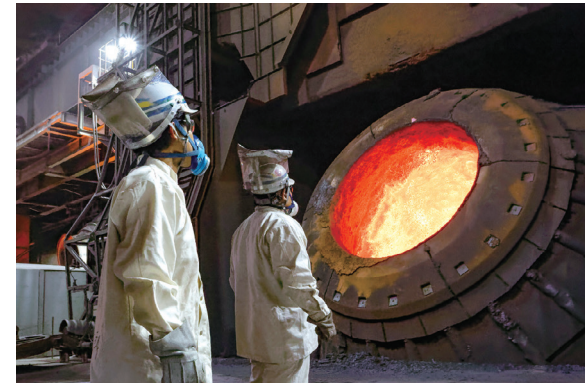




04

Governance for
Value Creation

Message from the Chair of the Board of Directors



Shinsuke Kitagawa
Independent Director
Chair of the Board of Directors

Shaping a Board of Directors That Refines the Group's Growth Story

Since becoming an independent director of the Company in 2022, I have observed a steady evolution in discussions at Board of Directors' meetings. Previously, discussions sometimes centered on individual projects or performance improvements for the following fiscal year or beyond. Today, however, we are able to engage in discussions from a medium- to long-term perspective, considering how each initiative and business connects to the Medium-Term Management Plan and overall growth story, as well as the broader direction that the entire Kobelco Group aims to pursue.

The Board of Directors comprises internal and independent directors who bring diverse experiences and expertise. Together, they have steadily fostered a shared understanding of the Company's overall sustainable growth. This progress is due to increased opportunities to share information and insights in advance, through forums held outside formal Board

Laying Foundation for Kobelco Group's Global Strength by Deepening Board Discussions with Focus on Medium- to Long-Term Growth

settings—such as offline Board of Directors' meetings and Sustainability Management Meetings. This helps independent directors understand and fully assimilate the background and inherent challenges of each project undertaken by business segments before attending Board of Directors' meetings. As a result, we are now able to engage in more in-depth discussions. Shifting from simply addressing one-off agenda items, the Board is gradually adopting a mindset that integrates each discussion into the broader context of the Group's growth story.

The Group has a diverse range of stakeholders, including shareholders and investors, customers, employees, business partners, and members of the local community. The Board of Directors does not exist in isolation, but rather acts within the context of its relationships with the Company, Group companies, and all stakeholders, providing guidance on management direction and supporting the achievement of intended goals.

I have recently been appointed as the Chair of the Board of Directors of the Company, serving as an independent director. My role as chair is to further advance the changes that have been implemented by the Board so far and to ensure that diverse perspectives are incorporated into discussions in a fair and constructive manner.

I encourage comments from a perspective that is not bound by the positions of specific businesses or organizations, or by past circumstances, so that internal directors find easier to express their views freely. Considering that the Group has experienced quality-related misconduct in the past, it is also

meaningful to visibly demonstrate that we are effectively incorporating external perspectives into management and are committed to open governance. As chair, I intend to create a forum where both internal and independent directors can fully leverage their unique experiences and knowledge and engage in deeper discussions while respecting each other's opinions.

In conducting discussions, what I particularly value is maintaining an attitude of continuously asking questions such as, "Why are we doing this in the first place?", "Is there a rational basis for this?", and "Is this fundamentally the right direction?" The role of an independent director is not limited to simply agreeing or disagreeing with the explanations provided by management. Rather, it is to reexamine assumptions that are taken for granted within the Company from an external perspective, thereby improving the quality of management decisions.

Every organization has an inertia that makes it inclined to follow established ways of doing things. Even if certain practices are considered normal internally, they may not always be rational when viewed in light of societal changes and the expectations of stakeholders. For example, when discussing businesses that are faced with challenges in improving profitability, it is necessary not only to discuss improvement plans for the coming fiscal years, but also to consider their position and future potential within the Group's business portfolio. Through persistent questioning by independent directors and the sincere engagement of management with these issues, I feel that the Company's approach to its business operations is steadily evolving.

Message from the Chair of the Board of Directors

The same applies to the response to carbon neutrality. Previously, the Company's approach in this area tended to be passive, but now we are seeing more proactive discussions about leveraging the technologies and expertise of each business segment, especially in the machinery sector, to create new business opportunities and competitive advantages. I believe that the Board of Directors is not only responsible for overseeing management, but also for questioning management's assumptions and fixed ideas from an external perspective, thereby encouraging changes in the Company's mindset and actions.

I believe that the effectiveness of the Board of Directors should be evaluated based on how its performance is reflected in management outcomes, such as improvements in the Group's profitability and value creation capabilities, as well as the effective functioning of governance and compliance.

Strategies and Group Governance Supporting Overseas Growth



The current Medium-Term Management Plan is now in its final year. While the plan is important for clarifying management direction, the business environment is constantly changing even after its formulation. Given this, it is essential for the Board of Directors not only to monitor the progress of the plan, but also to ensure that the Company responds flexibly to such changes and takes necessary actions.

There has also been steady progress in areas such as the restructuring of subsidiaries and efforts to develop new businesses. The electric power business has become a stable source of earnings, forming an integral part of the Group's strengths as it moves forward with its next growth strategy and ventures into new businesses. To leverage this strength for sustainable growth, it is necessary to allocate management resources strategically with a long-term perspective.

Since the Kobelco Group is a manufacturing-based company, its future competitiveness depends on investment in research and development, as well as in new products and businesses. At the same time, it is also necessary to invest in human resources who can translate these efforts into value creation for customers and society. This includes creating opportunities and environments that enable diverse individuals to take on new challenges and building an organization where they can leverage their unique experiences and perspectives. Furthermore, it is vital to allocate sufficient resources to foundational areas that support corporate value, such as safety, quality control, and inspection facilities, in order to maintain and strengthen systems for preventing risks before they arise. Rather than viewing each element—such as technological development, human resources, and the foundations supporting corporate value—as separate, we should consider them as integrated investments aimed at realizing a sustainable

growth strategy.

While strengthening these business foundations, we must explore our overseas strategy as a key theme for deeper discussion as we look toward the next stage of growth. Overseas sales account for approximately one-third of the Group's total sales, but each business division currently operates independently, focusing on its respective areas of expertise in various countries. Going forward, I believe it is crucial not only to expand individual businesses, but also, as a Group, to identify which countries, regions, and markets should be designated as priority areas, and to develop an overall strategy for allocating management resources accordingly.

Rather than simply following the strategies of other companies, it is important to develop a unique growth strategy that leverages the Group's own technologies and customer base. In this regard, I believe that further growth and expansion of the machinery segment, which already has strong competitiveness and a proven track record overseas, should be considered one of the potential growth drivers.

Expanding business overseas requires not only developing a growth strategy but also strengthening Group governance to support it. Business practices, cultures, and values vary from country to country and region to region. Unilaterally imposing head office perspectives or Japanese approaches will not lead to establishing operations that are truly rooted in the local market. It is important to build business operations and governance models, in a way that aligns with the realities of each country and region, while respecting the insights of executives and local employees at overseas subsidiaries and partner companies. To this end, management must visit local sites in person and engage in direct dialogue. This provides an opportunity to share the Group's vision for overseas business development,

Message from the Chair of the Board of Directors

while enabling the head office to accurately understand recent local developments and challenges and reflect them in management decisions. By building up this kind of two-way communication, I believe it becomes possible for the Group to operate business in a way that balances its overall direction with the realities of each local market.

Furthermore, in the future, the Group's overseas regional headquarters are expected not only to serve administrative functions but also contribute to the formulation of head office strategies based on local information and expertise. Looking ahead to the next Medium-Term Management Plan, I believe that overseas strategy is a key theme that should be discussed in conjunction with the growth strategy and Group governance.

Encouraging New Challenges and Assessing Risks

Achieving sustainable growth and increasing profitability is a crucial responsibility for a company. However, every company faces limitations in the management resources it can utilize. Our Group possesses advanced technological capabilities, excellent human resources, and a certain degree of financial strength, but these are by no means unlimited. Thus, it is imperative that the Group accurately assess its own strengths and management resources and develop a growth strategy that maximizes those strengths.

With this in mind, the Board of Directors intends to actively support new initiatives proposed by the executive team, provided they have the potential to enhance corporate value and drive growth, and their rationality and feasibility are confirmed. Although independent directors have a supervisory role, simply pointing out risks is not enough to achieve growth. It is important to thoroughly discuss what risks are

anticipated and the extent to which they can be tolerated, and to distinguish between risks that should be taken and those that should be avoided. Supporting challenges through these discussions embodies the ideal approach for a board of directors that seeks to balance supervision and support.

Decision-making regarding business withdrawal also requires careful and thorough consideration. Continuing businesses with no prospect of improved profitability can hinder the Company's overall growth. On the other hand, there are employees at the manufacturing sites who have been involved in the businesses for many years with a sense of fulfillment. While placing importance on capital efficiency is a due responsibility, our decisions should not be based solely on that criterion. We must make responsible decisions aimed at increasing corporate value, while also taking proper care of the lives and well-being of employees.

To improve the quality of such difficult decision-making, it is necessary to broaden the range of information and perspectives available to the Board of Directors. Dialogue with shareholders and investors provides independent directors with opportunities to directly receive their feedback and expectations. Similarly, engaging in dialogue with employees from various generations and workplaces, as well as those on the production floor, help us grasp insights and challenges that may not be visible from management-provided information alone. I believe these dialogue sessions not only improve the quality of the Board of Directors' decision-making, but also deepen trust with the executive team and serve as a driving force in supporting new challenges.

What we hope to encourage through these discussions is the full demonstration of the Group's inherent strengths. The Group operates multiple



businesses, including materials, machinery, and electric power. By leveraging the technologies, human resources, and customer base developed in each business, we can create value that could not be generated by a single business alone—a unique strength of a conglomerate.

Under a corporate culture of integrity and steadfastness, the Group has been developing businesses that support social infrastructure for over 120 years since its founding. It possesses numerous technologies and businesses that are globally competitive, such as those in the machinery sector. On the other hand, the Group has not always been adept at proactively articulating its own strengths and potential. That is why it is essential to reassess the Group's own capabilities and value, and to communicate more clearly both internally and externally how these strengths are creating value.

With a sense of responsibility and pride in supporting social infrastructure, the Kobelco Group strives to grow as a company that supports the lives of people around the world by leveraging its unique strengths. To achieve this, the Board of Directors will strongly encourage the challenges undertaken by the executive team while pursuing more in-depth discussions.

Directors



1 President, CEO and Representative Director
Yoshihiko Katsukawa
Nomination & Compensation Committee Member
Compliance Committee Member
Corporate Governance Committee Member

2 Executive Vice President and Representative Director
Hajime Nagara
Compliance Committee Member
Corporate Governance Committee Member

3 Director, Executive Officer
Koichi Sakamoto
Quality Management Committee Member

4 Director, Executive Officer
Kazuhiko Kimoto
Corporate Governance Committee Member

5 Director, Executive Officer
Kazuo Iritani

6 Independent Director
Shinsuke Kitagawa
Chair of the Board of Directors
Nomination & Compensation Committee Member (Chair)
Corporate Governance Committee Member

7 Independent Director
Yoshie Tsukamoto
Corporate Governance Committee Member

8 Independent Director
Akihiro Nakanishi
Corporate Governance Committee Member (Chair)

9 Director (Audit & Supervisory Committee Member, full time)
Gunyu Matsumoto

10 Director (Audit & Supervisory Committee Member, full time)
Yuichiro Goto

11 Independent Director (Audit & Supervisory Committee Member)
Nobuko Sekiguchi

12 Independent Director (Audit & Supervisory Committee Member)
Hisae Kitayama
Chair of the Audit & Supervisory Committee
Nomination & Compensation Committee Member
Corporate Governance Committee Member

13 Independent Director (Audit & Supervisory Committee Member)
Tomoko Sakamoto
Compliance Committee Member (Chair)

For a career summary of each director, please visit our corporate website.
<https://www.kobelco.co.jp/english/about-kobelco/organization.html>



Corporate Governance

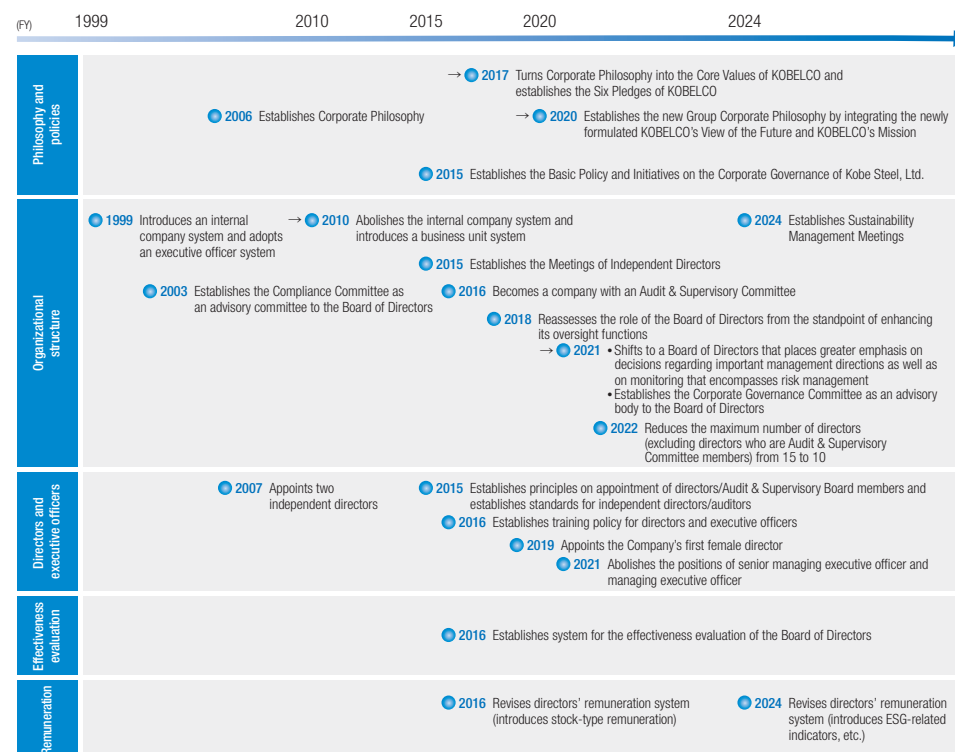
Basic Approach to Corporate Governance

The Kobelco Group recognizes that corporate value encompasses not only business results and technological capabilities but also our approach to social responsibility to all stakeholders, including shareholders and investors, customers, business partners, members of local communities, and Group employees. We believe that working earnestly to improve all of these factors leads to the enhancement of corporate value. Therefore, corporate governance is not merely a form of organization, but it is a framework for realizing all the efforts the Group is undertaking. In the development of the framework, we place importance on the following: establishing a system that contributes to improving corporate value through appropriate risk-taking, collaborating with stakeholders, promoting appropriate dialogue with investors in the capital market, ensuring the rights of and fairness for shareholders, and ensuring transparency.

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

Please visit our corporate website to learn more about our basic approach to corporate governance and management policies.
https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/files/Basic_Policy_and_Initiatives.pdf

Initiatives to Strengthen Corporate Governance



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

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

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

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

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

Our Corporate Governance System



Corporate Governance

1 Board of Directors

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

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

Status of Activities in Fiscal 2025

In fiscal 2025, the Board of Directors held discussions based on agendas that have been systematically set well in advance, utilizing the Meetings of Independent Directors and other means. These discussions focused on initiatives related to the business foundation area and on our priority issues—enhancing earning power and pursuing growth, as well as taking on the challenge of realizing carbon neutrality—among the various initiatives aimed at increasing corporate value over the medium to long term through the promotion of sustainability management based on the Group Corporate Philosophy.

2 Audit & Supervisory Committee

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

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

members shall have a considerable degree of knowledge on finance and accounting to improve the effectiveness of audits.

3 Meetings of Independent Directors

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

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

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

4 Sustainability Management Meetings

The Company has established the Sustainability Management Meetings to strengthen the Board of Directors' monitoring function. The meetings facilitate the sharing of views and the exchange of opinions with executives, including those from business divisions, regarding the Group's key sustainability-related activities (carbon neutrality, human resources, quality, and other focus areas of our Companywide strategies) on a broad and regular basis.

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

We also regularly invite external speakers to provide special lectures with the goal of enhancing the appropriate skills and competencies required of directors to oversee strategies established to address sustainability-related risks and opportunities.

5 Nomination & Compensation Committee

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

Matters Examined in Fiscal 2025

The committee deliberated on matters such as the nomination of directors for fiscal 2026 and additional contributions to the Board Benefit Trust (BBT) in the directors' remuneration system, and submitted recommendations to the Board of Directors.

Corporate Governance

6 Compliance Committee

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

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

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

7 Quality Management Committee

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

8 Corporate Governance Committee

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

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

9 Execution of Business

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

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

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

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

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

Corporate Governance

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

To address the Group's medium- to long-term material issues (materiality) and to implement the Medium-Term Management Plan (Fiscal 2024–2026), which was formulated and announced in May 2024, we have put together a skills matrix of the knowledge, experience, and skills that the Board of Directors particularly expects the directors to demonstrate for the improvement of the functions of the Board of Directors. Items in each area of knowledge, experience, and skills are reviewed as necessary in response to changes in the business environment, the formulation of new management plans, and other circumstances. In light of recent developments in the external environment, we have defined the necessary knowledge, experience, and skills as outlined below, and have also revised part of the skills matrix.

Group Corporate Philosophy	Materiality	Knowledge, Experience, and Skills	Reason for Selection	Reference: Relevant Initiatives Under KOBELCO-X (Up to Four Ticks)						
				AX	GX	BX	CX ²	DX	EX	FX
KOBELCO's View of the Future KOBELCO's Mission	Contributing to a green society	Business management and administration	As our Group operates diverse businesses both domestically and internationally, skills in business management and administration are fundamental for optimizing our portfolios and resource allocation, as well as for demonstrating decision-making competency through the development and implementation of medium- to long-term growth strategies on a global scale, aimed at maximizing corporate value.	●	●			●		●
	Ensuring safety and security in urban development and manufacturing	Environmental strategy	Our Group recognizes environmental issues as important medium- to long-term challenges. Environmental strategy skills are essential for advancing initiatives that address both risks and opportunities in the pursuit of a sustainable society. This includes responding to climate change and promoting resource circulation, as well as expanding products and services that contribute to CO ₂ emission reduction.		●	●	●	●		
	Providing solutions for the future connecting people and technology	Sales strategy and marketing	A market-oriented perspective is required to ensure competitive advantages throughout the Group's business operations. Skills in sales strategy and marketing are essential for swiftly responding to changes in the global market environment and creating customer value.	●		●	●	●		
	Promoting active participation of diverse human resources	Technical development, intellectual property, and production technology	As technological innovation becomes an increasingly important source of competitiveness, skills in technology development, intellectual property, and production technology are essential for developing and implementing technical strategies that promote differentiation and improve profitability, including enhancing existing technologies, products, and services, as well as driving innovation.	●	●			●		●
		Digital, IT, and DX	Skills in digital, IT, and DX are essential for not only improving operational efficiency but also for innovating business models. These capabilities are crucial for gaining competitive advantages in the market, thereby accelerating the creation of new value.			●	●	●	●	
		Human resources strategy	Human resources strategy skills are essential for maximizing human capital and enhancing organizational strengths by promoting diversity, fostering a fulfilling workplace, and developing the next generation of talent. These efforts contribute to achieving sustainable corporate growth.			●		●	●	●
	Pursuing governance that supports sustainable growth	Finance and accounting	Maintaining a sound financial structure and improving capital efficiency form the foundation for enhancing corporate value. Finance and accounting skills are essential for the optimal utilization of management resources in areas such as investment decisions and capital policies.	●	●	●		●		
		Governance and risk management	Skills in corporate governance and risk management are essential for directors to ensure the soundness and transparency of management, the validity of management strategies, and the appropriateness of business execution. These skills also enable directors to accurately grasp and manage various risks, supporting the sustainable enhancement of corporate value.	●	●	●		●		

Corporate Governance

The table below shows the areas of knowledge, experience, and skills that we particularly expect each director to demonstrate. Each item has been determined after discussion at the Corporate Governance Committee and the Nomination & Compensation Committee, taking into consideration the Company's business strategy and business characteristics, as well as the business environment and the Company's management plan.

	Name			Gender	Years of service as director	Attendance at Board of Directors' Meetings	Attendance at Audit & Supervisory Committee Meetings	Matters Concerning Overall Management	Value creation area							Business foundation area	Insights into Other Industry Sectors
									Business management and administration	Sales strategy and marketing	Technical development, intellectual property, and production technology	Digital, IT, and DX	Environmental strategy	Human resources strategy	Finance and accounting		
Directors	Yoshihiko Katsukawa	Inside	Executive	Male	8	16/16 (100%)	—	●	●			●		●	●		
	Hajime Nagara	Inside		Male	6	16/16 (100%)	—	●				●	●		●		
	Koichi Sakamoto	Inside		Male	3	16/16 (100%)	—	●		●	●	●			●		
	Kazuhiro Kimoto	Inside		Male	2	16/16 (100%)	—	●	●		●	●		●			
	Kazuo Iritani	Inside		Male	—	—	—	●	●	●	●	●					
	Shinsuke Kitagawa	Outside/Independent Director	Non-executive	Male	4	16/16 (100%)	—			●		●	●		●	●	
	Yoshie Tsukamoto	Outside/Independent Director		Female	2	16/16 (100%)	—	●	●	●	●					●	
	Akihiro Nakanishi	Outside/Independent Director		Male	—	—	—	●	●					●	●	●	
Directors who are Audit & Supervisory Committee Members	Gunyu Matsumoto	Inside	Non-executive	Male	3	16/16 (100%)	20/20 (100%)	●					●	●	●		
	Yuichiro Goto	Inside		Male	2	16/16 (100%)	20/20 (100%)		●	●	●	●					
	Nobuko Sekiguchi	Outside/Independent Director		Female	4	16/16 (100%)	20/20 (100%)				●		●	●		●	
	Hisae Kitayama	Outside/Independent Director		Female	—	—	—	●					●	●	●	●	
	Tomoko Sakamoto	Outside/Independent Director		Female	—	—	—					●		●	●	●	

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

Corporate Governance

Initiatives to Ensure the Effectiveness of the Board of Directors

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

- Every year, the Audit & Supervisory Committee interviews each director to verify the decisions on business execution made by the Board of Directors and the implementation of efficient business execution as stipulated in the basic policy of the internal control system.
- In the operation of the Board of Directors, the Company distributes meeting materials at least three days prior to the date of the meeting as necessary to enable active and sufficient deliberations at meetings of the Board of Directors. To this end, the Company will promote the use of electromagnetic means with due consideration for the protection of trade secrets, so that meeting materials can be received regardless of the whereabouts of the directors.

- In addition to meeting materials for the Board of Directors, the Company provides the directors with sufficient information and explanation as necessary, upon the request of directors and others.
- To revitalize and deepen discussions at meetings of the Board of Directors and further enhance the monitoring function for business activities, the Company appoints an independent director as the chair of the Board of Directors, in principle.
- The Company has established a secretariat for the Board of Directors within the Corporate Planning Department. The Secretariat determines and organizes the annual schedule of meetings of the Board of Directors, alongside agenda items anticipated to the extent possible, in advance of the fiscal year. In addition, the Secretariat coordinates with each department to ensure that the number of deliberation items and the frequency of meetings are appropriate, and that sufficient deliberation time is secured.

- The Board of Directors and the Audit & Supervisory Committee strive to improve the effectiveness of the supervisory function of the Board of Directors by seeking advice from external experts and others at the Company's expense when deemed necessary.
- Through supervision and auditing of the internal control system, the Board of Directors and the Audit & Supervisory Committee ensure the smooth provision of information as requested by each director and Audit & Supervisory Committee member.
- For the verification of the effectiveness of the Board of Directors, the Corporate Governance Committee requests each director to complete a questionnaire every fiscal year and provides a preliminary evaluation of the survey results. Based on this, the Board of Directors discusses and evaluates its effectiveness and identifies issues at its meetings. The questionnaire items are reviewed by the Board of Directors based on the evaluation results of each fiscal year. A summary of evaluation results is disclosed every fiscal year.

Evaluation Results for Fiscal 2025

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

Summary of Evaluation Results

- Our Company believes that the Board of Directors has continuously improved its effectiveness. One of the issues identified in the effectiveness evaluation conducted in the previous fiscal year was the need to further enhance the provision of information to independent directors, consistent with the strengthened Board of Directors' monitoring function.
- In response, in fiscal 2025, the Company not only set annual agenda items but also expanded opportunities for preliminary briefings and discussions on large-scale investment projects by utilizing offline meetings. As a result, many of the directors commented that they gained a deeper understanding of the background of these investments and relevant internal issues. This feedback suggests that the Board of Directors' function as a monitoring board has been further strengthened.

- In addition, the results of effectiveness evaluations conducted over the past several years indicate that the Board of Directors has been making ongoing improvements. In fiscal 2026, the Company will continue these initiatives and strive to further enhance the Board of Directors' effectiveness.
- In fiscal 2026, with an eye on formulating the next Medium-Term Management Plan, our Company recognizes the need for continuous and in-depth discussions on key themes that contribute to increased corporate value. We will continue to promote discussions through the Sustainability Management Meetings and offline meetings.
- Furthermore, in light of the appointment of several new independent directors, we will also work to enhance the provision of information to help them gain a deeper understanding of the Company.

Future Initiatives for Improving Effectiveness

- The Board of Directors will engage in more in-depth discussions regarding specific strategies to increase corporate value over the medium to long term in accordance with a systematic annual agenda plan.
- The Company will continue to work to improve the efficiency of the operation of the Board of Directors.

Corporate Governance

Training and Succession Plan for Directors and Executive Officers

Training for Directors and Executive Officers

In order for directors and executive officers to fulfill their roles and responsibilities, our Company offers various training programs as opportunities to acquire and appropriately update the necessary knowledge, supporting the expenses for training.

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

Approach to Developing CEO Successors

- The Company recognizes that the development of successors to the CEO is one of the most important issues for its management. The qualities and human resources required to address the Company's management issues and enhance corporate value are discussed on a continued basis at the Nomination & Compensation Committee, chaired by an independent director and composed of a majority of independent directors.
- The appointment of the CEO is determined by the Board of Directors after deliberations at the Nomination & Compensation Committee taking into account the Company's business environment and the implementation of management plans, etc., which are reported to the Board of Directors.
- In developing CEO successors, the Company selects multiple candidates from among directors and executive officers and appoints them to important management roles after discussion at the Nomination & Compensation Committee.
- The Company provides directors and executive officers with training opportunities to acquire the knowledge and qualities necessary for the management of the Company. The Corporate Governance Committee examines the training menu in light of the Company's business environment and other factors and reports to the Board of Directors every fiscal year.
- The training status of each director and executive officer is checked by the Corporate Governance Committee once a year.

Calculation Method for the Portion Linked to Division Performance of Performance-Based Compensation

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

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

2 The coefficient is calculated based on the following formula using the ROIC over the given period as the evaluation 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 $\times$ 1.0] regardless of the following formula.

$$\begin{aligned} \text{Coefficient based on evaluation indicators (\%)} &= \text{(A) Portion linked to Companywide performance (\%)} \times 0.7 + \text{(B) Portion linked to division performance (\%)} \times 0.3 \\ \text{(A) Portion linked to Companywide performance (\%)} &= \left[100/3 \times \text{Companywide consolidated ROIC} - 2/3 \right] \times 100 \\ \text{(B) Portion linked to division performance (\%)} &= \left[100/3 \times \text{Consolidated ROIC for each business division} - 2/3 \right] \times 100 \end{aligned}$$

Note: 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%.

Medium- to Long-Term Incentive Compensation

1. For medium- to long-term incentive compensation, a system known as the Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit will be provided on a fixed date during each three-year trust period, based on the total number of points granted. In addition to a base point number determined by the standard pay amount for each rank and remuneration rank, an extra number of points will be awarded by multiplying the base point number by a factor ranging from 0% to 120%. This factor will be determined by profit attributable to owners of parent, the status of dividend payments for each fiscal year, and performance in relation to ESG-related indicators.

Note: Since the Company considers the return of profits to shareholders as an important issue for management, it uses profit attributable to owners of parent (hereinafter "profit") as the evaluation indicator. 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, an FTSE ESG score of 3.9 or higher, and an MSCI ESG rating of AAA.

2. The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
3. As funds for acquisition of shares 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 day of the previous trust period, they will be used as funds for the subsequent trust periods, and an amount derived by deducting the amount of the remaining Company shares, etc., from 1.25 billion yen will be contributed.

Calculation Method of Points to Grant Medium- to Long-Term Incentive Compensation

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

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

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

Corporate Governance

Remuneration for Directors, Executive Officers, and the Accounting Auditor

Basic Policy on Remuneration for Directors and Executive Officers

① Basic Approach to Remuneration for Directors and Executive Officers

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

② Remuneration Framework

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

Remuneration for directors (excluding directors who are Audit & Supervisory Committee members)

The limit of basic remuneration	Within a total of 460 million yen per fiscal year
The limit of performance-based compensation	Within a total of 387 million yen per fiscal year
Maximum points to be granted for medium- to long-term incentive compensation	Within a total of 471,200 points per fiscal year
Remuneration for directors who are also Audit & Supervisory Committee members (basic remuneration only)	Within a total of 132 million yen per fiscal year

Reference Composition of Remuneration for Directors and Executive Officers

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

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%		
Independent Director	100%		

Basic remuneration Performance-based compensation Medium- to long-term incentive compensation

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

③ Performance-Based Compensation

1. In terms of the portion linked to division performance of performance-based compensation, a performance target will be set based on business management 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.
2. The portion linked to individual evaluation of performance-based compensation is subject to comprehensive evaluation, including the performance of assigned duties and business unit, the accomplishment of the target, and other aspects. The amount to be paid is determined by multiplying the basic remuneration for each rank and remuneration rank by -5% to 5% according to the evaluation results. Evaluation for executive officers overseeing business divisions and heads of business divisions is determined by the president and CEO, and evaluation for other executive officers is determined by the president and CEO 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 duties entrusted to each director and executive officer.

3. The calculation methods for the standard pay amount for each rank and remuneration rank are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
4. Business management indicators are disclosed in the Business Report.

Note: ROIC is used as an evaluation indicator to promote the efficiency of management resources with a focus on cost of capital 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.

For the calculation method for the portion linked to division performance of performance-based compensation, please see page 88 of ESG Data Book 2026.

Corporate Governance

④ Medium- to Long-Term Incentive Compensation

- For medium- to long-term incentive compensation, a system known as the Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit will be provided on a fixed date during each three-year trust period, based on the total number of points granted. In addition to a base point number determined by the standard pay amount for each rank and remuneration rank, an extra number of points will be awarded by multiplying the base point number by a factor ranging from 0% to 120%. This factor will be determined by the profit attributable to owners of parent, the status of dividend payments for each fiscal year, and performance in relation to ESG-related indicators.

Note: Since the Company considers the return of profits to shareholders as an important issue for management, it uses profit attributable to owners of parent (hereinafter "profit") as the evaluation indicator. 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.

- 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.
- As funds for acquisition of 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 day of the previous trust period, they will be used as funds for the subsequent trust periods, and an amount derived by deducting the amount of the remaining Company shares, etc., from 1.25 billion yen will be contributed.

For the calculation method of points to grant medium- to long-term incentive compensation, please see page 89 of ESG Data Book 2026.

⑤ Determination of Remuneration Amount and Timing of Payment

- 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.
- Of performance-based compensation, the amount for the portion linked to division performance will be determined based on the calculation formula after the end of each fiscal year and paid in a lump sum by the end of the month following the month when the Ordinary General Meeting of Shareholders is convened. The portion linked to individual evaluation will be paid together with the portion linked to division performance in the amount determined based on the calculation formula according to the results of individual evaluation after the end of each fiscal year.
- 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 30th 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

- The policy concerning remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is determined by resolution of the Board of Directors, and the policy concerning remuneration for directors who are Audit & Supervisory Committee members is determined through discussions among all Audit & Supervisory Committee members.
- The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee. If it is necessary to revise the remuneration system, the committee will present a revised remuneration plan at a meeting of the Board of Directors for resolution.

Reference Base Values and Actual Values for Each Compensation-Related Indicator

Compensation Item	Performance-Based Compensation	Medium- to Long-Term Incentive Compensation			
		Portion linked to profit of the term		Portion linked to ESG ratings	
		Profit attributable to owners of parent	CDP climate change score	FTSE ESG score	MSCI ESG rating
Indicator	ROIC				
Base values for FY2025	8.0%	79.4 billion yen	A	3.9 or higher	AAA
Actual values for FY2025	5.3%	93.7 billion yen	A	4.3	AAA

Notes: 1. The base value indicates the case where the payment coefficient is at its maximum.

2. The actual value of the portion linked to ESG ratings of the medium- to long-term incentive compensation is based on the figure announced as of the end of fiscal 2025.

Remuneration for Directors in Fiscal 2025

Category	Number of Payees (Persons)	Amount (Millions of yen)	Breakdown of Total Amount by Type of Remuneration (Millions of yen)		
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation
Directors excluding Audit & Supervisory Committee members (of which, outside directors)	8 (3)	501 (48)	285 (48)	133 (—)	83 (—)
Directors, Audit & Supervisory Committee Members (of which, outside directors)	5 (3)	123 (51)	123 (51)	— (—)	— (—)
Total	13	625	409	133	83

Remuneration for Accounting Auditor in Fiscal 2025

Category	Payments (Millions of yen)
Remuneration and other amounts payable to the accounting auditor by the Company	208
Total amount of money and other financial interests payable by the Company and its subsidiaries	607

Corporate Governance

Strategic Holdings of Shares

Basic Policy

For our basic policy on strategic holdings of shares, please see page 90 of ESG Data Book 2026.

Criteria for Exercising Voting Rights

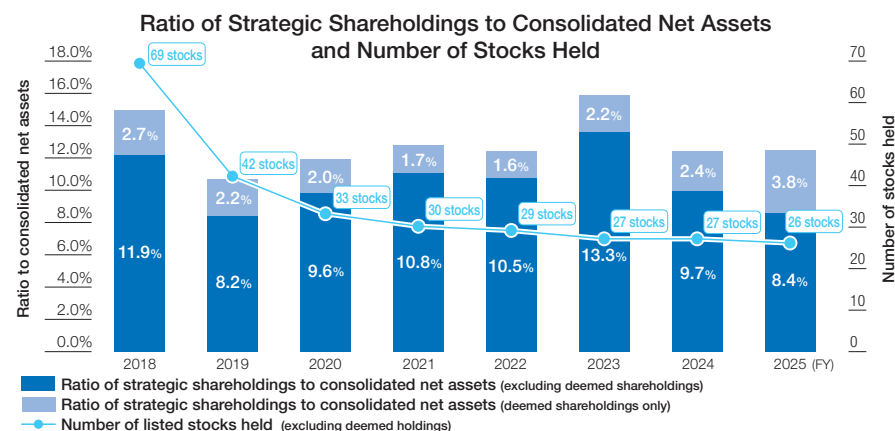
For our criteria for exercising voting rights of strategic holdings of shares, please see page 90 of ESG Data Book 2026.

Verification Results Regarding Strategic Holdings of Shares (As of March 31, 2026)

Targets	All the strategic holdings of shares that the Company holds in listed companies as of March 31, 2026 (26 stocks)
Verification details	<p>We assessed whether each shareholding contributes to strengthening the Company's business foundation and enhancing its corporate value over the medium to long term, based on the following evaluation items, and made a comprehensive judgment on the reasonableness of each shareholding.</p> <p>Evaluation items</p> <p>① Scale and importance as a business partner (volume of transactions, share of transactions, and stable procurement)</p> <p>② Relationship as an alliance partner (economic effect of the alliance)</p> <p>③ Dividend yield</p>

Verification Results

- As of March 31, 2026, the Company holds 26 stocks. These holdings have been deemed reasonable based on their contribution to strengthening the Company's business foundation and enhancing its corporate value over the medium to long term. This assessment considers the scale and importance of each company as a business partner—focusing on factors such as transaction volume, transaction share, and stable procurement—as well as the nature of relationships as alliance partners.
- The Company will continue to verify the necessity of its strategic shareholdings, and will reduce those holdings that are judged to have diminished significance through sale or other measures.



Approach to Listed Group Companies

Listed Subsidiaries

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

Our Company pursues the ideal form of capital relations by comprehensively taking into account the various situations of Group companies in terms of the business portfolios, scale, financial strategies for business development, financing, etc., for the overall enhancement of corporate value as a corporate group. Kobelco Wire Company, Ltd., a subsidiary that was listed on the Tokyo Stock Exchange Standard Market until August 28, 2026, became a wholly owned subsidiary of Kobe Steel as of September 1, 2026. This decision was made with the aim of expanding into new fields by combining our material manufacturing capabilities and knowledge base with Kobelco Wire's processing and development technologies, strengthening our overseas strategy through collaboration with our overseas bases and partner trading companies, and further expanding our business through closer cooperation with other secondary processing manufacturers. By fully integrating our capital with Kobelco Wire, we can maximize the mutual use of management resources and promptly and flexibly execute these initiatives, which we believe is the best option for the sustainable growth and enhancement of corporate value for both companies.

Listed Affiliated Companies

Shinsho Corporation, one of our affiliated companies, is a listed company that operates independently in accordance with Shinsho Group's corporate philosophy and code of conduct, as it is not subject to integrated Group management under the Group Company Management Regulations.

The company was established in 1946 and went public in 1961. Throughout its history up to the present, Shinsho Corporation has remained the core trading company of the Group. Meanwhile, Kobe Steel holds the largest share in Shinsho Corporation, which accounts for approximately 35.93% of the company's voting rights (including the portion held through the retirement benefit trust) as of March 31, 2026, to maintain and strengthen its business relationship with Shinsho Corporation. Kobe Steel permits Shinsho Corporation to use the Company's trademarks and other related materials under a licensing agreement for brands overseen by Kobe Steel's head office.

The agreement requires Shinsho Corporation to establish and maintain an appropriate governance structure and to provide reports to Kobe Steel in order to ensure the credibility of the licensed brands. However, this does not imply any involvement of our Company in the decision-making process of Shinsho Corporation.

Message from the Chair of the Audit & Supervisory Committee



Role of the Audit & Supervisory Committee Chair

Audit and supervisory committees' mission is to contribute to the sustainable growth of corporate groups, the enhancement of corporate value over the medium to long term, and the establishment of a high-quality corporate governance system that earns societal trust, through auditing directors' execution of their duties. As committee chair, I strive to enhance management transparency and strengthen compliance and risk management from an independent and objective standpoint.

In addition, by linking the issues identified through audit activities to management improvements and strategy implementation, I hope the committee will contribute not only to "defensive" governance but also to "proactive" governance that fosters growth.

Future Focus Areas Based on Governance Enhancements to Date

The Company has so far strengthened the monitoring

Contributing to Enhanced Corporate Value Through Audit Effectiveness Improvements

function of the Board of Directors by transitioning to a company with an Audit & Supervisory Committee and appointing an independent director as chair of the Board of Directors. These measures have prompted active and thorough deliberations, focused on key topics, at Board meetings, demonstrating improved effectiveness.

Going forward, we will continue to promptly share with the Board of Directors any issues identified through dialogue with business divisions, the internal audit department, and accounting auditors, as well as through on-site inspections. I hope this will lead to early improvements and further advance our management practices.

Key Themes Closely Monitored by the Audit & Supervisory Committee

During the period of the current Medium-Term Management Plan, we have identified four key audit priorities: enhancing earning power and pursuing growth, taking on the challenge of realizing carbon neutrality, strengthening sustainability management, and strengthening the business foundation. Among these, our top priority is "strengthening the business foundation," which includes reinforcing risk management and quality management capabilities across the Group and on a global scale.

We will strengthen the Company's audit system through collaboration among the three lines of audit—Audit & Supervisory Committee, the internal audit department, and accounting auditors—while monitoring the progress of internal promotion activities to strengthen the business foundation. Additionally, we will oversee

efforts toward sustainable growth by tracking the progress of ROIC management and business portfolio transformation.

Collaboration with Internal Audit and Risk Management Departments

The Audit & Supervisory Committee monitors whether the internal control system is functioning properly to help improve its effectiveness. To this end, we ensure that each of the business divisions, divisions under the head office, and the internal audit department is fulfilling their respective roles, while also closely monitoring the management status of the entire Group, including subsidiaries.

In addition, we strive to improve the effectiveness and efficiency of audits by conducting on-site inspections and visits to various locations to understand actual conditions in the field, and by strengthening collaboration among the three lines of audit and with auditors at subsidiaries.

The Audit & Supervisory Committee promotes the lawful, proper, and efficient execution of duties, supporting a balanced governance structure that combines proactive and defensive measures. While incorporating societal perspectives, we will monitor the effectiveness of governance, risk management, and internal controls, and encourage initiatives aimed at enhancing earning power and pursuing growth.

Looking ahead, we will continue to contribute to the sustainable growth and enhancement of the Group's corporate value with passion and a strong sense of commitment to fulfilling our role in corporate governance, as we strive to support appropriate information disclosure and foster dialogue with stakeholders.

Compliance

For details, please see Compliance on pages 92–95 of ESG Data Book 2026.

Based on the Group Corporate Philosophy, the Kobelco Group has positioned compliance as one of the key components of its business foundation and is working to strengthen the organizational structure to implement initiatives.

Compliance Code and Standards

Under the Group Corporate Philosophy, the Kobelco Group is working to implement the Six Pledges of KOBELCO that constitute its specific code of conduct to be practiced by all members of the Group in day-to-day operations in order to fulfill the Core Values of KOBELCO, which are the values that should be shared throughout the Group. Additionally, we have formulated Compliance Regulations that set out basic matters concerning compliance frameworks and its operations.

Compliance Structure and Activities

1. Compliance Committee

Kobe Steel has established the Compliance Committee as an advisory body to the Board of Directors. The committee formulates plans for Groupwide compliance activities, monitors the progress, and makes revisions and improvements as necessary. The committee's members include the president and CEO, three other internal members, and four external members of fair and impartial standing constituting a majority, with one of the external members serving as the committee chair. Major Group companies have also established their own compliance committees.

2. Kobelco Group's Compliance Program

Under the supervision of the director/executive officer overseeing Companywide compliance and the executive officer responsible for Companywide compliance, the Internal Control and Audit Department of Kobe Steel promotes compliance in coordination with business divisions and Group companies. Compliance activities are implemented in accordance with the Kobelco Group Compliance Program that consists of five elements as shown on the right.



Commitment

We recognize that in order to thoroughly prevent all forms of misconduct, top management must demonstrate a zero-tolerance policy to compliance violations. To this end, we regularly deliver messages on compliance from the president and CEO to employees.

Setting Rules and Procedures

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

Training and Communication

In order to instill compliance awareness, our Group conducts training on compliance for all its employees. In addition, we ensure that all employees strictly adhere to the three principles of compliance, which set out our basic code of conduct: (1) Follow the rules, (2) Make no secret, and (3) Be honest.

Whistleblowing System

We accept reports and requests for consultations regarding all forms of misconduct, including bribery, embezzlement, cartels, harassment, etc. When a report or request for consultation is received, we ensure the complete confidentiality of those involved and the full protection of whistleblowers in accordance with the Whistleblower Protection Act and take appropriate measures utilizing necessary resources and skills.

Review and Improvement

We conduct employee compliance awareness surveys and identify potential risks based on issues identified through monitoring and responding to reports or consultations, as well as internal and external trends. Through this, we are constantly reviewing our compliance activities. Compliance improvement plans are developed by the Compliance Committee and presented to the Board of Directors.

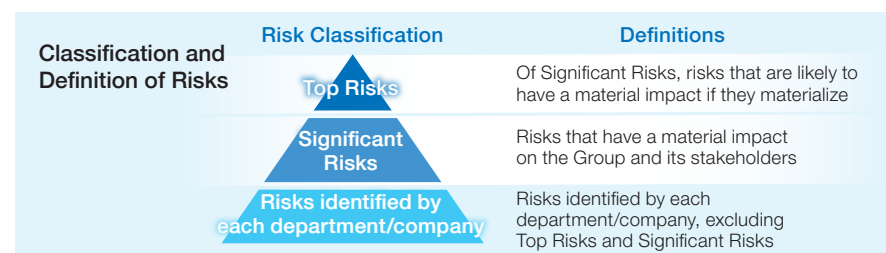
Risk Management

For details, please see Risk Management on pages 96–97 of ESG Data Book 2026.

Under the Group Corporate Philosophy, we are taking appropriate measures to address the risk factors that may hinder the Kobelco Group's sustainable development and enhancement of corporate value, which have been identified by using international standards—The Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidance—as reference materials, in accordance with the Kobe Steel Risk Management Regulations.

Basic Policy

As targets for Companywide risk management, we have designated risks that have a material impact on the Group and stakeholders and require a Groupwide response as Top Risks and Significant Risks. These Top Risks and Significant Risks include ESG risks such as human rights, safety management, climate change, and natural disasters.



Management Structure

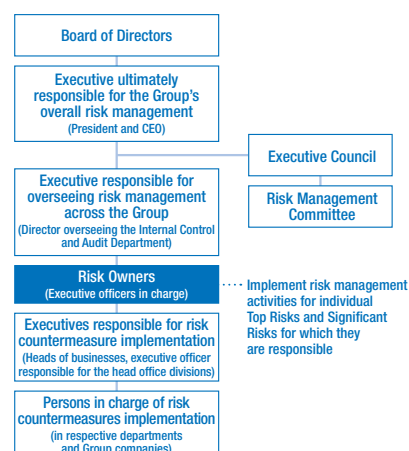
The president and CEO is the person ultimately responsible for the Group's overall risk management, and the director who oversees the Internal Control and Audit Department is the person responsible for overseeing risk management across the Group. Individual risks are managed by the Risk Owners who are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

Executive Council. The risk management system, headed up by the president and CEO, is operated independently from the Audit & Supervisory Committee.

Under the direction of the Risk Owners, the management of individual risks is carried out by the person in charge of risk countermeasures implementation in each division in the following cycle: identifying risks, formulating plans, implementing measures, assessing results, and finally, reviewing and improving the process. To ensure the effectiveness of activities, the Board of Directors manages and supervises activities to address Top Risks and Significant Risks, including ESG risks. They review the annual results of activities in respective business divisions for the improvement of the plans for subsequent fiscal years. This approach to risk management is also actively employed at Group companies as a Groupwide initiative.

In the event of an urgent and serious risk of loss with respect to risks including Top Risks and Significant Risks, we will appropriately communicate information and make decisions according to internal rules based on the Contact System in Case of Risk Occurrence and take appropriate measures to minimize damage.

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Risk Management Cycle

