

Business Report

(From April 1, 2024 to March 31, 2025)

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

During fiscal 2024, the Japanese economy continued to recover primarily driven by personal consumption and corporate production activities due to improvements in wages and employment conditions, despite some signs of stagnation along with rising prices and weak global demand. Overseas economies showed mixed results: While the U.S. economy remained solid, backed by strong personal consumption, in the face of rising prices and financial tightening, the European economy showed a gradual recovery particularly in the service sector, despite the continued slump in the manufacturing and construction sectors. In China, the pace of economic recovery slowed due to a continued downturn in the real estate market, sluggish personal consumption, and other factors.

Under these circumstances, our Company has been working on enhancing earning power and pursuing growth as set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), while promoting the pass-through of rising costs to selling prices and striving to curb cost increases through self-help efforts.

As a result, fiscal 2024 consolidated net sales increased by 11.8 billion yen year on year to 2,555.0 billion yen. Operating profit decreased by 27.9 billion yen year on year to 158.7 billion yen due to factors such as cost increases centered on fixed costs, reduced gains from time lags in fuel cost adjustments and reduced temporary gains from changes in electricity selling prices (differences between the benchmark selling price of coal and our purchase price) in the electric power segment, despite the progress in price pass-through of rising costs in the steel & aluminum and advanced materials segments, as well as an increase in net sales due to the progress in existing orders in the machinery and engineering segments. Ordinary profit decreased by 3.7 billion yen year on year to 157.1 billion yen due to a decrease in operating profit, despite factors such as the elimination of an equity method investment loss arising from restructuring the automotive aluminum panel business, which was recorded in fiscal 2023, and an increase in compensation income related to the engine certification problem in Europe in the construction machinery segment. Profit attributable to owners of parent increased by 10.6 billion yen year on year to 120.1 billion yen due to factors such as a decrease in tax expenses, with an extraordinary loss of 16.1 billion yen resulting from impairment losses on non-current assets in the construction machinery and other segments, despite the recording of gain on bargain purchase arising from the acquisition of Kansai Coke and Chemicals Co., Ltd., turning it into a subsidiary.

Kobe Steel determines dividends taking its financial condition, business performance, future capital needs, and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. Based on this, the Company has resolved to pay a year-end dividend of 55 yen per share for fiscal 2024. This, together with the interim dividend paid earlier, will bring the total annual dividend to 100 yen per share.

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

Steel & Aluminum

(Steel)Sales volume of steel products remained flat year on year due to factors such as an increase resulting from the completion of refurbishment of a steel plate finishing mill, despite a decrease in demand in the automotive sector. Selling prices were also flat year on year primarily due to a decline in raw material prices, despite the progress in price pass-through of rising costs.

As a result, net sales increased by 2.6% year on year to 914.4 billion yen. Ordinary profit decreased by 14.9 billion yen year on year to 24.3 billion yen due to factors such as cost increases centered on fixed costs and a deterioration in the sales mix due to a decrease in sales volume in the automotive sector, despite an improvement in the performance of U.S. affiliated companies.

(Aluminum)Sales volume of aluminum flat rolled products decreased year on year due to a decrease in demand in the automotive sector. Selling prices were higher than fiscal 2023 due to an increase in base metal prices.

As a result, net sales increased by 5.6% year on year to 201.7 billion yen. Ordinary loss improved by 22.4 billion yen year on year to a loss of 0.6 billion yen due to factors such as an increase in sales volume in the hard disk drive sector and the elimination of an equity method investment loss arising from restructuring the automotive aluminum panel business, which was recorded in fiscal 2023.

Overall, the steel & aluminum segment saw an increase in net sales by 3.1% year on year to 1,116.1 billion yen, and ordinary profit increased by 7.5 billion yen year on year to 23.6 billion yen.

● Production Volume (In thousands of tons)

Category	171st Business Term (Fiscal year 2023)	172nd Business Term (Fiscal year 2024)
Crude steel	6,020	6,013
Aluminum flat-rolled products	319	307

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

Advanced Materials

Sales volume of advanced materials increased year on year in the copper rolled products business, which saw an increase in demand in the automotive sector. On the other hand, sales volume of titanium decreased year on year due to a decline in demand in the general industrial sector in China.

As a result, net sales increased by 6.4% year on year to 317.1 billion yen, and ordinary profit increased by 7.4 billion yen year on year to 10.7 billion yen due to progress in cost pass-through and other factors.

● Production Volume (In thousands of tons)

Category	171st Business Term (Fiscal year 2023)	172nd Business Term (Fiscal year 2024)
Aluminum extrusions	42	44
Copper rolled products	53	54

Welding

Sales volume of welding materials decreased year on year due to factors such as a decline in demand in the automotive and construction sectors, as well as a decrease in demand in Southeast Asia. Selling prices were higher than fiscal 2023 due to progress in cost pass-through and other factors.

As a result, net sales remained at a similar level to fiscal 2023 at 93.9 billion yen, and ordinary profit increased by 0.3 billion yen year on year to 5.2 billion yen due to progress in cost pass-through and other factors, despite a decrease in sales volume.

Machinery

Orders in the machinery business segment decreased by 4.1% year on year to 262.5 billion yen due to the difference from fiscal 2023, which recorded orders for large-scale projects, despite strong demand centered on the energy and chemical sectors with an order backlog of 254.4 billion yen.

Net sales increased by 13.1% year on year to 265.1 billion yen due to the progress in existing orders and an increase in service contracts, and ordinary profit increased by 2.9 billion yen year on year to 32.5 billion yen due to strong sales of machine units and services.

● Orders (Billions of yen)

Category		171st Business Term (Fiscal year 2023)	172nd Business Term (Fiscal year 2024)
Orders	Domestic	1,191	1,140
	Overseas	1,546	1,484
	Total	2,737	2,625
Backlog of Orders	Domestic	697	743
	Overseas	1,820	1,801
	Total	2,518	2,544

Engineering

Orders decreased by 23.1% to 164.7 billion yen, compared to fiscal 2023, which saw an increase in orders for several large projects in the waste treatment-related business, and order backlog was 441.9 billion yen.

Due to the progress of existing orders and other factors, net sales increased by 2.5% year on year to 174.8 billion yen, and ordinary profit increased by 3.6 billion yen year on year to 16.1 billion yen.

● Orders (Billions of yen)

Category		171st Business Term (Fiscal year 2023)	172nd Business Term (Fiscal year 2024)
Orders	Domestic	1,419	1,042
	Overseas	723	604
	Total	2,143	1,647
Backlog of Orders	Domestic	3,129	3,068
	Overseas	1,207	1,351
	Total	4,336	4,419

Construction Machinery

Unit sales of hydraulic excavators decreased year on year primarily due to sluggish demand in North America and Europe, affected by high interest rates, etc. On the other hand, unit sales of crawler cranes increased year on year due to the progress in resolving the engine certification problem, particularly in North America, among other factors.

As a result, net sales decreased by 4.0% year on year to 388.0 billion yen, while ordinary profit increased by 9.6 billion yen year on year to 18.7 billion yen due to factors such as progress in cost pass-through and compensation income related to the engine certification problem, despite cost increases centered on fixed costs.

Electric Power

Sales volume of electricity decreased year on year. The unit selling price of electricity was lower than fiscal 2023 due to fluctuations in thermal coal prices.

As a result, net sales decreased by 18.1% year on year to 258.8 billion yen, and ordinary profit decreased by 33.4 billion yen year on year to 52.3 billion yen due to factors such as reduced gains from time lags in fuel cost adjustments at the Kobe Power Plant No. 3 and 4 units and reduced temporary gains from changes in electricity selling prices at the Kobe Power Plant No. 1 to 4 units.

Other Businesses

Net sales decreased by 17.4% year on year to 8.9 billion yen, and ordinary profit decreased by 0.9 billion yen year on year to 3.8 billion yen.

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

Note 2: Consolidated net sales include adjustments of (67.9) billion yen. The sales composition ratio is calculated based on the total net sales of each business segment excluding adjustments.

Definition of Ordinary Profit (Loss)*

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

(b) Issues to Be Addressed

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

The Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), announced in May last year, set forth two priority issues: (1) Enhancing earning power and pursuing growth and (2) taking on the challenge of realizing carbon neutrality.

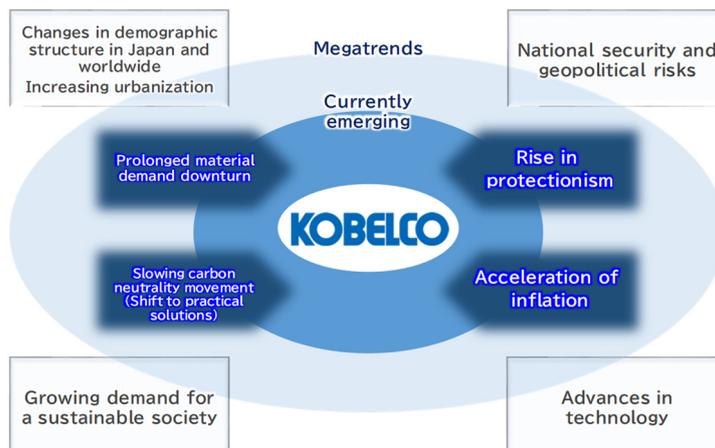
While further reinforcing the business foundation by enhancing earning power, we will invest the management resources to capture future growth opportunities. Through these efforts, we aim to secure stable earnings with an ROIC of 6% or higher, and our vision for the future is to become a corporate group that achieves an ROIC of 8% or higher and grows sustainably.

In taking on the challenge of realizing carbon neutrality, we will work to contribute to reducing CO₂ emissions through our Group’s diverse technologies and actively promote the creation of new business opportunities. With respect to our Group’s production processes, we will also strive to reduce CO₂ emissions by 30–40% by 2030 compared to fiscal 2013 levels and take steps to achieve carbon neutrality by 2050.

The Group will work on transformation initiatives, collectively called KOBELCO-X, which serve as drivers to accelerate our efforts and achieve these targets. Through these, we aim to strengthen our Groupwide sustainability management and strive to transform into an appealing company, thereby building a business entity that drives innovation into the future.

The business environment surrounding the Group

The business environment surrounding the Group at the time of formulation of the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) anticipated changes such as growing demand toward a sustainable society, rising raw materials procurement costs, and supply chain restructuring to meet the growing need for local production and local consumption, diminishing domestic demand and labor shortages driven by Japan’s declining population, and rapid transformation of digital technologies. At present, changes are occurring more rapidly than anticipated in supply chain and carbon neutrality trends, especially due to the changes in the tariff and energy policies of the United States following regime change. At the same time, while there are changes in the time frame, there are no major changes to the long-term assumptions regarding the business environment, and the Group will continue to work on the two priority issues of “enhancing earning power and pursuing growth” and “taking on the challenge of realizing carbon neutrality.”



Four key measures

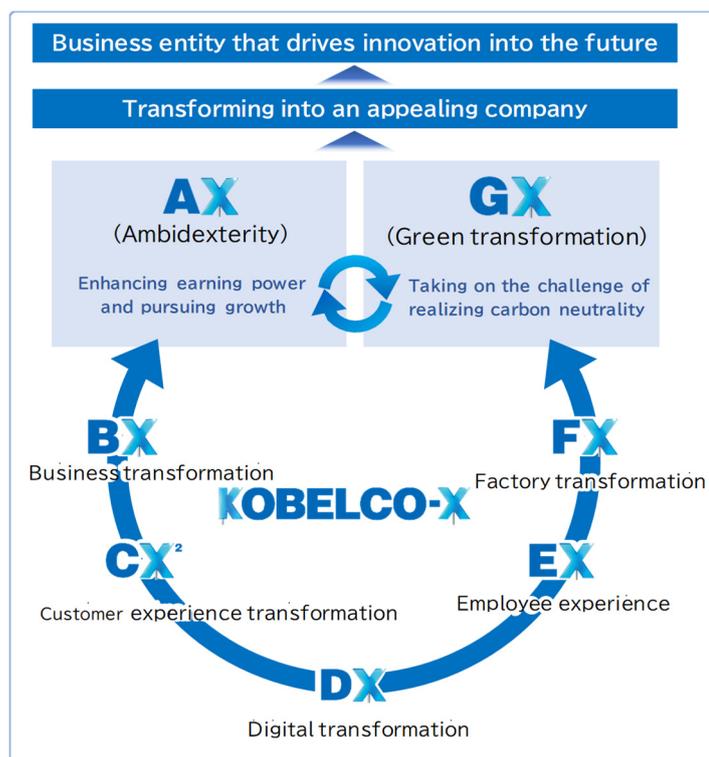
In order to achieve the goals of our priority issues—“enhancing earning power and pursuing growth” and “taking on the challenge of realizing carbon neutrality,” we will steadily implement the four key measures of (1) Rebuilding the operation bases for the future business environment, (2) Achieving growth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

As to rebuilding the operation bases for the future business environment, the Group established a joint venture to manufacture and sell aluminum panels in the automotive panel business of aluminum rolled products, where we have yet to achieve profits, with Baowu Aluminum Technology Co., Ltd., majority-owned by China Baowu Steel Group Corporation Limited, the largest steel producer in China. With this, the Group has embarked on strengthening its business competitiveness in China. In the aluminum advanced materials and construction machinery businesses, we will focus on initiatives to improve base earnings such as price improvements and cost reductions to strengthen profitability. In other materials businesses such as steel and welding, we will study ways to maintain global competitiveness while addressing shrinking domestic demand, growing demand in emerging countries, carbon neutrality, etc.

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

For reducing CO₂ emissions in production processes, the Group is strengthening its efforts to achieve even higher efficiency and lower CO₂ emissions in the electric power business. An example of this is the participation in the Long-Term Decarbonization Power Resource Auction held by the Organization for Cross-regional Coordination of Transmission Operators, Japan (OCCTO) that led to the successful bid for the renovation of existing facilities allowing for 20% ammonia co-firing. In the steel business, we are mapping out a detailed path to achieving our CO₂ emissions reduction targets in production processes through measures such as charging an increased amount of hot briquetted iron (HBI) into the blast furnace.

For strengthening sustainability management through transformation, the Group will strengthen sustainability management by realizing its business strategy leveraging the KOBELCO-X initiatives from AX to GX.



Performance management indicators

Regarding materiality, which are important medium- to long-term issues for realizing its corporate philosophy, the Group has set indicators and targets in April last year. Our Group will continue to implement sustainability management including non-financial indicators and work to improve corporate value.

Please refer to our website (<https://www.kobelco.co.jp/english/>) for details of the progress of the “Kobelco Group Medium-Term Management Plan (Fiscal 2024-2026).”

Materiality	Subcategory	Indicators
Contributing to a green society ^(Note 1)	Response to climate change	(1) Reduction of CO ₂ emissions in production processes
		(2) Contribution to reduction of CO ₂ emissions and net sales of related products
		(3) Reduction of CO ₂ emissions in the electric power business
	Response to resource recycling	(4) Water recycling rate
		(5) Water pollutant (COD, TP) load in restricted areas
		(6) Disclosure based on the TNFD recommendations
Ensuring safety and security in community development and manufacturing	Supplying energy focused on S+3E ^(Note 2)	(7) Continuous stable supply of electricity
	Providing materials and machinery that meet needs	(8) Percentage of eco-friendly products in steel products
		(9) Percentage of low-CO ₂ raw materials in aluminum rolled products
		(10) Percentage of orders for environment-related machinery products (decarbonization, LNG, etc.)
		(11) Total domestic unit sales of ICT construction machinery
		(12) Percentage of welding solution products in sales

Providing solutions for the future connecting people and technology	Manufacturing and operational transformation through digitalization (DX)	(13) Employee awareness survey results on DX
	Integration and innovation of diverse intellectual assets	(14) Number of ideas for new businesses
Promoting active participation of diverse human resources	Enhancing organizational diversity	(15) Percentage of women in new graduate hires for career-track positions
		(16) Percentage of women in new graduate hires for general technical positions and their turnover
		(17) Number of female managers
	Creating a work environment where employees can play active roles	(18) Percentage of male employees taking paternity leave or special leave for childcare
		(19) Number of annual paid leave days taken
Encouraging the growth and initiative of every employee	(20) Instilling of the Group Corporate Philosophy	
Pursuing governance that supports sustainable growth	Compliance and risk management	(22) Whistleblowing system usability
	Human rights	(23) Companies implementing human rights due diligence
	Safety and health	(24) Lost time injury frequency rate
	Quality assurance	(25) Percentage of business sites certified under the Quality Guidelines
	TQM	(26) Kobelco TQM practical management program completion rate

Note 1: A green society is not limited to the narrow meaning of a society that merely uses natural energy, but is defined as a society that addresses climate change and resource recycling.

Note 2: S+3E: Safety + Energy Security, Economic Efficiency, and Environment

(2) Assets and Results of Operations

Assets and Results of Operations of the Group

Category		169th Business Term (Fiscal 2021)	170th Business Term (Fiscal 2022)	171st Business Term (Fiscal 2023)	172nd Business Term (Fiscal 2024)
Net sales	(Millions of yen)	2,082,582	2,472,508	2,543,142	2,555,031
[Overseas sales of the above]		722,559	783,480	829,860	880,802
Operating profit	(Millions of yen)	87,622	86,365	186,628	158,721
Ordinary profit	(Millions of yen)	93,233	106,837	160,923	157,192
Profit attributable to owners of the parent	(Millions of yen)	60,083	72,566	109,552	120,180
Basic earnings per share	(yen)	160.23	183.80	277.38	304.64
Total assets	(Millions of yen)	2,728,745	2,874,751	2,919,774	2,891,053
Net assets	(Millions of yen)	872,346	977,653	1,127,346	1,237,059
Net assets per share	(yen)	2,066.48	2,314.31	2,675.13	2,941.14

(3) Major Businesses (As of March 31, 2025)

The major businesses undertaken by the Group are described below.

Category	Major Products and Businesses
Steel & Aluminum	Wire rods and bars (wire rods, steel bars), steel sheets (hot-rolled, cold-rolled, surface treated), steel plates, aluminum flat-rolled products, other (steel billets, foundry pig iron, pig iron for steelmaking, slag products)
Advanced Materials	Steel castings and forgings, aluminum-alloy and magnesium-alloy castings, titanium and titanium alloys, aluminum-alloy forgings and fabricated products, aluminum extrusions and fabricated products, copper rolled products, and steel powder
Welding	Welding materials (shielded metal arc welding rods, welding wires for automatic and semi-automatic welding, fluxes), welding robots, welding machines, welding robot systems, welding-related testing, analysis, and consulting
Machinery	Equipment for energy and chemical fields, equipment for nuclear power plants, tire and rubber machinery, plastic processing machinery, ultra-high-pressure presses, physical vapor deposition systems, metalworking machinery, compressors, refrigeration compressors, heat pumps, plants (steel rolling, non-ferrous, etc.), internal combustion engines, special alloys and other new materials (target materials, etc.), material analysis and testing
Engineering	Various plants and equipment (direct reduced iron, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc.), automated guideway transit (AGT) systems, chemical and food processing equipment
Construction Machinery	Hydraulic excavators, mini excavators, environmental recycling machines, crawler cranes, wheel cranes, remote operation system for heavy machinery, and crane construction planning support software
Electric power	Electric power supply, heat supply
Other	High-pressured gas cylinder manufacturing and general trading company

(4) Major Offices and Plants (As of March 31, 2025)

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

Note 1: Overseas offices represent regional headquarters.

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

(5) Major Subsidiaries and Affiliated Companies
(Subsidiaries)

Company Name [Location of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
Nippon Koshuha Steel Co., Ltd. [Tokyo]	12,721 million yen	51.84	Manufacture and sale of special steel
Kobelco Wire Company, Ltd. [Amagasaki, Hyogo] *1	8,062 million yen	43.62	Manufacture and sale of secondary wire rod products Contracting construction work of structures
Kansai Coke and Chemicals Co., Ltd. [Amagasaki, Hyogo]	6,000 million yen	90.00	Manufacture and sale of coke and other chemical products
Kobelco Logistics, Ltd. [Kobe]	2,479 million yen	97.68	Harbor transportation, coastal shipping, customs clearance, truck transportation, warehousing and contracting plant work
Kobelco Bolt, Ltd. [Ichikawa, Chiba]	465 million yen	100.00	Manufacture and sale of bolts for construction and bridges
Kobelco E&M Co., Ltd. [Kobe]	150 million yen	100.00	Design, manufacture, installation, piping and maintenance of plants and equipment
Kobe Special Steel Wire Products (Pinghu) Co., Ltd. (China)	118,770 thousand yuan	52.00	Manufacture and sale of products processed from special steel wire rods in addition to purchase and sale as well as import and export of such products
Kobelco Precision Technology Sdn. Bhd. [Malaysia]	19,000 thousand Malaysian ringgit	100.00	Manufacture and sale of aluminum disk material for HDDs
Kobelco Millcon Steel Co., Ltd. [Thailand]	2,830 million Thai baht	75.00	Manufacture and sale of special steel and ordinary steel wire
Kobelco Aluminum Automotive Products (Suzhou) Co., Ltd. [China]	239,681 thousand yuan	85.00	Manufacture and sale of aluminum forgings for automotive suspensions
Kobelco Aluminum Automotive Products, LLC [United States] *1	154,000 thousand U.S. dollars	97.66	Manufacture and sale of aluminum forgings for automotive suspensions
Kobelco Aluminum Products & Extrusions Inc. [United States] *1	24,000 thousand U.S. dollars	100.00	Manufacture and sale of bumper materials and frame materials for automotive bumpers
Kobelco Electronics Material (Thailand) Co., Ltd. [Thailand]	105 million Thai baht	100.00	Slitting and sale of copper strips for electronic materials
Kobelco Welding of Qingdao Co., Ltd. [China]	211,526 thousand yuan	90.00	Manufacture and sale of welding materials, sale of welding robot systems and its parts
Kobelco Welding of Korea Co., Ltd. [Korea]	6,554 million won	87.74	Manufacture and sale of welding materials
Kobelco Compressors Corporation [Tokyo]	7,400 million yen	51.00	Manufacture, sale, and service of air compressors
Kobelco Machinery Engineering Co., Ltd. [Ogaki, Gifu] *1	388 million yen	100.00	Manufacture and sale of internal combustion engines, transmissions, and testing machines, etc.
Kobelco Research Institute, Inc. [Kobe]	300 million yen	100.00	Material analysis and testing, structural analyses Manufacture and sale of target material and inspection equipment for semiconductors, FPD, etc.
Shinko Wuxi Compressor Co., Ltd. [China] *1	150,000 thousand yuan	70.00	Manufacture and sale of compressors
Kobelco Compressors Manufacturing (Shanghai) Corporation [China] *1	87,796 thousand yuan	100.00	Development and manufacture of compressors and related products Sale and service of products of the Company

Company Name [Location of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
Kobelco Industrial Machinery India Pvt. Ltd. [India] *1	863 million Indian rupees	100.00	Manufacture and sale of rubber mixers and twin-screw roller head extruder
Quintus Technologies AB [Sweden] *1	10 million Swedish krona	100.00	Design, manufacture, sale, and service of isostatic pressing equipment and sheet metal forming equipment
Kobelco Advanced Lube-System Asia Co., Ltd. [Korea]	7,909 million won	96.36	Assembly of nonstandard compressors, manufacture of auxiliary parts for nonstandard compressors, plastic processing machinery, etc.
Kobelco Compressors America, Inc. [United States] *1	5 thousand U.S. dollars	100.00	Manufacture and sale of compressor systems for process gas, refrigeration compressor systems and parts, etc.
Kobelco Eco-Solutions Co., Ltd. [Kobe]	6,020 million yen	100.00	Design, manufacture, construction, and maintenance of environmental plants Design, manufacture and maintenance of industrial machinery and equipment
Kobelco Eco-Maintenance Co., Ltd. [Kobe] *1	80 million yen	100.00	Operation of water treatment facilities and waste treatment facilities etc.
Midrex Technologies, Inc. [United States] *1	1 thousand U.S. dollars	100.00	Design and sale of MIDREX® Process (direct-reduction ironmaking process) plants
Kobelco Construction Machinery Co., Ltd. [Tokyo]	16,000 million yen	100.00	Manufacture, sale, and service of construction machinery
Kobelco Construction Machinery Japan Co., Ltd. [Ichikawa, Chiba] *1	490 million yen	100.00	Sale and service of construction machinery
Kobelco Construction Machinery Total Support Co., Ltd. [Kobe] *1	350 million yen	100.00	Leasing of construction machinery and temporary materials, sale and maintenance of construction machinery, asphalt milling works, sale of industrial machinery
Kobelco Construction Machinery (China) Co., Ltd. [China] *1	2,522,314 thousand yuan	100.00	Manufacture, sale, and service of construction machinery
Chengdu Kobelco Construction Machinery Financial Leasing Ltd. [China] *1	374,199 thousand yuan	88.95	Leasing business
Kobelco Construction Machinery Southeast Asia Co., Ltd. [Thailand] *1	2,279 million Thai baht	100.00	Manufacture, sale, and service of construction machinery
Kobelco Construction Equipment India Pvt. Ltd. [India] *1	4,512 million Indian rupees	100.00	Manufacture, sale, and service of construction machinery
Kobelco Construction Machinery Europe B.V. [Netherlands] *1	8,800 thousand euro	100.00	Sale and service of construction machinery
Kobelco International (S) Co., Pte. Ltd. [Singapore] *1	1,058 million yen	100.00	Sale and service of construction machinery
Pt. Daya Kobelco Construction Machinery Indonesia [Indonesia] *1	1,312,592 million Indonesia rupiah	100.00	Sale and service of construction machinery
Kobelco Construction Machinery Australia Pty. Ltd. [Australia] *1	10,000 thousand Australian dollars	100.00	Sale and service of construction machinery
Kobelco Construction Machinery U.S.A. Inc. [United States] *1	2 thousand U.S. dollars	100.00	Sale and service of construction machinery
Kobelco Power Kobe Inc. [Kobe]	3,000 million yen	100.00	Wholesale power supply
Kobelco Power Moka Inc. [Moka, Tochigi]	600 million yen	100.00	Wholesale power supply
Kobelco Power Kobe No. 2, Inc. [Kobe]	300 million yen	100.00	Wholesale power supply

Company Name [Location of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
Kobelco (China) Holding Co., Ltd. [China]	1,775,939 thousand yuan	100.00	A holding company in China
Kobe Steel USA Holdings Inc. [United States]	205 thousand U.S. dollars	100.00	Holding shares of companies in the United States

(Affiliated Companies)

Company Name [Locations of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
Nippon Steel Kobelco Metal Products Co., Ltd. [Tokyo]	300 million yen	35.00	Manufacture and sale of products for civil engineering and construction
Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd. [China] *1	999,621 thousand yuan	50.00	Manufacture and sale of aluminum sheets for automotive panels
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. [China]	884,000 thousand yuan	– [100.00]	Manufacture and sale of aluminum sheets for automotive panels
Kobelco Angang Auto Steel Co., Ltd. [China] *1	700,000 thousand yuan	49.00	Manufacture and sale of cold-rolled, high-tensile strength steel
Ulsan Aluminum, Ltd. [Korea]	686,961 million won	50.00	Manufacture of aluminum sheet base material
PRO-TEC Coating Company, LLC [United States] *1	123,000 thousand U.S. dollars	50.00	Manufacture and sale of galvanized steel sheet and cold-rolled, high-tensile strength steel
Japan Aeroforge, Ltd. [Kurashiki, Okayama]	1,850 million yen	40.54	Manufacture and sale of large forgings
Hokuto Co., Ltd. (Hachinohe, Aomori) *1	30 million yen	34.00	Manufacture, sale, repair and leasing of civil engineering, construction, work, mining, transportation, electrical machinery, etc.
Shinsho Corporation [Osaka] *1 *2	5,650 million yen	35.97	Import/export and trading of iron & steel and nonferrous metal products and machinery, etc.
Shinsei Kobelco Leasing Co., Ltd. [Kobe]	3,243 million yen	20.00	Leasing and installment sale of construction machinery, industrial equipment, office equipment, and other moveable property
TC Kobelco Real Estate Co., Ltd. [Kobe]	3,037 million yen	25.00	Real estate sale and leasing, and insurance agency business

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

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

Note 3: The figure inside the square brackets shows the percentage owned by close associate or consenting party (Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd.).

Note 4: During fiscal 2024, Kobe Special Steel Wire Products (Pinghu) Co., Ltd., Kobelco Electronics Material (Thailand) Co., Ltd., Kobelco Construction Machinery Australia Pty. Ltd., and Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd. were newly added.

Note 5: Kobe Aluminum Automotive Products, LLC changed its trade name to Kobelco Aluminum Automotive Products, LLC as of May 2, 2024.

Note 6: Toyo Sugiue Co., Ltd. conducted an absorption-type merger of Sasainakamura and Y's Yoshihara and changed its trade name to Kobelco Construction Machinery Total Support Co., Ltd. as of April 1, 2024.

Note 7: During fiscal 2024, Ulsan Aluminum, Ltd. increased its capital to 686,961 million won due to a capital increase.

Note 8: During fiscal 2024, the Company acquired additional shares in Kansai Coke and Chemicals Co., Ltd., making it a significant subsidiary of the Company and increasing the ratio of voting rights held by the Company and its Group companies in it from 24.00% to 90.00%.

Note 9: During fiscal 2024, Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd., which used to be a subsidiary, became an affiliate of the Company due to loss of control from organizational restructuring.

Note 10: The Company acquired additional shares of Kansai Coke and Chemicals Co., Ltd., increasing the ratio of voting rights held by the Company and its Group companies in it to 100.00% as of April 30, 2025.

(6) Capital Investments

Total capital investment in fiscal 2024 on a construction (inspection and acceptance) basis is 115.8 billion yen.

(7) Financing Activities

During fiscal 2024, the Group issued 50.0 billion yen in unsecured bonds for part of repayment of borrowings.

(8) Major Lenders and Amount of Borrowings (As of March 31, 2025)

Main Lenders	Balance of Loans (Millions of yen)
Mizuho Bank, Ltd.	112,314
MUFG Bank, Ltd.	84,580
Development Bank of Japan Inc.	79,964
Sumitomo Mitsui Banking Corporation	69,590

Note: In addition to the amounts stated above, there was a syndicate loan amounting to a total of 31,700 million yen with Mizuho Bank, Ltd., MUFG Bank, Ltd. and Sumitomo Mitsui Banking Corporation as agent banks, which is not included in the balance of loans of the respective lenders.

(9) Employees (As of March 31, 2025)

(a) Employees of the Group (Persons)

Category	Number of Employees
Steel & Aluminum	13,338
Advanced Materials	4,706
Welding	2,355
Machinery	6,224
Engineering	3,780
Construction Machinery	6,894
Electric Power	335
Other or companywide	1,662
Total	39,294

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

(b) Employees of the Company

Number of Employees	11,895 persons
Increase from the Previous Fiscal Year-End	361 persons
Average Age	39.9 years old
Average Years of Service	15.4 years

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

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

2. Shares of the Company (As of March 31, 2025)

(1) Total number of shares authorized to be issued	600,000,000 shares
(2) The aggregate number of issued shares	396,345,963 shares
(3) Total number of shareholders	279,150
(4) Major shareholders (Top ten shareholders)	

Name of Shareholders	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)	Shares Held in Major Shareholders	
			Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	67,083	16.94	–	–
Custody Bank of Japan, Ltd. (Trust Account)	16,892	4.26	–	–
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	8,793	2.22	–	–
STATE STREET BANK AND TRUST COMPANY 505001	5,579	1.41	–	–
Nippon Life Insurance Company	5,059	1.28	–	–
STATE STREET BANK WEST CLIENT - TREATY 505234	4,939	1.25	–	–
SHIMABUN Corporation	4,420	1.12	–	–
Kobe Steel Employee Stock Ownership Plan	4,311	1.09	–	–
STATE STREET BANK AND TRUST COMPANY 505103	4,027	1.02	–	–
Shinko Kuroganekai Kyoeikai	3,466	0.88	–	–

Note 1: The Company holds 281,700 treasury shares. Treasury shares are excluded in the calculation of the major shareholders' ratio of shareholding in the Company.

Note 2: The number of shares acquired by the Company through the purchase of shares less than one unit during fiscal 2024 is 7,977 shares (total acquisition price is 14,416,340 yen). The number of treasury shares disposed of in response to a request for additional purchase of shares less than one unit is 364 shares (total disposal price is 592,037 yen).

Note 3: The number of shares delivered to directors (excluding outside directors and directors who are Audit & Supervisory Committee members) by the Company as medium- to long-term incentive compensation during fiscal 2024, through the Board Benefit Trust, is as follows. Shares are provided on a fixed date every three years during the trust period and at the time of leaving the director's position (except where the said person continues to serve as executive officer), and there was no due date for the share benefits in fiscal 2024. Accordingly, shares have been delivered only to directors who have resigned. In addition, outside directors and directors who are Audit and Supervisory Committee members are not eligible for medium- to long-term incentive compensation considering their responsibilities. Please refer to "3. Directors, Audit & Supervisory Committee Members and Executive Officers" for the Company's remuneration system for Directors and Executive Officers.

	Number of shares	Number of recipients
Directors (excluding outside directors and directors who are Audit & Supervisory Committee members)	25,900	1

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

(1) Directors (As of March 31, 2025)

Positions	Name	Duties & significant concurrent positions
President (Representative Director)	Yoshihiko Katsukawa	
Executive Vice President (Representative Director)	Hajime Nagara	Oversees the Internal Control and Audit Department, the Environment and Safety Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance. Oversees companywide safety and health. Oversees companywide environmental control and disaster prevention.
Director, Executive Officer	Koichi Sakamoto	Oversees the Quality Management Department, the Technology Strategy & Planning Department, and the Intellectual Property Department. Oversees the Technical Development Group. Oversees companywide quality. Oversees companywide TQM activities. Oversees companywide technical development.
Director, Executive Officer	Shinji Miyaoka	Oversees the Business Development Department and the IT Planning Department. Oversees companywide information systems.
Director, Executive Officer	Kazuhiko Kimoto	Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office). Responsible for the special assignments from the president and CEO. Assists the director overseeing the General Administration and CSR Department in IR activities.
Director	Yumiko Ito	Chair of the Company's Board of Directors, Representative of Ito Law Office, Outside Director of NIPPON EXPRESS HOLDINGS, INC.
Director	Shinsuke Kitagawa	Outside Audit & Supervisory Board Member of YUTAKA TRUSTY SECURITIES CO., LTD., President of the Japan Commercial Arbitration Association
Director	Yoshie Tsukamoto	President, CEO and Representative Director of NTTCom Online Marketing Solutions Corporation
Director (Audit & Supervisory Committee Member, full time)	Gunyu Matsumoto	
Director (Audit & Supervisory Committee Member, full time)	Yuichiro Goto	
Director (Audit & Supervisory Committee Member)	Masaaki Kono	Committee Chair of the Company's Audit & Supervisory Committee, Chairman and Director of Orient Corporation
Director (Audit & Supervisory Committee Member)	Kunio Miura	Representative of Kawamoto and Miura Law Office, Outside Audit & Supervisory Board Member of ASAHI INTELLIGENCE SERVICE CO., LTD.
Director (Audit & Supervisory Committee Member)	Nobuko Sekiguchi	Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION

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

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

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

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

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

Note 5: There are no special relationships that require disclosure between the Company and entities in which outside directors concurrently serve.

Note 6: The directors who left the director's position during fiscal 2024 are as follows:

Positions	Name	Date of leaving
Director	Mitsugu Yamaguchi	June 19, 2024
Director	Hiroyuki Bamba	June 19, 2024
Director (Audit & Supervisory Committee Member, full time)	Hiroshi Ishikawa	June 19, 2024

Note 7: Duties/positions or significant concurrent positions of directors whose duties/positions or significant concurrent positions changed effective April 1, 2025 are as follows.

Positions	Name	Duties & significant concurrent positions
Executive Vice President (Representative Director)	Hajime Nagara	Oversees the Internal Control and Audit Department, the Environment and Safety Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance. Oversees companywide environmental control and disaster prevention.
Director, Executive Officer	Shinji Miyaoka	Oversees the Business Development Department, the IT Planning Department, the Civil Engineering & Construction Technology Department, and the Machinery & Materials Procurement Department. Oversees companywide information systems. Responsible for the special assignments from the president and CEO. Assists the director overseeing the General Administration and CSR Department in marketing planning.
Director (Audit & Supervisory Committee Member)	Masaaki Kono	Committee Chair of the Company's Audit & Supervisory Committee, Director of Orient Corporation

Reference: The Company's Executive Officer System

The Company has implemented an executive officer system. The names and duties of executive officers as of April 1, 2025 are as follows.

Positions	Name	Duties
Executive Vice President	Shoji Miyazaki	Head of the Steel & Aluminum Business
Executive Officer	Yasushi Amano	Responsible for overall industrial machinery in the Machinery Business, General Manager of the Production Division in the Machinery Business. Deputy General Manager of the Management Division in the Machinery Business
	Hitoshi Arimura	General Manager of Moka Works in the Steel & Aluminum Business
	Kazuo Iritani	General Manager of the Engineering Division in the Machinery Business, Deputy General Manager of the Management Division in the Machinery Business
	Yutaka Okusa	Responsible for overseas locations (under the Head Office). General Manager of the Corporate Planning Department
	Yasushi Okano	Responsible for the Planning & Management Department, the Technology Management Department (Technology Management Group), the Quality Assurance Department, the Takasago Management Department, and the Takasago Quality Assurance Department in the Advanced Materials Business. Responsible for Chofu Works (departments under its direct supervision) and Daian Works (departments under its direct supervision, excluding the Casting & Forging Research & Development Section) in the Advanced Materials Business.
	Yoichi Kageki	General Manager of the New Business Development Division in the Machinery Business, Deputy General Manager of the Management Division in the Machinery Business
	Takeharu Kato	Responsible for the Aluminum Casting & Forging Unit, the Titanium Unit, and the Copper Rolled Products Unit in the Advanced Materials Business. General Manager of the Business Planning Department in the Advanced Materials Business
	Ryosaku Kadowaki	Head of the Advanced Materials Business
	Yoichi Kamiyauchi	Responsible for the SQE System Management Department, the New Business Promotion Section, the Nuclear Project Department, the CWD Project Center, and the Infrastructure Project Department in the Engineering Business.
	Takahiko Kizawa	Responsible for the Business Development Department in the Steel & Aluminum Business.
	Toshihide Kinoshita	Responsible for the Technology Planning Department, the IT Management Department and the Resource Recycling Department in the Steel & Aluminum Business. Responsible for the special assignments from the Head of the Steel & Aluminum Business.
	Shogo Sarumaru	Head of the Machinery Business, General Manager of the Management Division in the Machinery Business
	Kazuyuki Suenaga	Head of the Welding Business
	Yasufumi Takada	Responsible for the Steel Casting & Forging Unit, the Aluminum Extrusion & Suspension Unit, and the Steel Powder Unit in the Advanced Materials Business.
	Masaki Tanigawa	General Manager of the Aluminum Flat Rolled Products Unit in the Steel & Aluminum Business
	Hajime Nakanishi	Responsible for the Automotive Materials Planning Section, the Automotive Sheet Sales Department, and the Nagoya Steel & Aluminum Sheet Sales Department in the Steel & Aluminum Business. General Manager of the Steel Sheet Products Unit in the Steel & Aluminum Business. Responsible for companywide automotive projects.
	Shoji Nakamura	General Manager of Kakogawa Works in the Steel & Aluminum Business
Keitaro Nakamori	Responsible for the Legal Department, the General Administration and CSR Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision)	
Satoshi Nishino	Head of the Technical Development Group	

Positions	Name	Duties
Executive Officer	Sumikazu Hoda	Responsible for the Planning & Management Department and the Raw Materials Procurement Department in the Steel & Aluminum Business.
	Tsuyoshi Mataka	General Manager of the Wire Rod & Bar Products Unit in the Steel & Aluminum Business, General Manager of the Steel Plate Products Unit in the Steel & Aluminum Business
	Yoshihiro Miyake	Responsible for the Automotive Sheet Products Technical Marketing Department and the Research & Development Laboratory in the Steel & Aluminum Business. Responsible for overall automotive sheet products in the Steel & Aluminum Business. Assists the unit heads in overall steel product technologies in the Steel & Aluminum Business.
	Masahiro Motoyuki	Head of the Engineering Business, Responsible for the companywide construction business.
	Daizo Morita	Responsible for the Environment and Safety Department, the Quality Management Department, the Human Resources Department, and companywide safety and health. Responsible for companywide environmental control and disaster prevention. Responsible for companywide quality. Responsible for companywide TQM activities.
	Yoichiro Yamazaki	Responsible for the Technology Strategy & Planning Department, the Business Development Department, and the Intellectual Property Department. Responsible for companywide technical development.
	Toshiyuki Yamaji	Responsible for the Internal Control and Audit Department and the Finance and Accounting Department. Responsible for companywide compliance.
	Kunihiko Yoshitake	Head of the Electric Power Business

(2) Overview of the Agreement Limiting Liability

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

(3) Overview of the Compensation Agreement

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

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

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

The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act with directors (including directors who are Audit & Supervisory Committee members), executive

officers, and “important employees” as defined by a resolution of the Board of Directors as the insured to secure superior talent and prevent them from being intimidated in the performance of their duties.

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

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

(5) Total Amount of Remuneration for Directors

Category	Number of Payees (Persons)	Amount (Millions of yen)	Breakdown of total amount by type of remuneration (Millions of yen)			Remarks
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation	
Directors (excluding Audit & Supervisory Committee members) (of which, outside directors)	10 (4)	549 (46)	282 (46)	194 (-)	72 (-)	Number of Payees and Amount include one internal director (excluding Audit & Supervisory Committee members), one outside director (excluding Audit & Supervisory Committee members) and one internal director (who is Audit & Supervisory Committee member) that resigned in fiscal 2024.
Director (Audit & Supervisory Committee Member) (of which, outside directors)	6 (3)	116 (49)	116 (49)	- (-)	- (-)	
Total	16	666	398	194	72	

Note 1: Regarding the basic remuneration of the total amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members), the 169th Ordinary General Meeting of Shareholders held on June 22, 2022 passed a resolution that the maximum amount shall be within a total of 460 million yen per fiscal year. As of the conclusion of said General Meeting of Shareholders, the number of directors (excluding directors who were Audit and Supervisory Committee members) eligible was eight (8) (of which, three (3) were outside directors). Meanwhile, the 171st Ordinary General Meeting of Shareholders held on June 19, 2024 passed a resolution that the limit of performance-based compensation shall be within a total of 387 million yen per fiscal year. As of the conclusion at the said General Meeting of Shareholders, the number of directors (excluding directors who were Audit and Supervisory Committee members) eligible for performance-based compensation was five (5). In addition, the 171st Ordinary General Meeting of Shareholders held on June 19, 2024 passed a resolution that the maximum amount to be contributed as funds for acquiring the Company's shares to the Board Benefit Trust (BBT), which has been introduced as a medium- to long-term incentive compensation for directors (excluding outside directors and directors who are Audit & Supervisory Committee members), shall be within 400 million yen for a three-fiscal year period and the number of points granted per fiscal year shall be within 471,200 points. As of the conclusion at the said General Meeting of Shareholders, the number of directors (excluding outside directors and directors who are Audit & Supervisory Committee members) who are eligible for medium- to long-term incentive compensation was five (5).

Note 2: Regarding the total amount of remuneration for directors who are Audit and Supervisory Committee members, the 163rd Ordinary General Meeting of Shareholders held on June 22, 2016 passed a resolution that the maximum amount of basic remuneration shall be within a total of 132 million yen per fiscal year. As of the conclusion at the said General Meeting of Shareholders, the number of directors who were Audit and Supervisory Committee members eligible for basic remuneration was five (5) (of which, three (3) were outside directors).

Note 3: The Company does not pay bonuses to directors.

- Note 4: The total amount of performance-based compensation is the estimated amount of payment, and the total amount of medium- to long-term incentive compensation is the amount of expenses posted for points awarded.
- Note 5: The detailed calculation method of the remuneration and other benefits for individual directors of the Company is specified in the internal regulations as approved by the Nomination & Compensation Committee, based on the Company's Basic Policy on Remuneration for Directors and Executive Officers resolved at a meeting of the Board of Directors, and relevant details are determined in accordance with those internal regulations. The remuneration and compensation for individual directors for fiscal 2024 have been determined based on the said internal regulations, and the Board of Directors deems that this is in line with the Company's policy on determination. The Company's Basic Policy on Remuneration for Directors and Executive Officers is as follows.

Basic Policy on Remuneration for Directors and Executive Officers

- 1) Basic Approach to Remuneration for Directors and Executive Officers
 - A) The system aims to secure talented human resources who can contribute to the Company's sustainable development, and appropriately compensate for such efforts.
 - B) The system aims to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
 - C) In offering the incentive for accomplishing consolidated business result targets, the system must be devised with due consideration of the characteristics of each business so that directors and executive officers can fully carry out their roles.
 - D) In ensuring the objectivity and transparency of judgments regarding remuneration decisions, the Nomination & Compensation Committee deliberates on the state of the remuneration system and the necessity of its reevaluation.

- 2) Remuneration Framework
 - A) Based on the resolution at the Ordinary General Meeting of Shareholders, the Board of Directors establishes the Remuneration Regulations for Directors and Executive Officers, Detailed Rules on Remuneration Regulations for Directors and Executive Officers, Performance-Based Compensation Regulations for Directors and Executive Officers, and Stock Benefit Regulations for Directors and Executive Officers, which include the remuneration calculation methods for individual director/executive officer.
 - B) Remuneration for the Company's directors and executive officers consists of basic remuneration (fixed compensation) based on the remuneration rank determined according to rank and assigned duties, performance-based compensation consisting of the portion linked to division performance and the portion linked to individual evaluation for each fiscal year, and medium- to long-term incentive compensation based on stock compensation with the aim of sharing interest in corporate value enhancement with shareholders. Taking into consideration their duties, outside directors and directors who are Audit & Supervisory Committee members are not eligible for performance-based compensation and medium- to long-term incentive compensation. The remuneration rank is determined by the president taking account of the level of responsibility of the assigned duties and reported to the Nomination & Compensation Committee and the Board of Directors.
 - C) Of performance-based compensation, the standard pay amount for the portion linked to division performance will be set at the level of 40–60% of basic remuneration for each rank and remuneration rank, the amount for the portion linked to individual evaluation will be set at the level of -5% to 5% of basic remuneration for each rank and remuneration rank, and the value of medium- to long-term incentive compensation provided per fiscal year will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank.
 - D) Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders
 - Remuneration for directors (excluding directors who are Audit & Supervisory Committee members)

The limit of basic remuneration	Within a total of 460 million yen per fiscal year
The limit of performance-based compensation	Within a total of 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)

Reference: Composition of Remuneration for Directors and Executive Officers

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

Rank	Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation
President, CEO and Director	Approx. 53%	Approx. 32%	Approx. 16%
Executive Vice President and Director	Approx. 56%	Approx. 28%	Approx. 17%
Director, Executive Officer	Approx. 61%	Approx. 24%	Approx. 15%
Director who is an Audit & Supervisory Committee Member	100%	–	–
Outside Director	100%	–	–

- *1 The amounts of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation granted vary depending on business results. The range of fluctuation is 0–200% of the standard pay amount for the portion linked to division performance of performance-based compensation and 0–120% of the standard pay amount for medium- to long-term incentive compensation. The percentages of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation in the above table show the case where respective payments are made at 100% of the standard pay amount. In addition to the above table, the amount for the portion linked to individual evaluation is paid in the range of -5% to 5% of basic remuneration.

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

3) Performance-Based Compensation

A) In terms of the portion linked to division performance of performance-based compensation, a performance target will be set based on business management indicators as stated in the Medium-term Management Plan. Each business division will also set a performance target based on performance management indicators 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 indicators, which serve as the basis of calculation, are established by the Board of Directors.

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

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

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

D) Business management indicators 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 an ROIC of 8% as stated in the Medium-Term Management Plan.

4) Medium- to Long-Term Incentive Compensation

A) For medium- to long-term incentive compensation, a system known as Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit uses a base point number calculated based on the standard pay amount for each rank and remuneration rank, and the number of points determined by multiplying the

base point number by 0–120% according to profit attributable to owners of parent, the state of dividend payment for each fiscal year, and performance against ESG-related indicators will be granted. On a fixed date during each trust period of three years, the Company's shares will be provided according to the number of points granted.

Note: Since the Company considers the return of profits to shareholders as one of its most important management issues, the Company uses profit attributable to owners of parent (hereinafter, "profit") as an evaluation indicator of the Company's performance. The base value for the calculation is profit of 79.4 billion yen, which reflects the dividend payout ratio as stated in the Company's dividend policy. ESG-related indicators are also used as evaluation indicators as a way of actively promoting solutions to various ESG management issues. Specifically, to comprehensively and objectively evaluate all aspects of our ESG efforts, we use the evaluations of major global ESG rating agencies as indicators. Our benchmark values are a CDP score of A, a FTSE ESG score of 3.9 or higher, and an MSCI ESG rating of AAA.

- B) The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-based Compensation Regulations for Directors and Executive Officers.
 - C) As funds for acquiring shares through the trust, in principle, 1.25 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 date of the previous trust period, they will be used as funds for the subsequent trust periods, and an amount derived by deducting the amount of the remaining Company shares, etc. from 1.25 billion yen will be contributed.
- 5) The Timing of the Determination and the Payment of Remuneration Amount
- A) Basic remuneration will be paid every month from the month of appointment to the position in a monthly amount derived by dividing basic remuneration based on rank and remuneration rank by 12 months. If there is a change to the basic remuneration in the middle of the month due to a change in the assigned tasks and other reasons, the revised remuneration will be paid from the month following the change.
 - B) Of performance-based compensation, the amount for the portion linked to division performance will be determined based on the calculation formula after the end of each fiscal year and paid lump-sum by the end of the month following the month when the Ordinary General Meeting of Shareholders is convened. The portion linked to individual evaluation will be paid together with the portion linked to division performance in the amount determined based on the calculation formula according to the results of individual evaluation after the end of each fiscal year.
 - C) In terms of medium- to long-term incentive compensation, the number of points will be determined based on the calculation formula after the end of each fiscal year and granted on June 30 each year. Company shares, etc. will be provided every three years on a fixed date during the trust period.
- 6) Method to Determine Remuneration Standards
- Remuneration standards are determined based on the survey data, collected by an external specialized agency, concerning the remuneration for directors and executive officers so that the standards are commensurate with the Company's corporate scale and the duties expected of directors and executive officers.
- 7) Method to Determine and Examine Remuneration Policy
- A) The policy concerning remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is determined by resolution of the Board of Directors, and the policy concerning remuneration for directors who are Audit & Supervisory Committee members is determined by discussion among all Audit & Supervisory Committee members.
 - B) The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee. If it is necessary to revise the remuneration system, the Company will present a revised remuneration plan at a meeting of the Board of Directors for resolution.

Reference:

Base value and actual value of indicators for each compensation

Compensation item	Performance-based compensation	Medium- to long-term incentive compensation			
		Portion linked to profit of the term	Portion linked to ESG ratings		
Indicator	ROIC	Profit attributable to owners of parent	CDP Climate change scores	FTSE ESG scores	MSCI ESG ratings
Base value for fiscal 2024	8.0%	79.4 billion yen	A	3.9 or higher	AAA
Actual value for fiscal 2024	6.9%	120.1 billion yen	A-	3.8	AA

Note 1: Denotes the case where the base value becomes the maximum payment coefficient.

Note 2: Actual value of the portion linked to ESG ratings of the medium- to long-term incentive compensation is the value disclosed at the end of fiscal 2024.

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

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

Meeting period	Deliberations and resolutions
May 2024	Submission of the proposal on revision to the maximum amount of remuneration for directors and executive officers to the General Meeting of Shareholders, additional contributions to the Board Benefit Trust (BBT), formula for performance-based compensation, review of the Basic Policy on Remuneration for Directors and Executive Officers
May 2025	Amount of performance-based compensation and amount of medium- to long-term incentive compensation for fiscal 2024

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

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

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

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

*2 Coefficient based on evaluation indicators:

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

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

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

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

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

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

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

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

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

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

*2 Coefficient based on evaluation indicators:

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

(6) Main Activities of Outside Directors During Fiscal 2024

	Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
Director Yumiko Ito	16/16 (100%)	—	Provided advice and suggestions concerning corporate management based on her experience in the legal profession as an attorney at law, and abundant experience as a corporate executive who specializes in legal affairs in sectors outside our business domains. At Meetings of Independent Directors and Sustainability Management Meetings, she received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, as Chair of the Board of Directors, Committee Chair of the Nomination & Compensation Committee, and a member of the Corporate Governance Committee, she contributed to the enhancement of the monitoring functions of the management of the Company.
Director Shinsuke Kitagawa	16/16 (100%)	—	Provided advice and suggestions concerning corporate management based on his abundant experience in economic and industrial policies, primarily in natural resources, and deep insight for the overall industrial sector obtained from experiences in sectors outside our business domains. At Meetings of Independent Directors and Sustainability Management Meetings, he received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, as Committee Chair of the Corporate Governance Committee, he contributed to the enhancement of the monitoring function of the management of the Company.
Director Yoshie Tsukamoto	12/12 (100%)	—	Provided advice and suggestions concerning corporate management based on her abundant experience in sectors outside our business domains and deep insight as a corporate executive. At Meetings of Independent Directors and Sustainability Management Meetings, she received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, she contributed to the enhancement of the monitoring function of the management of the Company as a member of the Corporate Governance Committee.

	Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
<p>Director (Audit & Supervisory Committee Member)</p> <p>Masaaki Kono</p>	16/16 (100%)	21/21 (100%)	<p>Provided advice and suggestions concerning corporate management based on his abundant experience in credit management and financial management at financial institutions and deep insight as a corporate executive of financial institutions. He also actively shared his thoughts on matters related to compliance. At Meetings of Independent Directors and Sustainability Management Meetings, he received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint, based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, as Committee Chair of the Audit & Supervisory Committee, member of the Nomination & Compensation Committee, and a member of the Corporate Governance Committee, he contributed to the enhancement of the monitoring functions of the management of the Company, while actively visiting business locations for audits as an Audit & Supervisory Committee member.</p>
<p>Director (Audit & Supervisory Committee Member)</p> <p>Kunio Miura</p>	16/16 (100%)	21/21 (100%)	<p>Provided advice and suggestions concerning corporate management based on his deep insight backed by his abundant experience in the legal profession as a judge and an attorney at law and his extensive knowledge as an outside director and outside audit & supervisory board member of listed companies. He also actively shared his thoughts on matters related to compliance. At Meetings of Independent Directors and Sustainability Management Meetings, he received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, he contributed to the enhancement of the monitoring functions of the management of the Company as Committee Chair of the Compliance Committee, and actively visited business locations for audits as an Audit & Supervisory Committee member.</p>

	Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
Director (Audit & Supervisory Committee Member) Nobuko Sekiguchi	16/16 (100%)	21/21 (100%)	Provided advice and suggestions concerning corporate management based on deep insight underpinned by her abundant experience in finance, accounting and business management in sectors outside our business domains and extensive knowledge as outside officer at listed companies. She also actively shared her thoughts on matters related to compliance. At Meetings of Independent Directors and Sustainability Management Meetings, she received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, she actively visited business locations for audits as an Audit & Supervisory Committee member.

Note: Yoshie Tsukamoto was appointed as a director on June 19, 2024. Since then, the Board of Directors has met 12 times.

4. Accounting Auditor

(1) Name of Accounting Auditor
KPMG AZSA LLC

(2) Remuneration and Other Amounts Paid to Accounting Auditor

	Category	Amount (Millions of yen)
(a)	Remuneration and other amounts paid to Accounting Auditor by the Company	194
(b)	Total amount of money and other financial interests paid by the Company and its subsidiaries	585

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

Note 2: The Audit & Supervisory Committee determined that the amount of remuneration and other amounts paid to the Accounting Auditor was appropriate and gave its consent under Article 399, Paragraph 1 of the Companies Act as a result of the review of the details of the audit plan for fiscal 2024 and the basis for calculation of remuneration, while also taking into consideration the results of audits by the Accounting Auditor for the previous fiscal year.

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

(3) Description of Non-Auditing Services

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

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

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

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

5. The Company's Structures and Policies

Policy on Decisions Concerning Dividends of Surplus, etc.

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

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

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

For the time being, the Company will aim for a dividend payout ratio of 30% of consolidated profit in consideration of the distribution of profits commensurate with business performance.

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

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

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

Assets and Results of Operations of the Company

Category		169th Business Term (Fiscal 2021)	170th Business Term (Fiscal 2022)	171st Business Term (Fiscal 2023)	172nd Business Term (Fiscal 2024)
Net sales	(Millions of yen)	1,299,177	1,403,979	1,326,810	1,375,958
Operating profit	(Millions of yen)	47,552	43,606	57,534	50,132
Ordinary profit	(Millions of yen)	54,470	60,538	87,307	109,169
Profit	(Millions of yen)	45,396	55,125	65,531	103,721
Basic earnings per share	(yen)	120.84	139.35	165.59	262.27
Total assets	(Millions of yen)	1,857,452	1,855,291	1,816,267	1,860,003
Net assets	(Millions of yen)	588,515	633,169	702,641	749,518
Net assets per share	(yen)	1,488.62	1,600.16	1,775.53	1,895.41

Matters concerning the Company’s stock acquisition rights, etc.

Status of stock acquisition rights issued to and held by the Company’s directors and executive officers as consideration for the execution of duties as of the end of fiscal 2024

Not applicable.

Status of stock acquisition rights issued to employees and other individuals as consideration for the execution of duties during fiscal 2024

Not applicable.

Status of other stock acquisition rights, etc.

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

Category	Bonds with Stock Acquisition Rights due 2028	Bonds with Stock Acquisition Rights due 2030
Number of stock acquisition rights	Sum of 2,500 and the number of units, which is the total amount of the face value of the bonds regarding replacement bond certificates with stock acquisition rights divided by 10 million yen	Sum of 2,500 and the number of units, which is the total amount of the face value of the bonds regarding replacement bond certificates with stock acquisition rights divided by 10 million yen
Class and number of shares that are the target for stock acquisition rights	Common shares (100 shares per unit) are targeted. The number of target shares is the number obtained by dividing the total amount of the face value of the bonds by the conversion price. Fractions of less than one share resulting from exercise will be rounded down, and no cash adjustments will be made.	Common shares (100 shares per unit) are targeted. The number of target shares is the number obtained by dividing the total amount of the face value of the bonds by the conversion price. Fractions of less than one share resulting from exercise will be rounded down, and no cash adjustments will be made.
Conversion price	2,339.7 yen; Adjustments will be made under certain conditions. (Note)	2,238.2 yen; Adjustments will be made under certain conditions. (Note)
Period for exercise of stock acquisition rights	From December 28, 2023 until November 30, 2028 (local time at the place where the bonds are deposited for exercise of the stock acquisition rights). However, the stock acquisition rights may not be exercised for a certain period of time.	From December 28, 2023 until November 29, 2030 (local time at the place where the bonds are deposited for exercise of the stock acquisition rights). However, the stock acquisition rights may not be exercised for a certain period of time.
Balance of bonds with stock acquisition rights	25.0 billion yen	25.0 billion yen

Note: In accordance with the resolution adopted at the meeting of the Board of Directors held on May 19, 2025 to pay a year-end dividend of 55 yen per share for fiscal 2024, the conversion prices of the Bonds with Stock Acquisition Rights due 2028 and the Bonds with Stock Acquisition Rights due 2030 were adjusted to 2,264.4 yen and 2,166.2 yen, respectively, pursuant to the conversion price adjustment clauses of the respective bonds.

Structures for Ensuring the Propriety of Business Operations

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

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

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

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

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

(b) Establishment of structures for ensuring proper financial reporting

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

(c) Structures regarding the retention and management of information relating to the execution of duties by directors

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

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

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

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

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

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

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

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

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

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

In order to enhance the effectiveness of the deliberations at the Executive Council, the Company shall establish various committees as auxiliary bodies to the Executive Council to address important matters related to companywide strategies such as sustainability management, risk management, business portfolio management, GX strategy, investment and loan, and Kobelco TQM promotion, among others.

In addition, the Company shall also establish an Executive Liaison Committee, comprised of directors, executive officers, and fellows who execute business operations of the Company, and the presidents and executives of affiliated companies designated by the president of the Company, to facilitate the sharing of information on important matters relating to management.

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

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

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

The Company shall dispatch its employees to its subsidiaries as directors and/or corporate auditors of such subsidiaries and oversee the management of these subsidiaries. In addition, the Company shall require its subsidiaries to establish a compliance committee and undertake other initiatives, such as establishing an internal reporting (whistleblowing) system, based on the Kobelco Group's Compliance Program in order to build a system to ensure compliance with laws and regulations, through the sharing of the Group Corporate Philosophy.

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

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

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

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

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

Directors (excluding directors who are Audit & Supervisory Committee members), executive officers and employees shall periodically report to the Audit & Supervisory Committee on the status of execution of duties, important committees, and other matters, in addition to matters designated by law. They shall also report material risks that occur in business activities and the status of response to them, as well as the development and operation of structures for ensuring proper financial reporting, as appropriate. Additionally, they shall report the status of subsidiaries to the Audit & Supervisory Committee as needed. The Internal Control and Audit Department shall report the status of risk management activities and compliance of the entire Group to the Audit & Supervisory Committee.

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

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

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

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

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

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

Operational Status of the Structure for Ensuring the Propriety of Business Operations

The Company is taking measures to develop the Structure for Ensuring the Propriety of Business Operations, and ensure its proper operation, in line with its basic policy on this structure. A summary of the operational status of the structure in fiscal 2024 is as follows.

(a) Compliance measures

- **Meetings of the Compliance Committee**

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

- **Implementation of the Kobelco Group's Compliance Program**

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

- **Implementation of compliance training**

The Company classified its compliance training programs by job grade, applicable laws and regulations, and roles and implemented them as planned, while also using online training, etc.

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

Compliance with competition laws, bribery and corruption prevention, and security trade control laws, etc. was regularly monitored. The internal reporting system received 118 reports, including those from domestic and overseas Group companies, and responded to them appropriately. The status of response to the cases were reported to the Compliance Committee.

- **Implementation of compliance awareness surveys**

The Company, its domestic Group companies, and some of overseas Group companies conducted compliance awareness surveys, and based on the survey results, it planned compliance promotion activities for fiscal 2025.

(b) Risk management

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

- **Response to high-priority potential risks**

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

- **Implementation of risk management activities**

Under the direction of risk owners, the chief executor of risk management in each department conducted risk management activities based on a cycle of identifying and examining risks → formulating risk management plans → implementing → monitoring → reviewing for improvement for the next fiscal year. The chief executors draft plans taking into account the contents of the discussions at the Board of Directors and other meetings as well as the results of the activities, which are incorporated in activities for the subsequent fiscal years after top management has verified them. This system has been proactively deployed at all Group companies. In addition, the Risk Management Committee, which has been established as an auxiliary body to the Executive Council, works to improve the effectiveness of risk management by means such as developing and evaluating basic policies on overall risk management, developing specific policies on important risk management issues, evaluating risk control measures implementation plans for top-priority and significant risks, and developing and evaluating companywide risk management plans.

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

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

The Executive Council met 24 times to hold discussions on matters such as management directions including business strategies. The full-time Audit & Supervisory Committee members attended meetings of the Executive Council, and steps were taken to enhance supervisory functions by providing information to the Audit & Supervisory Committee. In order to enhance the effectiveness of the Executive Council, the Company convened various committees, which have been established as auxiliary bodies to the Board of Directors. In addition, the Company is working to enhance supervisory functions by holding Meetings of Independent Directors and Sustainability Management Meetings for information sharing and exchange of opinions.

(d) Measures for ensuring the proper operation of the corporate group, consisting of the Company and its subsidiaries

The Company manages the Group companies in accordance with the Group Company Management Regulations in order to strengthen governance at Group companies and to pursue efficiency in execution of duties. The Company obliges Group companies to consult with the supervisory division and the head office division of the Company and report important matters when they make important decisions. The Company also requires them to obtain prior approval of the Board of Directors and the president of the Company upon deciding the disposal of assets that surpass a certain amount in value.

The Company has established Group Standards that set forth the minimum rules to be implemented by Group companies. All subsidiaries of the Company have formulated their own rules and procedures in accordance with these Standards to verify their compliance status.

Moreover, the Company dispatches its employees to its subsidiaries as directors and/or corporate auditors of such subsidiaries and oversees the management of these subsidiaries. It also receives reports on management status from the subsidiaries on a regular basis.

In addition, the Company has built a system to ensure compliance with laws and regulations through sharing the Group Corporate Philosophy with its subsidiaries and requiring them to carry out activities based on the Kobelco Group's Compliance Program.

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

The Audit & Supervisory Committee conducted interviews with executive directors including the president, heads of business divisions, and executive officers, exchanged views with outside directors, and implemented on-site audits at domestic and overseas locations. The Committee also exchanged opinions with the corporate auditors of Group companies on audit policies, plans, and issues.

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

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

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

(a) Description of the Basic Policy

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

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

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

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

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

The Company is working to realize the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), in order to enhance its corporate value by demonstrating its competitive advantages through addressing societal challenges utilizing the Group's distinctive technologies, including contributing to a green society and ensuring safety and security in community development and manufacturing, and by pursuing corporate governance to support these efforts.

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

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

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

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

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

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

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

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

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