases in which the company has a serious violation of laws or regulations or other misconduct or a significant management problem, and it is deemed that there is a possibility that it may affect the purpose of holdings the shares
  - B) Cases in which it is deemed that there may be significant infringement of the rights of shareholders
- Based on the above basic policy, the department in charge will exercise voting rights after obtaining the approval of the head of the business division, etc., in accordance with the Investment and Loan Management Regulations and the Detailed Regulations for Exercising Voting Rights set forth by the Company.

#### ● Verification Results Regarding Strategic Holdings of Shares

Kobe Steel has reviewed the necessity of all the strategic holdings of shares that the Company holds in listed companies as of March 31, 2024 at its Board of Directors' meeting.

A summary of the verification results is as follows.

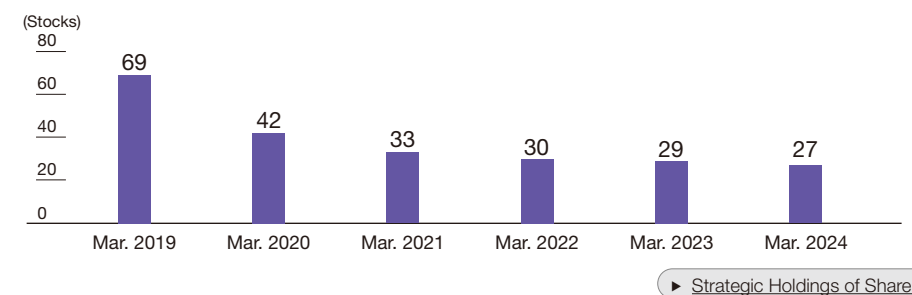
Targets	All the strategic holdings of shares that the Company holds in listed companies as of March 31, 2024 (27 stocks)
Verification details	<p>We verified whether the holdings of each company's shares contributes to strengthening the Company's business foundation and to improving the Company's corporate value over the medium to long term, based on the following evaluation items, and comprehensively judged the reasonableness of each shareholding.</p> <p><b>Evaluation items</b></p> <p>(i) Scale and importance as a business partner (volume of transactions, share of transactions, and stable procurement)</p> <p>(ii) Relationship as an alliance partner (economic effect of the alliance)</p> <p>(iii) Dividend yield</p>

#### ● Verification Results

- As of March 31, 2024, the Company holds 27 stocks. The holdings of these shares have been judged to be reasonable as they are contributing to strengthening the Company's business foundation and to enhancing the Company's corporate value over the medium to long term, based on the scale and importance of the companies as business partners (volume of transactions, share of transactions, and stable procurement) and the relationships as alliance partners.

However, to ensure these holdings are kept to the minimum amount necessary, going forward, the Company will continue to verify the necessity of strategic holdings of listed companies' shares, and those holdings that are judged to have diminished significance will be reduced through sale or other means.

#### Changes in the Company's Strategic Holdings of Shares



## Corporate Governance

### Approach to Listed Group Companies

In accordance with the Group Company Management Regulations, the Company obliges its Group companies to consult with the supervisory divisions and the Head Office divisions of Kobe Steel and report on important matters when they make important decisions. The Company also requires Group companies to obtain prior approval of its Board of Directors and the president for the disposal of assets exceeding a certain amount in value in order to ensure the integrated business operation of the Group. However, since listed companies need to maintain a certain level of managerial independence from the Company, the Company takes care not to bind the independent judgment of the management of Group companies.

The Company pursues the ideal form of capital relations by comprehensively taking into account the various situations of Group companies in terms of the business contents, scale, financial strategies for business development, financing, etc., for the overall enhancement of corporate value as a corporate group. From these perspectives, two of our subsidiaries are currently listed. Going forward, the Company will continue to examine how the ideal corporate group should be from the perspective of enhancing corporate value including the corporate governance of the Group.

Listed Subsidiaries	Benefits of Listing	Uniqueness of Business	Independent Directors
Nippon Koshuha Steel Co., Ltd.	<ul style="list-style-type: none"> <li>Heightened employee motivation</li> <li>Highly skilled human resources</li> <li>Flexible fundraising from capital markets</li> </ul>	<ul style="list-style-type: none"> <li>The company is responsible for part of the Group's special steel business (secondary processing of bearing steel products). The company has no business restrictions from the parent company and conducts its business activities independently.</li> <li>When doing business with the Company, the company shall obtain approval of the Board of Directors of the Company for transactions of high importance in accordance with the Regulations of the Board of Directors and the Guidelines for Handling Matters for Deliberation of the Board of Directors. Terms and conditions of transactions are determined in the same manner as for ordinary business transactions.</li> </ul>	The Company has appointed two independent directors from the perspectives of protecting minority shareholders, improving management fairness, and increasing transparency. These two directors have never belonged to the Company or any Group company that has a capital relationship with the Company. The Company exercises its voting rights on proposals for the election of outside directors of Nippon Koshuha Steel Co., Ltd. in consideration of its independence from the Company.
Kobelco Wire Company, Ltd.	<ul style="list-style-type: none"> <li>Heightened employee motivation</li> <li>Highly skilled human resources</li> <li>Flexible fundraising from capital markets</li> </ul>	<ul style="list-style-type: none"> <li>As a secondary wire rod product manufacturer of the Group, the company undertakes the manufacture and sale of pre-cut steel wire, steel wire, stainless steel wire, wire rope, steel wire processed products, etc. It is a core company in the wire rod and bar business, and it has no business restrictions from the parent company and conducts its business activities independently.</li> <li>When doing business with the Company, the terms and conditions of transactions shall be competitive (in price, quality, delivery date, etc.) similar to those for ordinary business transactions. The Company decides on them after comprehensively taking into account the types of projects such as joint technical development, joint ventures, etc.</li> </ul>	The Company has appointed two independent directors from the perspectives of protecting minority shareholders, improving management fairness, and increasing transparency. These two directors have never belonged to the Company or any Group company that has a capital relationship with the Company. The Company exercises its voting rights on proposals for the election of outside directors of Kobelco Wire Company, Ltd. in consideration of its independence from the Company.

► Corporate Governance Report (in Japanese only)



# Compliance

## 1. Compliance Code and Standards

Under the Group Corporate Philosophy, the Kobelco Group has established the Six Pledges of KOBELCO that constitute its specific code of conduct to be implemented by all members of the Group in day-to-day operations in order to fulfill the Core Values of KOBELCO, which are the values that should be shared throughout the Group. We have created guidelines to facilitate the correct understanding of applicable laws and regulations as well as social norms relevant to our business operations. Each and every person, regardless of whether they are directors/executive officers or employees, will practice the Six Pledges of KOBELCO in accordance with the guidelines.

## 2. Compliance Structure

Kobe Steel has formulated its Compliance Regulations that set out basic matters related to its compliance system, operations, etc., based on the Group Corporate Philosophy.

### (1) Compliance Committee

The Company has established the Compliance Committee as an advisory body to the Board of Directors. The committee drafts plans for Groupwide compliance activities, monitors the progress of the plans, and makes necessary revisions and improvements. The committee is comprised of the president and CEO, two other internal members, and four external members constituting a majority to provide a fair and impartial position, with one of the external members serving as the committee chair. Major Group companies have also established their own compliance committees.

### (2) Kobelco Group's Compliance Program

The compliance activity plans are implemented based on the Kobelco Group's Compliance Program. The Internal Control and Audit Department of Kobe Steel carries out the program in coordination with its business divisions and Group companies under the supervision of the director/executive officer overseeing Companywide compliance and the executive officer responsible for Companywide compliance.

The Kobelco Group's Compliance Program consists of five pillars: (1) Commitment and Risk Assessment, (2) Setting Rules and Procedures and Securing Resources, (3) Training and Communication, (4) Monitoring and Response to Reports, and (5) Review and Improvement.

By assessing the progress of the compliance activities of the Company and its Group companies with a focus on these five items and implementing them considering the characteristics of respective businesses and regions, we will implement comprehensive and effective compliance activities throughout the Group.

### Kobelco Group's Compliance Program

Commitment and Risk Assessment

Setting Rules and Procedures and Securing Resources

Training and Communication

Monitoring and Response to Reports

Review and Improvement



## Compliance

### 3. Compliance Activities Based on the Compliance Program

#### Commitment and Risk Assessment

##### ● Commitment

The Kobelco Group recognizes that in order to thoroughly prevent all kinds of misconduct, including violations of competition laws, anti-bribery laws, and security trade control laws, top management needs to show its stance of no tolerance to compliance violations. To this end, we regularly deliver messages on compliance from the president to employees.

##### ● Risk Assessment

As part of its risk management activities, the Group regularly analyzes and assesses compliance risks associated with its business and activities based on any internal and/or external trends. In particular, violations of competition laws, anti-bribery laws, and security export control laws are regarded as Top Risks since they may have a material impact on the Group, and we are working to establish a compliance system. The Compliance Committee formulates a plan for compliance-related activities and presents it to the Board of Directors.

#### Setting Rules and Procedures and Securing Resources

##### ● Setting Rules and Procedures

In order to address compliance risks in each business, the Kobelco Group has developed necessary rules and procedures for general compliance, compliance with competition laws, prevention of bribery, security trade control, internal whistleblowing systems, etc. We take strict disciplinary action against violations in accordance with our work rules, investigate the cause, and implement effective preventive measures.

Regarding the prevention of bribery, we have established policies, regulations, various guidelines, and manuals for each country, to prohibit the provision of money and benefits such as excessive entertainment which may lead to corruption of public officials, and any similar acts that lead to embezzlement or breach of trust among private individuals. We have implemented procedures for preapproval of entertainment expenditures and due diligence of business partners.

##### ● Securing Resources

Our Group secures necessary human, material, and financial resources to implement compliance initiatives at each Group company. We consider that securing the time required for compliance initiatives, such as taking the time necessary for education, is part of securing resources. In addition, we are working to enhance our compliance promotion system by assigning a person in charge of compliance at Group companies in Japan and overseas.

#### Training and Communication

##### ● Training

In order to instill awareness of compliance among all employees, the Kobelco Group conducts stratified training on compliance.

In addition, for specific areas such as compliance with competition laws, prevention of bribery, security trade control, internal whistleblowing systems, etc., we create manuals and conduct necessary training so that they can understand and comply with the rules and procedures associated with their work.

We continuously offer training by in-house instructors and e-learning at the Company and its Group companies in Japan and overseas, as well as seminars by external experts.

##### ● Communication

We disseminate information on amendments to laws and regulations through newsletters and provide manuals on the Company's intranet. We are also making continued efforts to make our whistleblowing systems widely known through the distribution of cards, posters, the intranet, Group newsletters, etc.

## Governance

### Compliance

#### Monitoring and Response to Reports

##### ● Monitoring

The Kobelco Group regularly monitors compliance with competition laws, prevention of bribery, and security trade control, which are positioned as Top Risks. We have gradually introduced the Kobelco Compliance Program at Group companies, and checks activities in areas such as compliance systems, competition laws, prevention of bribery, security trade control, etc.

##### ● Response to Reports

Our Group provides multiple points of contact to receive reports and inquiries from various stakeholders.

For example, we have established an internal whistleblowing system with an external law firm as a point of contact to receive anonymous reports and consultations regarding all kinds of misconduct, including bribery, embezzlement, cartels, harassment, etc. When a report is received, we ensure the complete confidentiality of those involved and the full protection of whistleblowers and take appropriate measures utilizing necessary resources and skills.

We accept anonymous inquiries from stakeholders via an inquiry form on our corporate website. If the inquiry contains any allegation of fraud or corruption involving the Group, we respond appropriately while enforcing the confidentiality of the parties concerned in the same way as in the whistleblowing system.

In addition, our Company also provides multiple points of contact for internal and external whistleblowers and accepts reports and consultations from external business partners.

(We had 117 reported cases in fiscal 2023, including those received at Group companies in Japan and overseas.)

#### Review and Improvement

##### ● Review and Improvement

The Kobelco Group conducts compliance awareness surveys among employees of the Company, its Group companies in Japan, and certain Group companies overseas, and reviews compliance efforts in light of issues that have been identified through monitoring and responding to reports to whistleblowing systems, as well as according to internal and external trends. Improvement plans relating to compliance are developed by the Compliance Committee and presented to the Board of Directors.

With regard to specific laws and regulations, we are now reviewing our initiatives based on amendments and trends inside and outside the Company.

#### 4. Status of Specific Compliance Activities

**Results**

##### Meetings of the Compliance Committee

The Compliance Committee, an advisory body to the Board of Directors, met four times to report on the results of activities in the previous fiscal year and formulate/approve the annual plan.

##### Implementation of the Kobelco Group's Compliance Program

Based on the Kobelco Group's Compliance Program, we implemented initiatives focused on top management commitment and training. In addition, we have gradually introduced this program at Group companies, and confirmed the status of activities in areas such as compliance systems, competition laws, prevention of bribery, security trade control, etc.

##### Implementation of Compliance Training

We organized compliance training programs for the Group by job grade, applicable laws and regulations, and roles and implemented them as planned, while utilizing online training and e-learning.

##### Monitoring Activities/Use of the Internal Reporting (Whistleblowing) System

We conducted regular monitoring of compliance with competition laws and security trade control laws. We received 117 reported cases through the whistleblowing system, including those received at Group companies in Japan and overseas, and responded to them appropriately. Also, the status of the responses to these reports was reported to the Compliance Committee.

##### Implementation of Compliance Awareness Surveys

In fiscal 2023, we conducted compliance awareness surveys at the Company, its Group companies in Japan, and certain Group companies overseas. Based on the survey results, we planned compliance promotion activities for fiscal 2024.

## Governance

## Compliance

## 5. Initiatives Related to Individual Laws and Regulations

## Prevention of Bribery

## Policies

The Kobelco Group's Anti-Bribery Policy and internal regulations prohibit offering bribes to public officials or business partners, as well as prohibit the receipt of bribes from business partners. We will take strict disciplinary action if any violations are committed.

## Structure

Since the impact of bribery is expected to be particularly serious when an event occurs, we have positioned it as one of the Top Risks for the Group, and are working to establish a Groupwide framework to prevent this. The status of activities and progress in developing frameworks is reported each year to the Business Activities Council, which is attended by the heads of business divisions, and these reports are used in the drafting of activity plans for the following fiscal year.

The Group requires prior approval for offering entertainment and gifts to public officials and conducts regular monitoring of the status of such expenditures.

In addition, when appointing business partners (including contractors, agents, consultants, etc.), we require them to make an anti-bribery pledge and conduct other due diligence.

We provide regular anti-bribery training (including e-learning) to employees. In addition to this, we create manuals to provide information relating to overseas laws and regulations, such as the Foreign Corrupt Practices Act in the United States and the Bribery Act in the United Kingdom.

## Results

No events involving fines, penalties, or out-of-court settlements arose in fiscal 2023 in relation to bribery.

## Compliance with Competition Laws

## Policies

The Company's internal rules and regulations prohibit violations of competition laws. We take strict action if any violations are committed.

## Structure

Because violations of competition laws are expected to have a particularly serious impact at the time they occur, they are designated a Top Risk for the Kobelco Group, which is working as one to develop frameworks to address this. The status of activities and progress in developing frameworks is reported each year to the Business Activities Council, which is attended by the heads of business divisions, and these reports are used in the drafting of activity plans for the following fiscal year.

The content of information exchanged through contact with competitors by sales departments is recorded and reported. The content thus reported is checked by multiple departments, and in cases where the exchange of information is recognized to be problematic, necessary measures are implemented promptly.

In addition to creating and publicizing manuals for employees in relation to compliance with competition laws, we implement regular training (including e-learning).

Through interviews and other measures, we work to maintain an accurate understanding of the status of sales department activities.

## Results

No events involving fines, penalties, or out-of-court settlements arose in fiscal 2023 in relation to competition laws.

# Risk Management

## Basic Policy

### Policies

In accordance with the Companywide Risk Management Regulations and referring to the guidance issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as an international standard, we identify factors that hinder the Kobelco Group's sustainable development and enhancement of corporate value and take measures to address them. As targets for Companywide risk management, we have designated risks that have a material impact on the Group and stakeholders and require a Groupwide response as Top Risks and Significant Risks. These Top Risks and Significant Risks include ESG risks such as human rights, safety management, climate change, and natural disasters.

## Classification and Definition of Risks

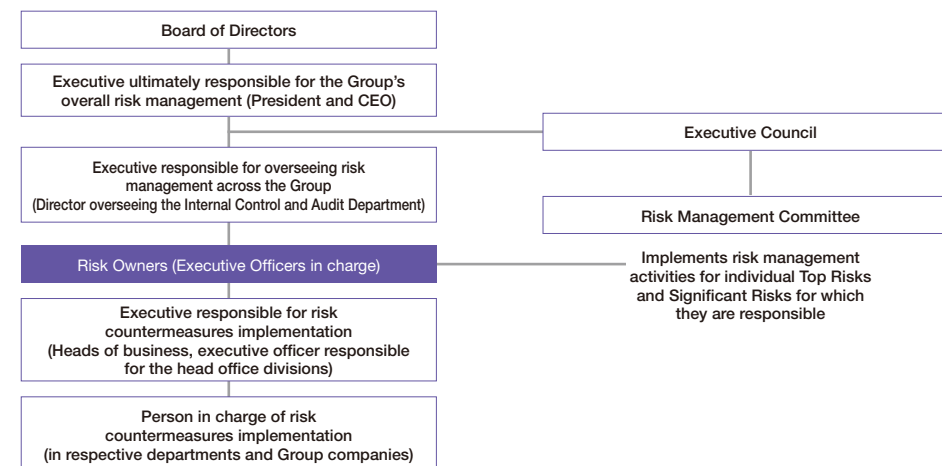
Risk Classification	Definitions
Top Risks	Of Significant Risks, risk that are likely to have a material impact if they materialize
Significant Risks	Risks that have a material impact on the Group and its stakeholders
Risks Identified by Each Department/Company	Risks identified by each department/company, excluding Top Risks and Significant Risks

## Management Structure

### Structure

The president and CEO is the person ultimately responsible for the Group's overall risk management, and the director who oversees the Internal Control and Audit Department is the person responsible for overseeing risk management across the Group. Meanwhile, individual risks are managed by the Risk Owners as the persons responsible for Groupwide management activities of each risk, and the countermeasures to these risks are implemented by the heads of businesses and the executive officer responsible for the head office under a risk management system that encompasses the entire organization. The Risk Management Committee has been established as an auxiliary body to the Executive Council. The committee undertakes tasks such as formulating and evaluating basic policies concerning risk management in general, planning specific policies concerning important issues in risk management, and approving and evaluating action plans for measures to reduce Top Risks and Significant Risks. The person responsible for overseeing risk management across the Group is appointed as the committee chair and all of the Risk Owners are appointed as committee members. The status of the activities of the Risk Management Committee is periodically reported to the Executive Council, and instructions are given to the risk owners based on the results of discussions at the Executive Council. The risk management system, headed up by the president and CEO, is operated independently from the Audit & Supervisory Committee.

## Management Structure



Under the direction of the Risk Owners, the management of individual risks is carried out by the person in charge of risk countermeasures implementation in each division in the following cycle: identifying risks, formulating risk management plans, implementing the plans, assessing results, and identifying required improvement for the following fiscal years. To ensure the effectiveness of our activities, the Board of Directors manages and supervises activities to address Top Risks and Significant Risks, including ESG risks. They review the annual results of activities in respective business divisions for the improvement of the plans for subsequent fiscal years. This approach to risk management is also actively employed at Group companies as a Groupwide initiative. In the event of an urgent and serious risk of loss with respect to risks including Top Risks and Significant Risks, we will appropriately communicate information and make decisions according to internal rules based on the Contact System in Case of Risk Occurrence and take appropriate measures to minimize damage.

### Identification of Risks

- Identify risks that require response based on changes in the business environment and incidents of internal and external risks
- Select risks to be managed based on potential level of impact

### Establishment of Risk Management Plans

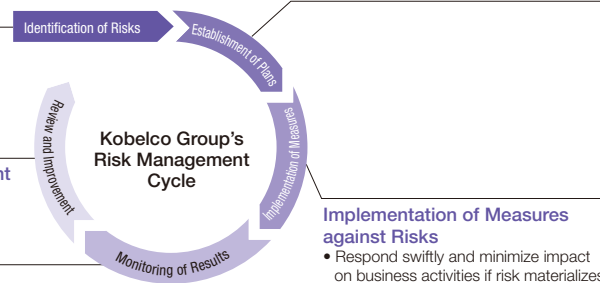
- Establish management plans for individual risks
- Formulate risk measures based on management plans

### Review and Improvement

- Review activities and make improvements

### Monitoring of Results

- Monitor the progress of measures



## Risk Management

## Actions for Major Risks

## Results

Risks	Actions (Examples)	Results
Natural disasters, pandemics	<ul style="list-style-type: none"> <li>• Maintaining, managing, reviewing, and improving business continuity plans (BCPs) already formulated at each business location</li> <li>• Reviewing measures against storm and flood damage based on information such as the latest hazard maps issued by the government and conducting training</li> <li>• Introduced and operating safety confirmation system and damage information collection system</li> <li>• Implementing extensive infection controls following our guidelines for dealing with new types of infectious disease</li> </ul>	[Initiatives for Disaster Prevention and Safety and Health] Disaster Prevention on pages 56 to 57 Safety and Health on pages 51 to 53
Quality	<ul style="list-style-type: none"> <li>• Monitoring and providing recommendations for strengthening quality management activities, including preventive measures through the Quality Management Committee, a majority of whose members are outside experts</li> <li>• Transitioned the Kobelco TQM Promotion Meeting, which was an organization under the Trust Improvement Project, to the Kobelco TQM Promotion Committee as an auxiliary body to the Executive Council to strengthen and promote Kobelco TQM activities throughout the Group</li> <li>• Quality audits and Promotion of Conformity to the Kobelco Group Quality Guidelines</li> </ul>	Actions for Quality Quality on pages 93 and 94
Safety management	<ul style="list-style-type: none"> <li>• Fostering safety personnel who can “check safety and ensure safety before work or action” (Fostering a safety culture)</li> <li>• Strengthening safety audits and support for Group companies (Domestic and overseas)</li> <li>• Promoting machinery safety</li> <li>• Safety and health initiatives associated with DX</li> <li>• Initiatives to establish the Occupational Safety and Health Management System</li> </ul>	Actions for Safety and Health and Lost Time Injury Frequency Rate, etc. Safety and Productivity Management on pages 51 to 53
Environmental regulations	<ul style="list-style-type: none"> <li>• Strengthening environmental management (Promoting an environmental management system)</li> <li>• Implementing environmental audits (Paper-based audits and on-site audits)</li> <li>• Environmental training and learning at overseas and domestic locations</li> </ul>	Actions for Environmental Management Environmental Management on pages 26 to 30 Appropriate Management of Water Resources on pages 31 to 33 Resource Recycling on pages 34 to 37 Reductions of Environmental Impacts on pages 38 to 40 Biodiversity on pages 41 to 45
Supply chains	<ul style="list-style-type: none"> <li>• Released the Basic CSR Procurement Policy containing our Response Policies for building responsible supply chains added to our Basic Procurement Policy and Requests to Our Business Partners, and formulating mechanisms for the PDCA cycle</li> <li>• Response Policies               <ol style="list-style-type: none"> <li>(1) Request for business partners to notify their suppliers of Requests to Our Business Partners</li> <li>(2) Request for business partners to comply with Requests to Our Business Partners and support provided by Kobelco</li> <li>(3) Information disclosure from Kobelco</li> <li>(4) Cooperation between Kobelco and business partners</li> <li>(5) Cooperation with employees, Group companies, and affiliates</li> </ol> </li> <li>• Implementing CSR survey</li> <li>• Conducting surveys on the status of compliance with important items (human rights and conflict minerals)</li> <li>• Established grievance desk for suppliers</li> </ul>	Actions for Building Responsible Supply Chains Building Responsible Supply Chains on pages 69 to 71

With regard to Kobelco Group business risks, matters that could have a material impact on the decisions of investors are described in the Annual Securities Report.

► [Annual Securities Report](#) (in Japanese only)

## Governance

## Quality

## Policies

With the highest priority placed on preventing recurrence of the quality misconduct, the Kobelco Group is promoting initiatives to strengthen quality management and improve its quality control process. From the perspective of our customers and business partners, we aim to achieve quality that is trusted by and brings satisfaction to customers and all stakeholders, while working to instill the Quality Charter, which constitutes a part of the Six Pledges of KOBELCO, among all employees and promoting Kobelco TQM\* activities.

1. Strengthening the infrastructure that can provide “Trusted Quality”
2. Strengthening management capabilities to provide “Satisfying Quality”

## Quality Charter

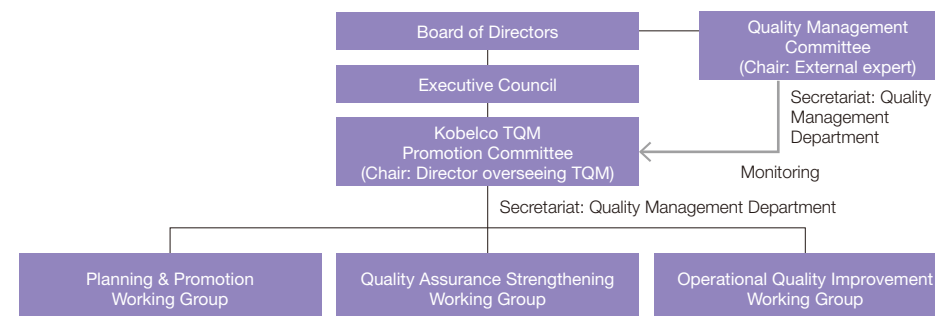
The Kobelco Group will comply with all laws and regulations, public standards, and customer specifications, and make continuous efforts to improve quality, with the goal of providing Trusted Quality in our products and services.

## Our Initiatives

- 1. Strengthening the infrastructure that can provide “Trusted Quality”
  - 1) Prevent fading awareness by sharing and educating on quality compliance case examples and improving communication (Eliminating inappropriate handling of quality data)
  - 2) Reduction of critical quality incidents through prevention of recurrence and steady implementation of horizontal development (PDCA and SDCA)
  - 3) Enhancing prevention activities through quality KY\* by utilizing critical quality incidents and risks at each level

\* KY (*kiken yochi*): hazard prediction
- 2. Strengthening management capabilities to provide “Satisfying Quality”
  - 1) Implementation of *hoshin-kanri* / daily management from middle management through practical management programs and KPI management (ROIC management)
  - 2) Improving problem-solving skills and activating staff improvement activities through education and utilization of small-group improvement activities

## Structure



\* Total quality management: A method of business management for comprehensive quality control. Kobelco TQM aims to strengthen the management of each business segment while identifying legal compliance issues that serve the needs of customers and society and addressing them with the participation of all employees.

## Targets

Medium-Term Quality Targets (Key goal indicators)	
Percentage of business sites certified under the Kobelco Group Quality Guidelines	FY2025: 100%
Kobelco TQM Completion rate of practical management program	FY2025: Line managers 100% FY2027: Managers and eligible employees of Group companies 100%

## Quality Management Committee

Members of the Quality Management Committee visit the Group's business sites approximately once a quarter to check the status of the activities of the business sites and the quality management system, based on which they make recommendations for improvement. They also receive regular reports on the status of Companywide activities, including the Kobelco TQM activities that started in fiscal 2020, through the Kobelco TQM Promotion Committee, which was newly established in fiscal 2024, and make recommendations.

## Governance

### Quality

#### Kobelco TQM Promotion Committee

Members of the Kobelco TQM Promotion Committee visit the Group's business sites approximately once a quarter to check and discuss the status and the progress of measures common to business divisions and the entire Company in order to raise the quality level of the Group as a whole.

#### Working Groups

##### ● Planning & Promotion Working Group

The Planning & Promotion Working Group is expanding and promoting Kobelco TQM activities throughout the Group in order to provide Satisfying Quality internally. The working group is making efforts to improve organizational capabilities in order to effectively implement TQM and promote improvement activities on an independent and self-driven basis. Recently, the working group is shifting the phase of improving the management skills of middle management from the acquisition of TQM knowledge to practical use. It is also focusing on strengthening and expanding the knowledge acquisition of TQM among staff.

##### ● Quality Assurance Strengthening Working Group

In order to strengthen the foundation of Trusted Quality, the Quality Assurance Strengthening Working Group is promoting activities to ensure that the lessons learned are not forgotten, to reduce critical quality incidents, and to advance preventive activities. As of the end of fiscal 2023, the total number of business sites certified as conforming to the Quality Guidelines (starting in fiscal 2021) was 75. The working group is making efforts to complete the conformity certification of the remaining business sites by the end of fiscal 2025. Through the Quality Caravan Team, the working group identifies problems at business sites and continues to improve the soundness of quality data by utilizing DX, IT technology, and other means.

##### ● Operational Quality Improvement Working Group

The Operational Quality Improvement Working Group aims to achieve sustainable growth at Kobelco by revitalizing QC circle activities and staff improvement activities in small group improvement activities, and by continuing to resolve management issues through the participation of all members. From this fiscal year, the working group launched and will now expand the Business Improvement Award. In terms of 5S activities\*, the working group will establish procedures to ensure a work environment that is secure and comfortable at all times.

\* *Seiri* (sorting), *seiton* (setting-in-order), *seiso* (shining), *seiketsu*, (standardizing), and *shitsuke* (sustaining the discipline)



# Tax Risk

## Tax Policy

### Policies

#### ● Basic Policy

The Kobelco Group recognizes that corporate value includes not only business results and technological capabilities but also its stance on social responsibility to all stakeholders who may be affected by its business activities, such as shareholders and investors, customers, business partners, community members, and employees of the Kobelco Group. We will work to enhance our tax governance and contribute to the development of society by fulfilling our tax obligations.

#### ● Compliance with Laws and Regulations

Our Group complies with the tax laws of each country in which it conducts business, international taxation rules, and other regulations, and pays an appropriate amount of taxes for its business activities in an appropriate place of tax payment.

#### ● Addressing Tax Risks

Our Company will respond appropriately to tax risks, taking into account their materiality and reasonableness. If it is difficult to make a judgment on the interpretation of tax laws or treatment under tax laws, we will consult with external experts or make prior inquiries to the tax authorities as necessary.

We will verify whether transaction prices between our Company and our overseas Group companies are set appropriately in light of the OECD Transfer Pricing Guidelines, etc., and in cases where it is difficult to make a judgment, we will request confirmation from the relevant countries via the systems for advance pricing arrangements for transfer pricing and other routes, etc.

#### ● Tax Planning

Our Company will not carry out tax planning solely for the purpose of reducing tax amounts, such as the use of tax havens, which does not involve actual business. However, in conducting our business, we will pursue economic rationality by, for example, using tax incentives that are applicable within the scope of our business activities, taking into full consideration the intent of the tax laws of each country.

#### ● Relationship with Tax Authorities

Our Company will communicate with tax authorities to further strengthen the relationship of trust. We will disclose information in response to requests from tax authorities in a cooperative manner.

## Tax Governance

### Structure

To appropriately manage tax risks and fairly pay taxes, our Company is working to disseminate information about tax reforms and to provide tax-related education with the aim of enhancing tax governance.

At the Company, we report important tax matters to the director/executive officer overseeing the Finance and Accounting Department, who is responsible for the Company's tax governance, in a timely and appropriate manner, and take necessary measures under the direction of the director/executive officer.

At Group companies, day-to-day tax operations are performed by each company, but they receive support from the Company or from external experts when necessary.

## Taxes Paid by Region

### Results

### Taxes Paid by Region (Consolidated cash flow basis)

Region	Unit	Fiscal 2022	Fiscal 2023
Japan	Billions of yen	17.6	18.9
	Proportion (%)	85	75
Other regions	Billions of yen	3.0	6.2
	Proportion (%)	15	25
Total	Billions of yen	20.6	25.1

Note: Amount of income taxes paid on a consolidated basis

# Information Security (Cybersecurity)

## Basic Policies on Information Security

### Policies

The Kobelco Group considers information security risks as one of its significant management risks, and has established a basic policy on information security and is promoting information security measures to ensure that we can take an appropriate Groupwide response.

### ● Basic Policy on Information Security

- Building an information security system
- Establishing an information security framework based on the PDCA cycle
- Formulating rules and regulations and standards for information security
- Implementing thorough information security measures

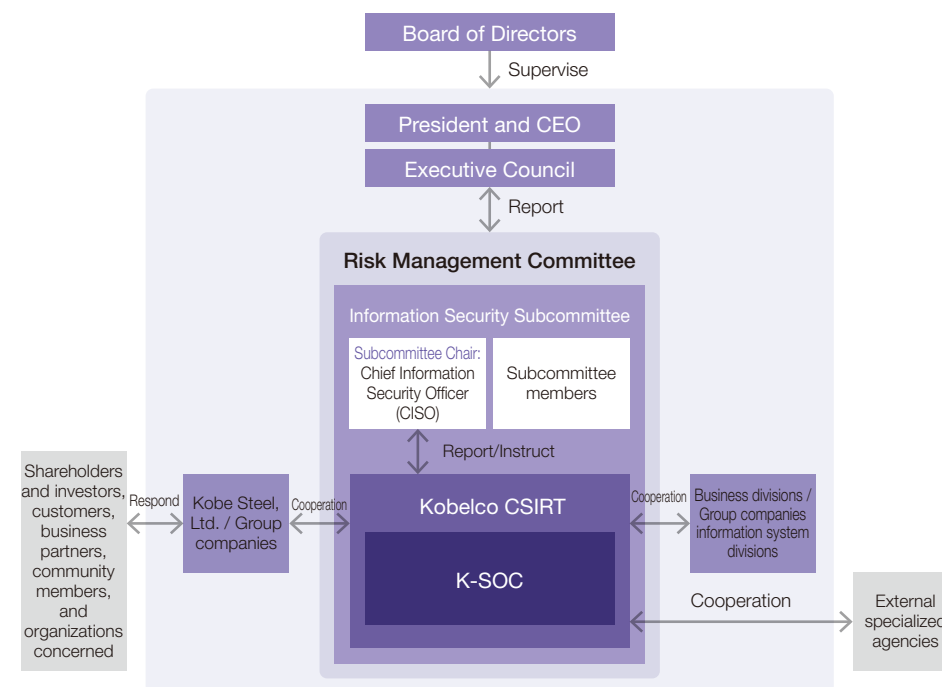
## Information Security Promotion System

### Structure

Our Group pays the utmost attention to the confidentiality of information, and has established a management system and taken appropriate security measures to prevent unauthorized access and information leaks due to cyberattacks and other incidents. The information security promotion structure, centered on the Information Security Subcommittee, Kobelco CSIRT<sup>1</sup>/K-SOC<sup>2</sup>, and the respective roles are as follows.

1 Computer Security Incident Response Team

2 Kobelco Security Operation Center



### ● Information Security Subcommittee

The Information Security Subcommittee, chaired by the CISO (director/executive officer), determines the Group's basic policies and key measures on information security.

### ● Kobelco CSIRT / K-SOC

At Kobelco CSIRT, IT and legal departments, as well as information system-related companies, work together to prevent damages from cyberattacks; update or abolish security regulations and standards; plan and implement information security education and training for directors, executive officers, and employees; and respond to incidents and other events.

## Governance

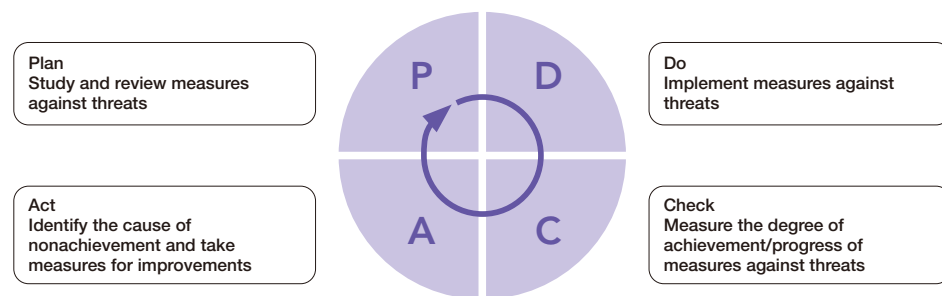
## Information Security (Cybersecurity)

## Information Security Activity Targets

## Strategies and Targets

With the goal of achieving zero serious security incidents\*, the Kobelco Group aims to raise the level of security through the PDCA cycle that includes such elements as implementing risk management, determining countermeasures, and auditing results of security activities.

\* An information security incident that has a significant impact on businesses or society, such as the stopping of a factory line due to cyberattacks and the leakage of important confidential information

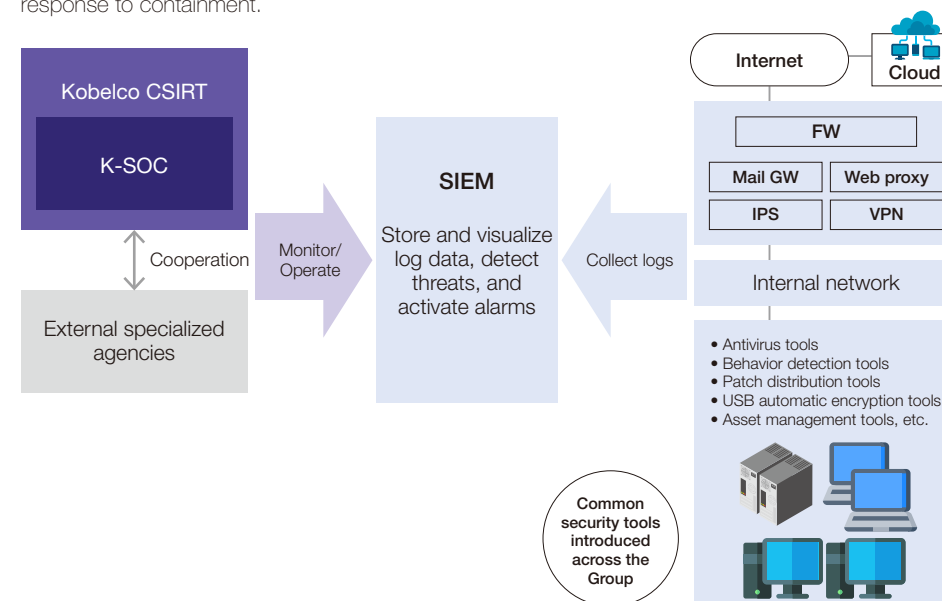


## Information Security Initiatives

## Results

## ● Security Tools Integration and Monitoring

Braced for cyberattacks, we have integrated security tools for central management of information security throughout the Kobelco Group including domestic and overseas Group companies. This allows us to carry out log monitoring 24 hours a day, 365 days a year, detect malware infection, suspicious behavior, and signs of incidents in the early stage, and take prompt steps from initial response to containment.



## ● Information Security Education and Training

We are working to improve employee awareness and understanding of information security and the ability to respond to threats by regularly conducting information security education through e-learning and targeted email training for directors, executive officers, and employees of the Group.

## ● Information Security Audits

We are working to raise the level of information security management throughout the Group by conducting annual internal audits to check the status of compliance with the Kobelco Group Information Security Standards through annual internal audits and making improvements.