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

(Stock Exchange No.: 5406)
June 1, 2022

NOTICE OF
169TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

Kobe Steel, Ltd. ("the Company") would hereby like to inform you that the 169th Ordinary General Meeting of Shareholders will be held as follows. In order to prevent the spread of the novel coronavirus (COVID-19) infection, we kindly ask you to carefully consider your attendance at the General Meeting of Shareholders after confirming the situation and checking your health condition on the day of the meeting, and that you take precautions to prevent infection when you come to the meeting venue. We also would like to ask you to consider exercising your voting rights in writing (by mail) or via the Internet.

[Voting in writing (by mail)]
Please return to us the voting form enclosed herewith, indicating your approval or disapproval of each proposal to be resolved.
[Voting via the Internet]
Please read the "Guide to Exercising Voting Rights" on pages 3 and 4 and input your approval or disapproval of each proposal to be resolved in accordance with the instructions on the website.

Yours faithfully,
Mitsugu Yamaguchi
President, CEO and Representative Director
Kobe Steel, Ltd.
2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo

1. Date and Time:	**10:00 a.m., Wednesday, June 22, 2022** (JST: Japan Standard Time) (The venue is scheduled to be open at 9:00 a.m.)
2. Venue:	Kobe International Exhibition Hall No. 2 Building (first floor) 11-1, Minatojima-nakamachi 6-chome, Chuo-ku, Kobe, Hyogo

3. Meeting Agenda:

Matters to be reported:

1. The business report, consolidated financial statements, and non-consolidated financial statements for the 169th business term (from April 1, 2021 to March 31, 2022)
2. The results of audits by Accounting Auditors and the Audit & Supervisory Committee concerning the consolidated financial statements for the 169th business term

Matters to be resolved:

Item 1:	Partial amendments to the Articles of Incorporation
Item 2:	Election of eight (8) Directors (excluding Directors who are Audit & Supervisory Committee Members)
Item 3:	Election of five (5) Directors who are Audit & Supervisory Committee Members
Item 4:	Election of one (1) Director who is a substitute Audit & Supervisory Committee Member
Item 5:	Determination of the amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)
Item 6:	Determination of details of the stock compensation plan for Directors

4. Matters regarding this Notice of Convocation

(1) Information on some parts of the consolidated financial statements and non-consolidated financial statements to be provided via the Internet

Based on laws and regulations and the provisions of Article 14 of the Company's Articles of Incorporation, matters that should be displayed as the status of assets and results of operations of the Company, consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and notes to non-consolidated financial statements are posted on the Company's website (https://www.kobelco.co.jp/english/). The status of assets and results of operations of the Company were audited as part of the business report by the Audit & Supervisory Committee in the course of the preparation of their audit reports. In addition, the consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and the notes to non-consolidated financial statements were audited as part of the consolidated financial statements and the non-consolidated financial statements by Accounting Auditors and the Audit & Supervisory Committee in the course of the preparation of their audit reports.

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

In the event that the Company revises Reference Documents for the General Meeting of Shareholders, business report, and consolidated and non-consolidated financial statements, the matters to be revised will be posted on the Company's website (https://www.kobelco.co.jp/english/).

Guide to Exercising Voting Rights

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

Exercising Voting Rights in Writing (by mail)

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

Deadline for the exercise of voting rights: To be received no later than 5:30 p.m. Tuesday, June 21, 2022 (JST)

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

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

Deadline for the exercise of voting rights: To be registered no later than 5:30 p.m. Tuesday, June 21, 2022 (JST)

By Attending the General Meeting of Shareholders

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

Date and time of the Meeting: Wednesday, June 22, 2022, at 10:00 a.m. (JST)

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

*** Exercise of voting rights by proxy**

You may entrust another shareholder with voting rights to attend the meeting as a proxy. If you do so, please submit your proxy statement together with the voting form.

<u>Guide to Exercising Voting Rights via the Internet</u>

By Entering Login ID and Temporary Password

Link to the Exercise of Voting Rights website: https://evote.tr.mufg.jp/

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

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

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Tel.: 0120-173-027 (This toll-free number is available only in Japan.)
(9:00 a.m. - 9:00 p.m. JST)

(ii) As for inquiries other than those covered in item (i) above, please contact the following office:

Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation
Tel.: 0120-094-777 (This toll-free number is available only in Japan.)
(9:00 a.m. - 5:00 p.m. JST), excluding Saturdays, Sundays, and Japanese national holidays)

1. The Exercise of Voting Rights website is not available from 2 a.m. to 5 a.m. JST every day.
2. Institutional investors may use the electronic voting platform for institutional investors operated by ICJ, Inc.
3. The costs incurred for the access to the Exercise of Voting Rights website (such as provider's Internet connection fees and communication charges) shall be borne by the shareholders.

You are requested to submit the enclosed voting form at the reception desk in case that you attend the meeting in person. You may entrust another shareholder having the voting rights to attend the meeting as a proxy. If you do so, please submit your proxy statement together with the voting form.

1. Total Number of Voting Rights Held by All Shareholders: 3,918,827

2. Agenda Items and Reference Documents:

Item 1: Partial amendments to the Articles of Incorporation

(Reasons for partial amendments to the Articles of Incorporation)

1. In accordance with the enforcement of the amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) on September 1, 2022, the Company proposes the following amendments to the Company's Articles of Incorporation to introduce the system for providing materials for the General Meetings of Shareholders in electronic format.
    1) Article 14 (Measures for Electronic Provision, Etc.), Paragraph 1 of the proposed amendment shall be newly established, as the Company will be obligated to stipulate in the Articles of Incorporation that it shall take measures for electronic provision of information (the content of reference documents, etc.) for the General Meeting of Shareholders.
    2) Article 14 (Measures for Electronic Provision, Etc.), Paragraph 2 of the proposed amendment shall be newly established to limit the scope of matters to be recorded in physical documents provided to shareholders who request the physical documents to those specified by the applicable Ordinance of the Ministry of Justice, among the matters for which information (the content of reference documents, etc.) for the General Meeting of Shareholders is electronically provided.
    3) Once the system for providing materials for General Meetings of Shareholders in electronic format is introduced, Article 14 of the current Articles of Incorporation (Disclosure via the Internet and Deemed Provision of Reference Documents, etc. for General Meeting of Shareholders) will no longer be necessary, and therefore, it shall be deleted.
    4) Supplementary provisions shall be established concerning the validity of the provisions that are newly established or deleted as provided above. The supplementary provisions shall be deleted after the expiration date has elapsed.

2. As part the efforts to strengthen the corporate governance system, the Company has transitioned from a company with an Audit & Supervisory Board to a company with an Audit& Supervisory Committee in fiscal 2016 in order to further strengthen the supervisory function of the Board of Directors and speed up decision-making process regarding management. In fiscal 2021, the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) was reduced by three (3) from the previous eleven (11) to eight (8), in order to place greater emphasis on determining important management directions and monitoring, including risk management. As a result of the Company's consideration of its future corporate governance and the nature of the Board of Directors, based in part on the deliberations at the Corporate Governance Committee, Article 18 (Number of Directors), paragraph 1 of the current Articles of Incorporation shall be amended to reduce the maximum number of Directors (excluding Directors who are Audit & Supervisory Committee Members) by five (5), from fifteen (15) to ten (10). The amendment to Article 18, paragraph 1 of the current Articles of Incorporation will come into effect upon approval of this Item at this Ordinary General Meeting of Shareholders.

The details of the amendments are as follows:

(Underlined portions are amended.)

Current Articles of Incorporation	Proposed Amendments
Article 14. (Disclosure via the Internet and Deemed Provision of Reference Documents, etc. for General Meeting of Shareholders) When convening a General Meeting of Shareholders, the Company may be deemed to have provided shareholders with necessary information that should be described or presented in reference documents for the General Meeting of Shareholders, business reports, non-consolidated and consolidated financial reports, if they are disclosed via the Internet in accordance with ordinances of the Ministry of Justice.	(Deleted)
(Newly established)	Article 14. (Measures for Electronic Provision, Etc.) In the convocation of General Meetings of Shareholders, the Company shall provide electronically information that is the content of reference documents for the general meeting of shareholders, etc. Of the matters to which electronic provision measures apply, the Company shall not be required to include all or part of matters stipulated in the Ordinance of the Ministry of Justice in the physical documents provided to shareholders who made requests for provision of physical documents by the record date for voting rights.
Article 18. (Number of Directors) The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company shall be no more than fifteen (15). The number of Directors who are Audit & Supervisory Committee Members of the Company shall be no more than five (5).	Article 18. (Number of Directors) The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company shall be no more than ten (10). The number of Directors who are Audit & Supervisory Committee Members of the Company shall be no more than five (5).
Supplementary Provisions (Transitional Measures Regarding Liability Exemption of Audit & Supervisory Board Members Prior to Transitioning to a Company with an Audit & Supervisory Committee) The exemption of liability of Audit & Supervisory Board Members (including prior members) stipulated in Article 423, paragraph 1 of the Companies Act prior to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2016, as well as agreements concluded with Audit & Supervisory Board Members in order to limit the liability, shall be pursuant to Article 36, paragraphs 1 and 2 of the Articles of Incorporation prior to the amendments that will come into effect at the conclusion of the aforementioned Ordinary General Meeting of Shareholders.	Supplementary Provisions Article 1. (Transitional Measures Regarding Liability Exemption of Audit & Supervisory Board Members Prior to Transitioning to a Company with an Audit & Supervisory Committee) The exemption of liability of Audit & Supervisory Board Members (including prior members) stipulated in Article 423, paragraph 1 of the Companies Act prior to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2016, as well as agreements concluded with Audit & Supervisory Board Members in order to limit the liability, shall be pursuant to Article 36, paragraphs 1 and 2 of the Articles of Incorporation prior to the amendments that will come into effect at the conclusion of the aforementioned Ordinary General Meeting of Shareholders.

Current Articles of Incorporation	Proposed Amendments
	Article 2. (Transitional Measures Regarding Measures for Electronic Provision, Etc.) The deletion of Article 14 (Disclosure via the Internet and Deemed Provision of Reference Documents, etc. for General Meeting of Shareholders) of the Articles of Incorporation before the amendment and new establishment of Article 14 after the amendment (Measures for Electronic Provision, Etc.) shall come into effect from September 1, 2022. Notwithstanding the provisions of the previous paragraph, Article 14 (Disclosure via the Internet and Deemed Provision of Reference Documents, etc. for General Meeting of Shareholders) of the Articles of Incorporation before the amendment shall remain valid for General Meetings of Shareholders held on or before the last day of February 2023. This Article 2 of the Supplementary Provisions shall be deleted after the lapse of six months from September 1, 2022 or the lapse of three months from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.

Item 2: Election of eight (8) Directors (excluding Directors who are Audit & Supervisory Committee Members)

The terms of office of the eight (8) incumbent Directors (excluding Directors who are Audit & Supervisory Committee Members; hereinafter, the same shall apply in this Item) will expire at the conclusion of the 169th Ordinary General Meeting of Shareholders. Accordingly, it is proposed that eight (8) Directors be elected.

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

The candidates for the Company's Directors at the 169th Ordinary General Meeting of Shareholders are as follows.
(Please see pages 31 through 33 for the Company's principles on appointment of candidates for Directors and Standards for Independent Directors. Please also see "Reference: Knowledge, experience, and skills that are particularly expected to be demonstrated to improve the functions of the Board of Directors (Skills Matrix)" on pages 26 through 28).

<List of the candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members)>

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

Note 1. In order to secure superior talent and prevent Directors from being intimidated in the performance of their duties, the Company plans to enter into a compensation agreement with each candidate, if he/she is elected as a Director, to compensate expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses stipulated in Item 2 of the same Paragraph to the extent provided by laws and regulations. Under the said agreement, the following measures are taken to ensure that the appropriateness of the execution of duties by the Directors is not impaired.

(1) In order to receive a settlement package as compensation for the losses mentioned in Item 2 of the same Paragraph, the agreement shall be subject to a reconciliation to which the Company agrees.

(2) In addition to cases in which the Company is entitled by law to demand the return of compensation already received by the Director, if it is found that the Director's explanation to the Company regarding his/her claim for compensation under the relevant compensation agreement was false in any material respect, the Company may demand the return of the amount of compensation already received by the Director.

Note 2. The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act with all Directors as the insured in order to secure superior talent and prevent Directors from being intimidated in the performance of their duties. If each candidate is elected as Director, they will become the insured under the said insurance contract. For details regarding the directors and executive officers liability insurance contract, please see page60 of the business report attached to this Notice of Convocation.

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

<table>
<tr><td>No. 1</td><td>Mitsugu Yamaguchi
(Date of birth: January 8, 1958)</td><td rowspan="5"></td></tr>
<tr><td colspan="2">Reappointment/
Internal Director</td></tr>
<tr><td colspan="2">Number of shares of the Company owned: 48,300 shares</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2021:
15/15 meetings held (100%)</td></tr>
<tr><td colspan="2"></td></tr>
</table>

<table>
<tr><th colspan="2">Career summary (positions)</th><th>Reasons for selecting the candidate</th></tr>
<tr><td>April 1981:</td><td>Joined the Company</td><td rowspan="10">As Mitsugu Yamaguchi has abundant experience and knowledge ofM&As and alliances in the Company’s iron and steel business, machinery business, and in the Head Office, the Company deems that he is well qualified to be a Director of the Company in light of the Company’s principles on appointment of candidates for Directors (please see page 31). In order for the Company to complete the KOBELCO Group Medium-Term Management Plan (FY2021–FY2023) and leap forward even further, top management is required to take an objective and comprehensive view not biased toward a particular business. In this regard, the Company deems that Mitsugu Yamaguchi, who has experience in the various fields of materials, machinery, and the Head Office, is well qualified for the position.</td></tr>
<tr><td>April 2011:</td><td>Officer</td></tr>
<tr><td>April 2013:</td><td>Senior Officer</td></tr>
<tr><td>April 2015:</td><td>Executive Officer</td></tr>
<tr><td>June 2016:</td><td>Director, Senior Managing Executive Officer</td></tr>
<tr><td>April 2017:</td><td>Executive Vice President and Director</td></tr>
<tr><td>April 2018:</td><td>President, CEO and Director (incumbent)</td></tr>
<tr><th colspan="2">Duties and significant concurrent positions</th></tr>
<tr><td colspan="2">Not applicable</td></tr>
<tr><td colspan="2"></td></tr>
</table>

<table>
<tr><td>No. 2</td><td>Fusaki Koshiishi
(Date of birth: August 29, 1959)</td><td rowspan="5"></td></tr>
<tr><td colspan="2">Reappointment/
Internal Director</td></tr>
<tr><td colspan="2">Number of shares of the Company owned: 43,500 shares</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2021:
15/15 meetings held (100%)</td></tr>
<tr><td colspan="2"></td></tr>
</table>

<table>
<tr><th colspan="2">Career summary (positions)</th><th>Reasons for selecting the candidate</th></tr>
<tr><td>April 1984:</td><td>Joined the Company</td><td rowspan="9">As Fusaki Koshiishi has abundant experience and knowledge in the field of product technology in the welding business, the Company deems that he is well qualified to be a Director of the Company in light of the Company’s principles on appointment of candidates for Directors (please see page 31). In addition, the Company deems that Fusaki Koshiishi, who has experience and knowledge in the Welding Business engaged in both materials and machinery businesses, namely welding materials and welding robot systems, is well qualified as a person to supervise companywide health and safety, companywide environmental protection and disaster prevention, and companywide quality at the Company, which operates various businesses including materials, machinery and electric power.</td></tr>
<tr><td>April 2012:</td><td>Officer</td></tr>
<tr><td>April 2014:</td><td>Senior Officer</td></tr>
<tr><td>June 2015:</td><td>Managing Director</td></tr>
<tr><td>April 2016:</td><td>Director, Senior Managing Executive Officer</td></tr>
<tr><td>April 2018:</td><td>Executive Vice President and Director (incumbent)</td></tr>
<tr><th colspan="2">Duties and significant concurrent positions</th></tr>
<tr><td colspan="2">Oversees the Environment and Safety Department and the Quality Management Department. Oversees companywide health and safety. Oversees companywide environmental protection and disaster prevention. Oversees companywide quality.</td></tr>
</table>

<table>
<tr><td>No. 3</td><td>Koichiro Shibata
(Date of birth: December 6, 1958)</td><td rowspan="5"></td></tr>
<tr><td colspan="2">Reappointment/
Internal Director</td></tr>
<tr><td colspan="2">Number of shares of the Company owned: 40,500 shares</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2021:
15/15 meetings held (100%)</td></tr>
<tr><td colspan="2"></td></tr>
</table>

<table>
<tr><td>Career summary (positions)</td><td>Reasons for selecting the candidate</td></tr>
<tr><td>April 1984: Joined the Company
April 2012: Officer
April 2014: Senior Officer
April 2016: Senior Managing Executive Officer
April 2018: Executive Vice President
June 2018: Executive Vice President and Director (incumbent)</td><td rowspan="3">As Koichiro Shibata has abundant experience and knowledge in the field of product technology in the iron & steel business and experience as General Manager of a steelworks, the Company deems that he is well qualified to be a Director of the Company in light of the Company’s principles on appointment of candidates for Directors (please see page 31). In addition, the Company deems that Koichiro Shibata, who has experience and knowledge in the field of product technology and production sites, is well qualified as a person to supervise the field of technical development and digital transformation (DX) that serves as the foundation of our growth strategy.</td></tr>
<tr><td>Duties and significant concurrent positions</td></tr>
<tr><td>Oversees the Business Development Department, the Intellectual Property Department, and the IT Planning Department. Oversees companywide technical development. Oversees companywide information systems.</td></tr>
</table>

No. 4	Yoshihiko Katsukawa (Date of birth: March 12, 1962)	
Reappointment/ Internal Director		
Number of shares of the Company owned: 27,900 shares		
Attendance at Board of Directors meetings during fiscal 2021: 15/15 meetings held (100%)		

Career summary (positions)		Reasons for selecting the candidate
April 1985:	Joined the Company	As Yoshihiko Katsukawa has abundant experience and knowledge in the Company's corporate planning department and planning and administration departments under the business divisions, the Company deems that he is well qualified to be a Director of the Company in light of the Company's principles on appointment of candidates for Directors (please see page 31). In addition, the Company deems that Yoshihiko Katsukawa, who has abundant experience at planning departments and administration departments, is well qualified as a person to supervise the Head Office divisions that perform corporate planning, finance/accounting, and other functions to support the Groupwide implementation of the management reforms.
April 2015:	Officer	
April 2017:	Managing Executive Officer	
April 2018:	Senior Managing Executive Officer	
June 2018:	Director, Senior Managing Executive Officer	
April 2021:	Director, Executive Officer (incumbent)	
Duties and significant concurrent positions		
Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office).		

<table>
<tr><td>No. 5</td><td>Hajime Nagara
(Date of birth: July 5, 1961)</td><td rowspan="5"></td></tr>
<tr><td colspan="2">Reappointment/
Internal Director</td></tr>
<tr><td colspan="2">Number of shares of the Company owned: 26,600 shares</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2021:
15/15 meetings held (100%)</td></tr>
<tr><td colspan="2"></td></tr>
</table>

<table>
<tr><th colspan="2">Career summary (positions)</th><th>Reasons for selecting the candidate</th></tr>
<tr><td>April 1985:</td><td>Joined the Company</td><td rowspan="8">As Hajime Nagara has abundant experience and knowledge in the human resources department and the planning and administration departments in the business divisions, the Company deems that he is well qualified to be a Director of the Company in light of the Company’s principles on appointment of candidates for Directors (please see page 31). In addition, the Company deems that Hajime Nagara, who has abundant experience in the human resources department and planning department, is well qualified as a person to supervise the departments that serve as the foundation of sustainability management, such as internal control, compliance, legal and human resources, procurement, general administration, etc.</td></tr>
<tr><td>April 2016:</td><td>Executive Officer</td></tr>
<tr><td>April 2018:</td><td>Managing Executive Officer</td></tr>
<tr><td>April 2020:</td><td>Senior Managing Executive Officer</td></tr>
<tr><td>June 2020:</td><td>Director, Senior Managing Executive Officer</td></tr>
<tr><td>April 2021:</td><td>Director, Executive Officer (incumbent)</td></tr>
<tr><th colspan="2">Duties and significant concurrent positions</th></tr>
<tr><td colspan="2">Oversees the Internal Control and Audit Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance.</td></tr>
</table>

<table>
<tr><td>No. 6</td><td>Hiroyuki Bamba
(Date of birth: January 27, 1954)</td><td rowspan="5"></td></tr>
<tr><td colspan="2">Reappointment/Outside Director/
Independent Director at the financial instruments exchange</td></tr>
<tr><td colspan="2">Number of shares of the Company owned: 11,000 shares</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2021:
15/15 meetings held (100%)</td></tr>
<tr><td colspan="2">Term of office as Outside Director of the Company: 5 years</td></tr>
</table>

<table>
<tr><th colspan="2">Career summary (positions)</th><th>Reasons for selecting the candidate and overview of expected roles</th></tr>
<tr><td>April 1976:</td><td>Joined Sumitomo Rubber Industries, Ltd.</td><td rowspan="11">As Hiroyuki Bamba is able to make objective, fair and neutral judgment based on his abundant experience in the different business fields from ours in the world of industry and deep insight as a corporate executive, the Company deems that he is well qualified to be an Outside Director of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 31 through 33). He has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and as Committee Chair of the Corporate Governance Committee, he has provided advice and recommendations regarding the state of the Company's management system in a way that contributes to sustainable growth and enhanced corporate value from an independent and fair viewpoint. The Company expects Hiroyuki Bamba to continue to properly carry out his roles such as overseeing business executions as an Outside Director of the Company.</td></tr>
<tr><td>March 2000:</td><td>Director of Sumitomo Rubber Industries, Ltd.</td></tr>
<tr><td>March 2003:</td><td>Executive Officer of Sumitomo Rubber Industries, Ltd.</td></tr>
<tr><td>July 2003:</td><td>President and Director of SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)</td></tr>
<tr><td>March 2011:</td><td>Chairman and Director of SRI Sports Limited</td></tr>
<tr><td>March 2015:</td><td>Counselor to Sumitomo Rubber Industries, Ltd.</td></tr>
<tr><td>June 2015:</td><td>Outside Director of Sekisui Plastics Co., Ltd. (currently Sekisui Kasei Co., Ltd.) (incumbent)</td></tr>
<tr><td>June 2017:</td><td>Director of the Company (incumbent)</td></tr>
<tr><th colspan="2">Duties and significant concurrent positions</th></tr>
<tr><td colspan="2">Outside Director of Sekisui Kasei Co., Ltd.</td></tr>
</table>

- Hiroyuki Bamba is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Hiroyuki Bamba as an Independent Director at the financial instruments exchange. If Hiroyuki Bamba is elected as an Outside Director at the 169th Ordinary General Meeting of Shareholders, the Company will register Hiroyuki Bamba again as an Independent Director at the financial instruments exchange.
- Hiroyuki Bamba meets the Company's Standards for Independent Directors. The summary is as follows.

Sumitomo Rubber Industries, Ltd.	Sales from the Company: The amount of transactions totals less than 0.1% of the Company's consolidated net sales. Retired from executive position in June 2003 (three or more years have passed)
SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)	No business transactions with the Company. Retired from executive position in March 2015 (three or more years have passed)

- The Company has entered into an agreement with Hiroyuki Bamba that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If he is elected as a Director at the 169th Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement limiting liability with him.

<table>
<tr><td>No. 7</td><td>Yumiko Ito
(Date of birth: March 13, 1959)</td><td rowspan="5"></td></tr>
<tr><td colspan="2">Reappointment/Outside Director/
Independent Director at the financial instruments exchange</td></tr>
<tr><td colspan="2">Number of shares of the Company owned: 5,800 shares</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2021:
15/15 meetings held (100%)</td></tr>
<tr><td colspan="2">Term of office as Outside Director of the Company: 3 years</td></tr>
</table>

<table>
<tr><th colspan="2">Career summary (positions)</th><th>Reasons for selecting the candidate and overview of expected roles</th></tr>
<tr><td>April 1984:</td><td>Legislation Staff (Sanji), The Legislative Bureau of the House of Representatives of Japan</td><td rowspan="16">As Yumiko Ito is able to make objective, fair and neutral judgment based on her abundant experience and deep insight centered on legal affairs in corporate management, the Company deems that she is well qualified to be an Outside Director of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 31 through 33). She has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and, as a member of the Corporate Governance Committee, she has provided advice and recommendations regarding the state of the Company's management system in a way that contributes to sustainable growth and enhanced corporate value from an independent and fair viewpoint. The Company expects Yumiko Ito to continue to properly carry out her roles such as overseeing business executions as an Outside Director of the Company.</td></tr>
<tr><td>April 1989:</td><td>Admitted to the bar in Japan
Joined Sakawa Law Office</td></tr>
<tr><td>July 1991:</td><td>Joined Tanabe & Partners</td></tr>
<tr><td>April 2001:</td><td>General Counsel, Legal & Patent Operation of GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)</td></tr>
<tr><td>May 2004:</td><td>Staff Counsel, Legal & Intellectual Property of IBM Japan, Ltd.</td></tr>
<tr><td>March 2007:</td><td>Executive Officer, Legal & Corporate Affairs of Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)</td></tr>
<tr><td>April 2013:</td><td>Executive Officer and General Counsel of Sharp Corporation</td></tr>
<tr><td>June 2013:</td><td>Director, Executive Officer and General Counsel of Sharp Corporation</td></tr>
<tr><td>April 2014:</td><td>Director, Executive Managing Officer and General Counsel of Sharp Corporation</td></tr>
<tr><td>June 2016:</td><td>Executive Managing Officer and General Counsel of Sharp Corporation</td></tr>
<tr><td>March 2019:</td><td>Retired from Sharp Corporation</td></tr>
<tr><td>April 2019:</td><td>Established Ito Law Office; appointed as Representative (incumbent)</td></tr>
<tr><td>June 2019:</td><td>Director of the Company (incumbent)</td></tr>
<tr><td></td><td>Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd. (incumbent)</td></tr>
<tr><th colspan="2">Duties and significant concurrent positions</th></tr>
<tr><td colspan="2">Representative of Ito Law Office
Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd.</td></tr>
</table>

- Yumiko Ito is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Yumiko Ito as an Independent Director at the financial instruments exchange. If Yumiko Ito is elected as an Outside Director at the 169th Ordinary General Meeting of Shareholders, the Company will register Yumiko Ito again as an Independent Director at the financial instruments exchange.

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

GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)	No business transactions with the Company.
IBM Japan, Ltd.	Purchases by the Company: The amount of transactions totals less than 0.1% of IBM Japan, Ltd.'s consolidated net sales.
Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)	No business transactions with the Company. Retired from the executive position in March 2013 (three or more years have passed)
Sharp Corporation	Sales from the Company: The amount of transactions totals less than 0.01% of the Company's consolidated net sales. Retired from the executive position in March 2019
Sakawa Law Office	No advisory contract (Retired in July 1991). No business transactions with the Company.
Tanabe & Partners	No advisory contract (Retired in March 2001). Payment by the Company: Less than 1 million yen
Ito Law Office	No advisory contract. No business transactions with the Company.

- The Company has entered into an agreement with Yumiko Ito that the limit of her liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If she is elected as a Director at the 169th Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement limiting liability with her.

<table>
<tr><td>No. 8</td><td>Shinsuke Kitagawa
(Date of birth: March 15, 1958)</td><td rowspan="5"></td></tr>
<tr><td colspan="2">New appointment/Outside Director/
Independent Director at the financial instruments exchange</td></tr>
<tr><td colspan="2">Number of shares of the Company owned: 0 shares</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2021:
-</td></tr>
<tr><td colspan="2">Term of office as Outside Director of the Company: - years</td></tr>
</table>

Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1981:	Joined the Ministry of International Trade and Industry	As Shinsuke Kitagawa is able to make objective, fair and neutral judgment based on his experience in economic and industrial policy, including in the field of natural resources and energy, as well as his deep insight into industry in general gained from his abundant experience in the different business fields from ours, the Company deems that he is well qualified to be an Outside Director of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 31 through 33). The Company expects Shinsuke Kitagawa to carry out his roles such as overseeing business executions as an Outside Director of the Company.
September 2012:	Director-General, Trade and Economic Cooperation Bureau, the Ministry of Economy, Trade and Industry (METI)	
June 2013:	Commissioner, Small and Medium Enterprise Agency, METI	
July 2015:	Retired from METI	
November 2015:	Advisor of MITSUI & CO., LTD.	
April 2016:	Executive Managing Officer of MITSUI & CO., LTD.	
April 2019:	Senior Executive Managing Officer of MITSUI & CO., LTD. (incumbent)	
July 2020:	President & CEO of Mitsui & Co. Global Strategic Studies Institute (incumbent)	
Duties and significant concurrent positions		
Senior Executive Managing Officer of MITSUI & CO., LTD. President & CEO of Mitsui & Co. Global Strategic Studies Institute		

- Shinsuke Kitagawa is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- If Shinsuke Kitagawa is elected as a Director, the Company will register him as an Independent Director at the financial instruments exchange.
- Shinsuke Kitagawa meets the Company's Standards for Independent Directors. The summary is as follows.

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

- If Shinsuke Kitagawa is elected as a Director at the 169th Ordinary General Meeting of Shareholders, the Company will enter into an agreement with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.

Item 3: Election of five (5) Directors who are Audit & Supervisory Committee Members

The terms of office of the five (5) incumbent Directors who are Audit & Supervisory Committee Members will expire at the conclusion of the 169th Ordinary General Meeting of Shareholders. Accordingly, it is proposed that five (5) Directors who are Audit & Supervisory Committee Members be elected.

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

The candidates for the Company's Directors who are Audit & Supervisory Committee Members at the 169th Ordinary General Meeting of Shareholders are as follows.

(Please see pages 31 through 33 for the Company's principles on appointment of candidates for Directors and Standards for Independent Directors. Please also see "Reference: Knowledge, experience, and skills that are particularly expected to be demonstrated to improve the functions of the Board of Directors (Skills Matrix)" on pages 26 through 28).

<List of the candidates for Directors who are Audit &Supervisory Committee Members>

No.	Name	Reappointment/New appointment Internal/Outside	Independent Director at the financial instruments exchange	Current position
1	Hiroshi Ishikawa (male)	Reappointment Internal	-	Audit & Supervisory Committee Member (full-time)
2	Yasushi Tsushima (male)	Reappointment Internal	-	Audit & Supervisory Committee Member (full-time)
3	Masaaki Kono (male)	Reappointment Outside	✓	Member (Committee Chair) of Audit & Supervisory Committee Member of the Nomination & Compensation Committee Member of the Corporate Governance Committee
4	Kunio Miura (male)	Reappointment Outside	✓	Audit & Supervisory Committee Member Member (Committee Chair) of the Compliance Committee
5	Nobuko Sekiguchi (female)	New appointment Outside	✓	-

Note 1. In order to secure superior talent and prevent Directors from being intimidated in the performance of their duties, the Company plans to enter into a compensation agreement with each candidate, if he/she is elected as a Director who is an Audit& Supervisory Committee Member, to compensate expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses stipulated in Item 2 of the same Paragraph to the extent provided by laws and regulations. Under the said agreement, the following measures are taken to ensure that the appropriateness of the execution of duties by the Directors is not impaired.
(1) In order to receive a settlement package as compensation for the losses mentioned in Item 2 of the same Paragraph, the agreement shall be subject to a reconciliation to which the Company agrees.
(2) In addition to cases in which the Company is entitled by law to demand the return of compensation already received by the Director, if it is found that the Director's explanation to the Company regarding his/her claim for compensation under the relevant compensation agreement was false in any material respect, the Company may demand the return of the amount of compensation already received by the Director.

Note 2. The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act with all Directors as the insured in order to secure superior talent and prevent Directors from being intimidated in the performance of their duties. If each candidate is elected as a Director who is an Audit &Supervisory Committee Member, they will become the insured under the said insurance contract. For details regarding the directors and executive officers liability insurance contract, please see page 60 of the business report attached to this Notice of Convocation.

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

No. 1	Hiroshi Ishikawa (Date of birth: April7, 1958)	
Reappointment/Internal Director		
Number of shares of the Company owned: 17,300 shares		
Attendance at Board of Directors meetings during fiscal 2021: 15/15 meetings held (100%)		
Attendance at Audit & Supervisory Committee meetings during fiscal 2021: 16/16 meetings held (100%)		

Career summary (positions)		Reasons for selecting the candidate
April 1982:	Joined the Company	As Hiroshi Ishikawa has abundant experience and knowledge in project management in the engineering business and operations in the planning and administration departments under the business divisions, the Company deems that he is well qualified to be an Audit & Supervisory Committee Member of the Company in light of the Company's principles on appointment of candidates for Directors (please see pages 31 through 32).
April 2014:	Officer	
April 2016:	Managing Executive Officer	
June 2018:	Director who is an Audit & Supervisory Committee Member (incumbent)	
Duties and significant concurrent positions		
-		

- Hiroshi Ishikawa is a full-time Audit & Supervisory Committee Member.
- The Company has entered into an agreement with Hiroshi Ishikawa that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If he is elected as a Director who is an Audit & Supervisory Committee Member at the 169th Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement limiting liability with him.

<table>
<tr><td>No. 2</td><td>Yasushi Tsushima
(Date of birth: July8, 1959)</td><td rowspan="5"></td></tr>
<tr><td colspan="2">Reappointment/Internal Director</td></tr>
<tr><td colspan="2">Number of shares of the Company owned: 16,400 shares</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2021:
15/15 meetings held (100%)</td></tr>
<tr><td colspan="2">Attendance at Audit & Supervisory Committee meetings during fiscal 2021:
16/16 meetings held (100%)</td></tr>
</table>

<table>
<tr><th colspan="2">Career summary (positions)</th><th>Reasons for selecting the candidate</th></tr>
<tr><td>April 1982:</td><td>Joined the Company</td><td rowspan="7">As Yasushi Tsushima has abundant experience and knowledge in operations of the planning and administration departments under the iron & steel business and the electric power business as well as Kobelco Construction Machinery Co., Ltd., the Company deemsthat he is well qualified to be an Audit & Supervisory Committee Member of the Company in light of the Company's principles on appointment of candidates for Directors (please see pages 31 through 32).</td></tr>
<tr><td>April 2013:</td><td>Officer</td></tr>
<tr><td>June 2015:</td><td>Director, Managing Executive Officer of Kobelco Construction Machinery Co., Ltd.</td></tr>
<tr><td>April 2018:</td><td>Director of Kobelco Construction Machinery Co., Ltd.</td></tr>
<tr><td>June 2018:</td><td>Director who is an Audit & Supervisory Committee Member of the Company (incumbent)</td></tr>
<tr><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">-</td></tr>
</table>

- Yasushi Tsushima is a full-time Audit & Supervisory Committee Member.
- The Company has entered into an agreement with Yasushi Tsushima that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If he is elected as a Director who is an Audit & Supervisory Committee Member at the 169thOrdinary General Meeting of Shareholders, the Company will renew the terms of the agreement limiting liability with him.

No. 3	Masaaki Kono (Date of birth: February 24, 1957)
Reappointment/ Outside Director/ Independent Director at the financial instruments exchange	
Number of shares of the Company owned: 3,200 shares	
Attendance at Board of Directors meetings during fiscal 2021: 15/15 meetings held (100%)	
Attendance at Audit & Supervisory Committee meetings during fiscal 2021: 16/16 meetings held (100%)	
Term of office as Outside Director of the Company: 2 years	

Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1979:	Joined The Dai-Ichi Kangyo Bank, Limited	As Masaaki Kono is able to make objective, fair and neutral judgment based on his abundant experience in credit management and financial management at financial institutions and his knowledge of the financial industry such as his deep insight as a corporate executive of financial institutions, the Company deems that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 31 to 33). He has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and, as Chair of the Audit & Supervisory Committee, he has contributed to the enhancement of the monitoring functions of the management of the Company. As a member of the Corporate Governance Committee and Nomination & Compensation Committee, he has provided advice and recommendations regarding the state of the Company's management system in a way that contributes to sustainable growth and enhanced corporate value from an independent and fair viewpoint. The Company expects Masaaki Kono to continue to properly carry out his roles such as overseeing business executions as an Outside Director of the Company. In addition, he has considerable knowledge of finance and accounting.
March 2006:	Executive Officer of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)	
April 2008:	Managing Executive Officer of Mizuho Corporate Bank, Ltd.	
April 2011:	Managing Executive Officer,	
June 2011:	Managing Director and Managing Executive Officer of Mizuho Financial Group, Inc.	
April 2012:	Managing Executive Officer of Mizuho Bank, Ltd.	
	Managing Executive Officer of Mizuho Corporate Bank, Ltd.	
	Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.	
April 2013:	Director of Mizuho Financial Group, Inc.	
	Deputy President and Deputy President - Executive Officer (Representative Director) of Mizuho Bank, Ltd.	
	Deputy President & Executive Officer of Mizuho Corporate Bank, Ltd.	
July 2013:	Deputy President & Executive Officer of Mizuho Financial Group, Inc.	
April 2016:	Retired from Mizuho Bank, Ltd.	
	Retired from Mizuho Financial Group, Inc.	
	Advisor of Orient Corporation	
June 2016:	President and Representative Director of Orient Corporation	
April 2020:	Chairman and Represent Director of Orient Corporation	
June 2020:	Chairman and Director of Orient Corporation (incumbent)	
	Director who is an Audit & Supervisory Committee Member of the Company (incumbent)	
Duties and significant concurrent positions		
Chairman and Director of Orient Corporation		

- Masaaki Kono is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Masaaki Kono as an Independent Director at the financial instruments exchange. If Masaaki Kono is elected as a Director who is an Audit & Supervisory Committee Member at the 169th Ordinary

General Meeting of Shareholders, the Company will register Masaaki Kono again as an Independent Director at the financial instruments exchange.

- Until April 2016, Masaaki Kono held executive positions at Mizuho Bank, Ltd., which is one of the Company's major business partners.
- Masaaki Kono meets the Company's Standards for Independent Directors. The summary is as follows.

Mizuho Financial Group, Inc.	No business transactions with the Company. Resigned as an executive position in April 2016 (three or more years have passed)
Mizuho Bank, Ltd. (Mizuho Corporate Bank, Ltd. was merged into Mizuho Bank, Ltd. in July 2013.)	Borrowings from the Bank: About 14% of funds. Sales from the Company: The amount of transactions totals less than 0.01% of the Company's consolidated net sales. Resigned as an executive position in April 2016 (three or more years have passed)
Mizuho Trust & Banking Co., Ltd	Borrowings from the Bank: About 2% of funds. No business transactions with the Company. Resigned as an executive position in April 2013 (three or more years have passed)
Orient Corporation	Sales from the Company (only in fiscal 2019): The amount of transactions totals less than 0.01% of the Company's consolidated net sales. (Orient Corporation is an affiliate of Mizuho Financial Group, Inc., which is the parent company of Mizuho Bank, Ltd., one of the Company's major lenders, but it is not involved in the Company's borrowing from Mizuho Bank, Ltd.)

- The Company has entered into an agreement with Masaaki Kono that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If he is elected as a Director at the 169th Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement limiting liability with him.

<table>
<tr><td>No. 4</td><td>Kunio Miura
(Date of birth: February13, 1953)</td><td rowspan="5"></td></tr>
<tr><td colspan="2">Reappointment/ Outside Director/ Independent Director at the financial instruments exchange</td></tr>
<tr><td colspan="2">Number of shares of the Company owned: 3,200 shares</td></tr>
<tr><td colspan="2">Attendance at Board of Directors meetings during fiscal 2021:
15/15 meetings held (100%)</td></tr>
<tr><td colspan="2">Attendance at Audit & Supervisory Committee meetings during fiscal 2021:
16/16 meetings held (100%)</td></tr>
<tr><td colspan="2">Term of office as Outside Director of the Company: 2 years</td><td></td></tr>
</table>

<table>
<tr><th colspan="2">Career summary (positions)</th><th>Reasons for selecting the candidate and overview of expected roles</th></tr>
<tr><td>April 1979:</td><td>Appointed as judge</td><td rowspan="11">As Kunio Miura is able to make objective, fair and neutral judgment based on his abundant experience as a judge and lawyer and insight as an outside officer of listed companies, even though he has experience in the management of a company merely as an outside director or an outside audit & supervisory board member, the Company deems that he is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 31 to 33). He has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and, as a member of the Audit & Supervisory Committee and Committee Chair of the Compliance Committee, he contributed to the enhancement of the monitoring functions of the management of the Company. The Company expects Kunio Miura to continue to properly carry out his roles such as overseeing business executions as an Outside Director of the Company.</td></tr>
<tr><td>March1988:</td><td>Resigned as judge</td></tr>
<tr><td>April1988:</td><td>Admitted to the bar in Japan</td></tr>
<tr><td>April1997:</td><td>Established Kawamoto and Miura Law Office; appointed as Representative (incumbent)</td></tr>
<tr><td>June 2003:</td><td>Outside Corporate Auditor of YAMAHA CORPORATION</td></tr>
<tr><td>June 2008:</td><td>Outside Audit & Supervisory Board Member
of ASAHI INTELLIGENCE SERVICE CO.,
LTD. (incumbent)</td></tr>
<tr><td>June 2010:</td><td>External Corporate Auditor of Sumitomo Seika Chemicals Company, Limited.</td></tr>
<tr><td>June 2020:</td><td>Director who is an Audit & Supervisory Committee Member of the Company (incumbent)</td></tr>
<tr><td>June 2021:</td><td>External Director (Audit and Supervisory Committee Member)of Sumitomo Seika Chemicals Company, Limited. (incumbent)</td></tr>
<tr><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">Representative of Kawamoto and Miura Law Office
Outside Audit & Supervisory Board Member of ASAHI INTELLIGENCE SERVICE CO., LTD.
External Director(Audit and Supervisory Committee Member) of Sumitomo Seika Chemicals Company, Limited.</td></tr>
</table>

- Kunio Miura is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Kunio Miura as an Independent Director at the financial instruments exchange. If Kunio Miura is elected as a Director who is an Audit & Supervisory Committee Member at the 169th Ordinary General Meeting of Shareholders, the Company will register Kunio Miura again as an Independent Director at the financial instruments exchange.
- Kunio Miura meets the Company's Standards for Independent Directors. The summary is as follows.

Kawamoto and Miura Law Office	No advisory contract. No business transactions with the Company.

- The Company has entered into an agreement with Masaaki Kono that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If he is elected as a Director who is an Audit & Supervisory Committee Member at the 169th Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement limiting liability with him.

<table>
<tr><td>No. 5</td><td colspan="2">Nobuko Sekiguchi
(Date of birth: July 3, 1968)</td><td rowspan="5"></td></tr>
<tr><td colspan="3">New appointment/ Outside Director/ Independent Director at the financial instruments exchange</td></tr>
<tr><td colspan="3">Number of shares of the Company owned: 0 shares</td></tr>
<tr><td colspan="3">Attendance at Board of Directors meetings during fiscal 2021:
-</td></tr>
<tr><td colspan="3">Attendance at Audit & Supervisory Committee meetings during fiscal 2021:
-</td></tr>
<tr><td colspan="3">Term of office as Outside Director of the Company: - years</td><td></td></tr>
<tr><td colspan="2">Career summary (positions)</td><td colspan="2">Reasons for selecting the candidate and overview of expected roles</td></tr>
<tr><td colspan="2">November 2005: Joined CAPCOM CO., LTD.
April 2011: Corporate Officer supervising Management Planning, CAPCOM CO., LTD.
April 2016: Managing Cooperate Officer, Head of Management Planning and Human Resources, CAPCOM CO., LTD.
March 2019: Resigned from CAPCOM CO., LTD.
June 2019 Outside Director of DUSKIN CO., LTD.
June 2020: Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION (incumbent)</td><td colspan="2" rowspan="3">As Nobuko Sekiguchi is able to make objective, fair and neutral judgment based on her abundant experience regarding finance, accounting and business management in the different business fields from ours in the world of industry and knowledge as an outside director of another listed company, the Company deems that she is well qualified to be an Outside Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 31 through 33). The Company expects Nobuko Sekiguchi to actively provide advice and recommendations at meetings of the Board of Directors and the Meetings of Independent Directors, and properly carry out her roles such as overseeing business executions as an Outside Director of the Company. In addition, she has considerable knowledge of finance and accounting.</td></tr>
<tr><td colspan="2">Duties and significant concurrent positions</td></tr>
<tr><td colspan="2">Outside Director of DUSKIN CO., LTD.
Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION</td></tr>
</table>

- Nobuko Sekiguchi is a candidate for Outside Director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- If Nobuko Sekiguchi is elected as a Director who is an Audit & Supervisory Committee Member, the Company will register Nobuko Sekiguchi again as an Independent Director at the financial instruments exchange.
- Nobuko Sekiguchi meets the Company’s Standards for Independent Directors. The summary is as follows.

CAPCOM CO., LTD.	No business transactions with the Company. Retired from executive position in March 2019 (three or more years have passed)

- If Nobuko Sekiguchi is elected as Director who is an Audit & Supervisory Committee Member at the 169th Ordinary General Meeting of Shareholders, the Company is scheduled to enter into an agreement with her that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.

Reference: Knowledge, experience, and skills that are particularly expected to be demonstrated to improve the functions of the Board of Directors (Skills Matrix)

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

Of the knowledge, experience, and skills possessed by the candidates for Directors to be elected at this General Meeting of Shareholders, the areas of knowledge, experience, and skills that we particularly expect each candidate to demonstrate are as follows.

	Name			Gender	Term of office as Director of the Company	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Committee meetings	Comprehensive areas related to overall management		Areas related to solving social issues and creating new value			Areas related to further strengthening management foundation			Insights into other industry sectors
								Business management and Business administration	ESG	Sales strategy and Marketing	Technology development, Intellectual property, Production technology, DX	Global business	Finance/Accounting	Organization and Human resources	Legal/risk management	
Candidates for Item 2	Mitsugu Yamaguchi	Internal	Executive	Male	6	15/15 (100%)	-	●	●	●		●				
	Fusaki Koshiishi	Internal		Male	7	15/15 (100%)	-	●	●	●	●					
	Koichiro Shibata	Internal		Male	4	15/15 (100%)	-	●	●	●	●					
	Yoshihiko Katsukawa	Internal		Male	4	15/15 (100%)	-	●				●	●		●	
	Hajime Nagara	Internal		Male	2	15/15 (100%)	-	●	●					●	●	
	Hiroyuki Bamba	Outside/ Independent Director	Non-executive	Male	5	15/15 (100%)	-	●	●		●					●
	Yumiko Ito	Outside/ Independent Director		Female	3	15/15 (100%)	-		●			●			●	●
	Shinsuke Kitagawa	Outside/ Independent Director		Male	-	-	-		●			●			●	●
candidates for Item 3	Hiroshi Ishikawa	Internal		Male	4	15/15 (100%)	16/16 (100%)	●		●		●				
	Yasushi Tsushima	Internal		Male	4	15/15 (100%)	16/16 (100%)	●					●	●		
	Masaaki Kono	Outside/ Independent Director		Male	2	15/15 (100%)	16/16 (100%)	●	●				●			●
	Kunio Miura	Outside/ Independent Director		Male	2	15/15 (100%)	16/16 (100%)		●						●	●
	Nobuko Sekiguchi	Outside/ Independent Director		Female	-	-	-		●			●	●			●

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

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

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

Item 4: Election of one (1) Director who is a substitute Audit & Supervisory Committee Member

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

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

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

Hiroumi Shioji (Date of birth: January 28, 1957)	
Outside Director/ Independent Director at the financial instruments exchange	
Number of shares of the Company owned: 0 shares	

Career summary (positions)	Reasons for selecting the candidate and overview of expected roles
April 1987: Admitted to the bar in Japan. Joined Asaoka Law Office (currently Asaoka Taki Law & Accounting Office) April 1991: Representative Lawyer, Shioji Law Office (incumbent) June 2007: External Auditor of TACHIBANA ELETECH CO., LTD. (incumbent) June 2015: Outside Director of Fuji Seal International, INC. (incumbent)	As Hiroumi Shioji is able to make objective, fair and neutral judgment based on his abundant experience as a lawyer and insight as an outside officer of listed companies, even though he has experience in the management of a company merely as an outside director or outside audit & supervisory board member, the Company deemsthat he is well qualified to be Independent Director who is an Audit & Supervisory Committee Member of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors (please see pages 31 through 33). The Company expects Hiroumi Shioji to actively provide advice and recommendations at meetings of the Board of Directors and the Meetings of Independent Directors, and properly carry out his roles such as overseeing business executions as an Outside Director of the Company.
Duties and significant concurrent positions	
Representative Lawyer, Shioji Law Office External Auditor of TACHIBANA ELETECH CO., LTD. Outside Director of Fuji Seal International, INC.	

- Hiroumi Shioji is a candidate for Outside Director who is a substitute Audit & Supervisory Committee Member.
- If this Item is approved at the 169th Ordinary General Meeting of Shareholders and Hiroumi Shioji assumes the position as Director who is an Audit & Supervisory Committee Member, the Company will register him as an Independent Director at the financial instruments exchange.
- Hiroumi Shioji meets the Company's Standards for Independent Directors. The summary is as follows.

Asaoka Law Office (currently Asaoka Taki Law & Accounting Office)	No advisory contract (Resigned in March 1991). No business transactions with the Company.
Shioji Law Office (currently Shioji Sogo Law Office)	No advisory contract. No business transactions with the Company.

- If this Item is approved at the 169th Ordinary General Meeting of Shareholders and Hiroumi Shioji assumes the position as Director who is an Audit & Supervisory Committee Member, the Company will enter into an agreement with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.
- In order to secure superior talent and prevent Directors from being intimidated in the performance of their duties, the Company will enter into a compensation agreement with each candidate, if he/she is elected as a Director who is an Audit& Supervisory Committee Member, to compensate expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses stipulated in Item 2 of the same Paragraph to the extent provided by

laws and regulations. Under the said agreement, the following measures are taken to ensure that the appropriateness of the execution of duties by the Directors is not impaired.

(1) In order to receive a settlement package as compensation for the losses mentioned in Item 2 of the same Paragraph, the agreement shall be subject to a reconciliation to which the Company agrees.

(2) In addition to cases in which the Company is entitled by law to demand the return of compensation already received by the Director, if it is found that the Director's explanation to the Company regarding his/her claim for compensation under the relevant compensation agreement was false in any material respect, the Company may demand the return of the amount of compensation already received by the Director.

- The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act with all Directors as the insured in order to secure superior talent and prevent Directors from being intimidated in the performance of their duties. If Hiroumi Shioji is elected as a Director who is an Audit & Supervisory Committee Member, he will become the insured under the said insurance contract. For details regarding the directors and executive officers liability insurance contract, please see page 60 of the business report attached to this Notice of Convocation.

Reference: The Company's principles on appointment of candidates for Directors and Standards for Independent Directors

The Members of the Board of Directors discussed and approved the appointment of each candidate proposed in Items 2, 3 and 4 based on the consultation with and reports from the Nomination & Compensation Committee about whether or not he or she meets the requirements described in the Company's principles on appointment of candidates for Directors and Standards for Independent Directors.

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

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

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

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

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

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

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

The Company's Standards for Independent Directors

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

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

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

H) Certified public accountants who are Accounting Auditors of the entity or those belong to the audit corporation that is an Accounting Auditor of the Company.

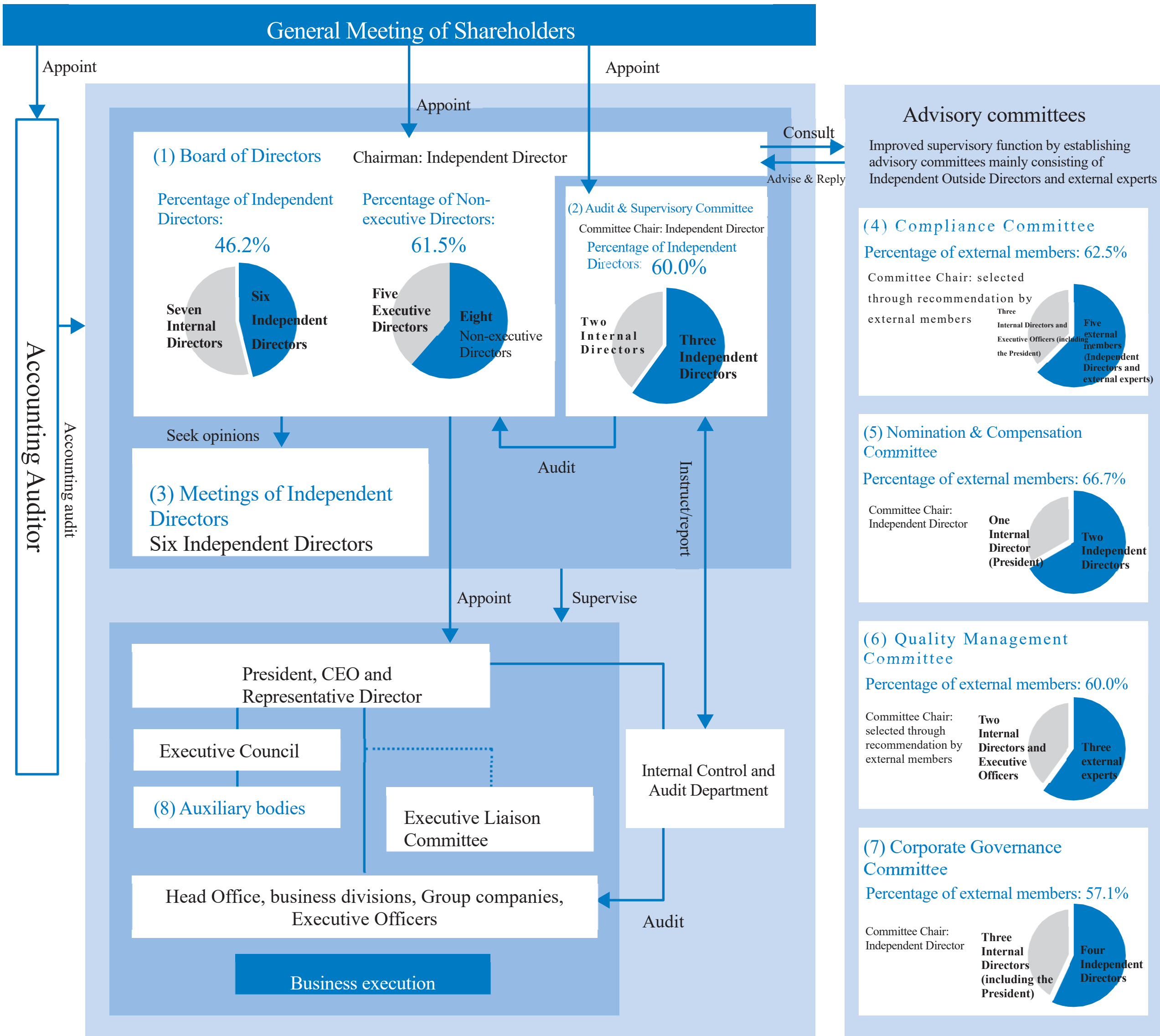
I) A representative person or the equivalent thereof of a company who receives a donation or aid (which exceeds the larger of 10 million yen, 100 thousand U.S. dollars or 30% of the total average annual cost of the company in a year) from the Company.

J) A person who executes businesses of the companies that mutually dispatches independent directors/corporate auditors. (The person who executes the business of the Group is an independent director/corporate auditor and the person who executes the business of such a company is the outside director of the Company.)

K) A person who has a close relative who falls under any of the categories C through J above. The person who executes a business of the Company is limited to directors and executive officers and, the person who belongs to a professional advisory firm such as a law firm is limited to a member or a partner of the firm.

L) A person who has a close relative who falls under any of the following categories a) through c).
   a) A person who is currently or has been over the past one year a non-executive director of a subsidiary of the Company.
   b) A person who is currently or has been over the past one year an accounting advisor of a subsidiary of the Company. (If the accounting advisor is a company, it is limited to those with a certified public accountant or a certified public tax accountant.)
   c) A person who has been over the past one year a non-executive director of the Company.

(Reference) The Company’s Corporate Governance System
(subject to the approval of Item 2 and 3)



(1) Board of Directors

Item	Description	Aim
Number of Members (including Directors who are Audit & Supervisory Committee Members)	Thirteen (13) * Of which, Directors who are Audit & Supervisory Committee Members: Five (5) members	● Ensuring substantial discussion at meetings of the Board of Directors ● Enhancing the supervisory function and diversity
Number of Independent Directors	Six (6) members (46.2%) * Of which, Directors who are Audit & Supervisory Committee Members: Three (3) members	● Reflecting a fair and neutral viewpoint and the viewpoint of stakeholders including minority shareholders
Percentage of Independent Directors	One third or more	● Enhancing fairness and transparency of the Board of Directors ● Advancing discussions on growth strategies as a company
Chairman of the Board of Directors	In principle, selected from among Independent Directors	
Composition of the Board of Directors	Executive Directors include the President and Directors who oversee specific key companywide functions	● Strengthening the monitoring function of the Board of Directors
	Eight (8) Non-Executive Directors (five (5) Directors who are Audit & Supervisory Committee Members and three (3) Independent Directors) form a majority of the Board of Directors	

(2) Audit & Supervisory Committee

Item	Description	Aim
Number of Members	Five (5) (including three (3) Outside Audit & Supervisory Committee Members)	● Ensuring transparency and fairness ● Strengthening the auditing function
Composition of Audit & Supervisory Committee Members	Outside Audit & Supervisory Committee Members invited from each of the legal, financial, and industrial circles	
Committee Chair of the Audit & Supervisory Committee	Selected from among Independent Directors, in principle	
Full-time Audit & Supervisory Committee Members	Two (2) members to be appointed	● Ensuring the smooth execution of duties by the Audit & Supervisory Committee by maintaining a good audit environment, collecting internal information on the Company, and regularly auditing the internal control system of the Company

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

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

(Auxiliary organizations for the Executive Council) (8)
Sustainability Management Committee, Risk Management Committee, Business Portfolio Management Committee, Investment and Loan Committee, R&D Committee, DX Strategy Committee, Pension Asset Management Committee

Item 5: Determination of the amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)

The current amount of remuneration for the Company's Directors was resolved at the 163rd Ordinary General Meeting of Shareholders held on June 22, 2016, to establish the limits on fixed compensation and performance-based compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members. The same applies hereinafter in this Item.) (This resolution is called hereinafter the "Original Resolution"), and it remains effective until the present. This Item is to request approval for the revision of the limit of fixed compensation and the limit of payment corresponding to the maximum amount of performance-based compensation in accordance with the reduction of the maximum number of Directors, subject to the approval of Item 1: Partial amendments to the Articles of Incorporation.

Specifically, the limit of fixed compensation is lowered from a total of 650 million yen to a total of 460 million yen per fiscal year, and the limit of payment corresponding to the maximum amount of performance-based compensation is lowered from a total of 350 million yen to a total of 240 million yen per fiscal year.

Regarding performance-based compensation, the Company plans to pay an amount calculated by multiplying the base amount by a factor between 0% and 200% computed based on the Company's performance results, etc., where the payment would be within the previously stated maximum of 240 million yen per year in the case that the maximum factor of 200% is applied. The Board of Directors will study and resolve detailed matters relating to the calculation of the amount of performance-based compensation such as specific establishment and calculation method of the above factors, the base amount by rank of each eligible Director, and timing of payment to be considered, upon hearing the opinion of the Nomination & Compensation Committee.

The Board of Directors of the Company believes that this Item is consistent with the Company's Fundamental Policy for Remuneration of the Company's Directors and that the proposed plan is reasonable. The Nomination & Compensation Committee, of which a majority of members are Independent Directors, has confirmed that there are no issues with this Item in light of laws and regulations and the Company's Fundamental Policy for Remuneration of the Company's Directors. The Audit & Supervisory Committee has stated that there are no issues to be noted for this Item.

The above amount of Director remuneration does not include compensation for duties as an employee position performed by Directors who also hold an employee position.

Additionally, the Company plans to provide Outside Directors, among other Directors, with only fixed compensation, as in the Original Resolution, taking their duties into consideration.

The resolution of this Item shall become effective under the condition that the revision of Article18 (Number of Directors) of the Articles of Incorporation, which is submitted in Item 1, "Partial amendments to the Articles of Incorporation," takes effect, and in the case that Item 2 is approved as originally proposed, the number of Directors who will be eligible under this Item to be paid the fixed compensation is eight (8) (including three (3) Outside Directors) and the number of Directors who will be eligible under this Item to be paid the performance-based compensation is five (5).

*For details regarding the Company's Fundamental Policy for Remuneration of the Company's Directors, please see pages 62 through 66 of the business report attached to this Notice of Convocation.

Item 6: Determination of details of the stock compensation plan for Directors

At the 163rd Ordinary General Meeting of Shareholders held on June 22, 2016, the Company obtained approval for the introduction of a stock compensation plan, Board Benefit Trust (BBT) (hereinafter the "Plan") for the Company's Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members; hereinafter, the same shall apply in this Item). Subsequently, at the 168th Ordinary General Meeting of Shareholders held on June 23, 2021, the Company obtained approval (the "Original Resolution") to set the maximum number of points to be granted to Directors, etc. as a basis for the delivery of the Company's shares, etc. under the Plan in accordance with the amendment of laws and regulations, and it remains effective until the present.

This Item is to request approval for the revision of the amount and content of a stock compensation plan for Directors in accordance with the reduction of the maximum number of Directors (excluding Directors who are Audit & Supervisory Committee Members) , subject to the approval of Item 1: Partial amendments to the Articles of Incorporation.

The Board of Directors believes that the content of this Item is appropriate, as its aim of raising the awareness of Directors' contribution to the continuous improvement of business performance and the enhancement of corporate value over the medium to long term while sharing values with the shareholders remains unchanged from the purport of the Original Resolution and as it is consistent with the Company's Fundamental Policy for Remuneration of the Company's Directors, which was resolved by the Board of Directors of the Company. In addition, the Nomination & Compensation Committee, in which a majority of members are Independent Directors, has confirmed that there are no issues with this Item in light of laws and regulations and the Company's Fundamental Policy for Remuneration of the Company's Directors. The Audit & Supervisory Committee has stated that there are no issues to be noted for this Item.

The details of the Plan are to be left to the discretion of the Board of Directors within the framework of "Outline of the Plan" below.

If Items 1 and 2 are approved as originally proposed, the number of Directors subject to the Plan will be five (5), excluding Outside Directors and Directors who are Audit & Supervisory Committee Members.

The resolution of this Item shall become effective under the condition that the revision of Article18 (Number of Directors) of the Articles of Incorporation, which is submitted in Item 1, "Partial amendments to the Articles of Incorporation," takes effect.

*For details regarding the Company's Fundamental Policy for Remuneration of the Company's Directors, please see pages 62 through 66 of the business report attached to this Notice of Convocation.

Outline of the Plan

(1) Outline of the Plan

The Plan is a stock compensation plan under which money contributed by the Company is used as funds to acquire the Company's shares through a trust (hereinafter the "Trust"). For Directors and Executive Officers who are subject to the following section (2) (hereinafter "Directors and Executive Officers"), the Company's shares and the cash equivalent to the amount converted from the market price of the Company's shares (hereinafter the "Company's Shares and Money") are provided through the Trust in accordance with director stock benefit rules established by the Company. In addition, Directors and Executive Officers shall receive Company's Shares and Money in principle every three years on a fixed date during the trust period.

(2) Individuals Subject to the Plan

The Company’s Directors (Outside Directors and Directors who are Audit & Supervisory Committee Members are not eligible for the Plan) and Executive Officers

(3) Amount of Money the Company will Contribute to the Trust

The Company has introduced the Plan targeting the three fiscal years from the fiscal year ended March 2017 to the fiscal year ended March 2019 (hereinafter either the period of the three fiscal years concerned or each three-fiscal year period begins after the previous three-year fiscal period is called the “Covered Period.”) and each Covered Period thereafter. With regard to the Covered Period from the fiscal year ended March 31, 2017, and the Covered Period from the fiscal year ended March 31, 2020, in order to provide benefits to Directors and Executive Officers based on this Plan, 1,100 million yen (of which, 570 million yen is for the Company’s Directors) as an upper limit, have been contributed to the Trust as funds to acquire the necessary shares per Covered Period. The Company thereby established the Trust, the beneficiaries of which are Directors and Executive Officers who meet the beneficiary requirements. The Trust has acquired 12,228,000 shares of the Company so far using the money entrusted by the Company as funds.

Note: The Company implemented a ten-for-one consolidation of its shares on October 1, 2016. The above number of shares was acquired before the said share consolidation.

In accordance with the recent reduction of the maximum number of Directors (excluding Directors who are Audit & Supervisory Committee Members), for the Covered Period beginning from the fiscal year ending on March 31, 2023, until the Plan ends, the Company shall make an additional contribution for each Covered Period as funds for the acquisition by the Trust of the aforementioned stock to the Trust with an upper limit of 1.1 billion yen (of which 360 million yen is for the Company’s Directors). However, in making an additional contribution, in cases where there are the Company’s shares (excluding the Company’s shares equivalent to the number of points already granted to Directors and Executive Officers at the end of the Covered Period for which benefits have not been completed) and money remaining in the trust property (hereinafter "Remaining Shares and Money") as of the last day of the Covered Period immediately preceding the Covered Period during which said additional contribution is to be made, the Remaining Shares and Money shall be allocated to the source of the benefits under the Plan for the following Covered Period. The upper limit of the amount that the Company may make an additional contribution during the applicable Covered Period shall be the amount obtained by deducting the amount of the Remaining Shares and Money (the book value of the Company’s shares as of the last day of the Covered Period immediately preceding the Covered Period during which said additional contribution is to be made) from the upper limit approved in this Item.

As a reference, on the assumption of acquiring shares of the Company at 576 yen, the closing price as of April 1, 2022, the number of shares to be acquired for the Covered Period from the fiscal year ending March 31, 2023 will be 1,910,000 shares, which will be acquired using the upper limit of 1.1 billion yen of funds to be contributed to the Trust as funds for the acquisition of the Company’s shares to be paid to Directors and Executive Officers.

(4) Acquisition Method of the Company’s Shares

The acquisition of the Company’s shares by the Trust shall be carried out through trading markets, using money contributed for funds as described in (3) above.

(5) Details of the Company’s Shares and Money Granted to Directors and Executive Officers
The Company shall provide Directors and Executive Officers with points, the number of which is determined according to their ranks, remuneration ranks, business performance, and other factors, based on the director stock benefit rules. The total number of points granted to Directors and Executive Officers, until the fiscal year ending March 31, 2022, shall be up to 1,295,600 (of which 671,400 are for the Company’s Directors). However, in accordance with the recent reduction of the maximum number of Directors (excluding Directors who are Audit & Supervisory Committee Members), the number of points shall be limited to 1,295,600 (of which 424,100 are for the Company’s Directors) starting from the fiscal year ending March 31, 2023.
Points granted to Directors and Executive Officers shall be converted at 1 share of common stock for 1 point when providing the Company Shares and Money as described in (6) below. However, if, after the resolution for the approval of this Item, there are share splits, allotment of shares without contribution or a stock consolidation, etc. with respect to the Company shares, the conversion ratio will be adjusted reasonably in accordance with the ratio and other factors that have been applied.

The number of points given to Directors and Executive Officers, which will be used as the standard in providing the Company Shares and Money in accordance with (6) below, shall be the total number of points granted to Directors and Executive Officers up to the time when the beneficiary requirements are fulfilled.

(6) Timing of Providing the Company’s Shares and Money to Directors and Executive Officers
In cases where Directors and Executive Officers meet the beneficiary requirements under the director stock benefit rules, Directors and Executive Officers concerned shall receive the Company’s Shares and Money according to the granted points equivalent to the accumulated number of shares from the Trust every three years on a fixed date during the trust period in principle, subject to the prescribed beneficiary determination procedures. However, in cases where Directors and Executive Officers retire, they shall receive the Company’s Shares and Money from the Trust, regardless of the fixed date, after a period of time necessary for the benefit procedures after retirement, subject to the prescribed beneficiary determination procedures.
In addition, in cases where Directors and Executive Officers meet the beneficiary requirements under the director stock benefit rules, Directors and Executive Officers shall receive money in place of a certain portion of the Company’s stock benefit converted at the market price. In order to provide this monetary benefit, the Trust may sell the Company’s shares.

(Reference) Changes from the Original Resolution in this Item

	Old (Contents approved by the Original Resolution)	New (Contents approved by the Original Resolution)
Maximum amount of to be contributed by the Company to fund the acquisition of the Company's shares for each Covered Period	1,100 million yen (of which 570 million yen for the Company's Directors)	1,100 million yen (of which 360 million yen for the Company's Directors)
Maximum total number of points to be granted to Directors and Executive Officers for each fiscal year	1,295,600 points (of which 671,400 points for the Company's Directors)	1,295,600 points (of which 424,100 points for the Company's Directors)

Attached Documents

Business Report

(From April 1, 2021 to March 31, 2022)

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 2021, the Japanese economy showed signs of recovery against the backdrop of increased exports accompanied by the recovery of overseas economies. Overseas economies continued to pick up with increases in personal consumption and capital investment in the United States and a recovery in personal consumption in Europe, but the overall pace of recovery slowed due to a decline in infrastructure investment in China and the resurgence of COVID-19. In addition, the business environment surrounding our Company continued to be severe due to the prolonged rise in raw material and energy prices and the impact of automotive production reductions that was exacerbated by a global shortage of semiconductors and a shortage of parts supply, triggered by the spread of COVID-19 infection in Southeast Asia and other factors.

In this economic environment, the Kobe Steel Group continued to make efforts to improve profitability, including cost reductions, ensure stable production, and strive to improve our sales prices.

As a result, consolidated net sales in fiscal 2021 increased by 377.0 billion yen year on year, with the previous fiscal year being affected by the COVID-19 pandemic, to 2,082.5 billion yen. Operating income increased by 57.2 billion yen year on year to 87.6 billion yen. Ordinary income increased by 77.0 billion yen year on year to 93.2 billion yen. As for extraordinary loss, Kobe Steel recorded loss on sale of investment securities of 9.2 billion yen. Net income attributable to owners of parent increased 36.8 billion yen year on year to 60.0 billion yen.

The Company determines dividends taking its financial condition, business performance, future capital needs and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle Based on this policy, The Company has decided to pay a year-end dividend of 30 yen per share for fiscal 2021. As a result, including the interim dividend already paid, the total dividend for the full fiscal year will be 40 yen per share.

The business progress and results for each business segment of the Kobe Steel Group are as follows.

Steel & Aluminum

(Steel)

The sales volume of steel products increased year on year, mainly in the automotive and construction sectors. Sales prices increased year on year due to factors such the adjustment of sales prices according to an increase in the steel market prices and the resolution of the gap between rising raw material prices and sales prices.

As a result, consolidated business unit sales increased by 33.2% year on year to 751.0 billion yen. Ordinary income (loss) improved by 57.9 billion yen year on year to 34.6 billion yen due to an increase in sales volume and an improvement in inventory valuation resulting from a rise in raw material prices, despite a negative factor affected by a delayed resolution of the gap between rising raw material prices and sales prices.

(Aluminum flat-rolled products)

The sales volume of aluminum flat rolled products increased year on year due to an increase in demand and sales expansion in the automotive sector, in addition to the expansion of sales of beverage can materials.

As a result, consolidated business unit sales increased by 23.7% year on year to 163.8 billion yen. Ordinary income increased by 2.2 billion yen year on year to 2.8 billion yen, due to an increase in sales volume and an improvement in gains and losses on inventory valuation.

Consolidated sales in the Steel & Aluminum segment increased by 31.4% year on year to 914.9 billion yen. Ordinary income (loss) improved by 60.1 billion yen year on year to 37.5 billion yen.

● Production Volume (In thousands of tons)

Category	168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)
Crude steel	5,870	6,667
Aluminum flat-rolled products	314	356

Note) The above amount of crude steel includes the quantity produced with an electric arc furnace at Takasago Works.

Advanced Materials

The sales volume of advanced materials increased year on year, mainly in the automotive, IT and semiconductor sectors.

As a result, consolidated segment sales increased by 39.9% year on year to 333.2 billion yen. Ordinary income (loss) improved by 17.3 billion yen year on year to 5.1 billion yen, due to an increase in sales volume and an improvement in inventory valuation resulting from the rise in the copper market prices.

● Production Volume (In thousands of tons)

Category	168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)
Aluminum extrusions	34	41
Copper rolled products	48	60
Copper tubes	65	76

Welding

The sales volume of welding materials increased year on year in Japan, mainly in the architectural steel frame sector. The sales volume overseas increased due to a recovery in demand for automobiles and construction machinery in Southeast Asia.

As a result, consolidated segment sales increased by 9.9% year on year to 76.9 billion yen, and ordinary income increased by 1.0 billion yen year on year to 2.7 billion yen.

Machinery

Orders increased by 55.2% year on year to 206.6 billion yen due to a recovery in capital investment. The backlog of orders amounted to 157.0 billion yen.*

Consolidated segment sales decreased by 4.8% year on year to 166.8 billion yen due to weak orders in the previous fiscal year resulting from the impact of COVID-19. Ordinary income increased by 1.0 billion yen year on year to 12.5 billion yen due to an improvement in the profit margin with an increase in service contracts and changes in the project composition.

*Previously, orders received by the Company and its major consolidated subsidiaries were counted. From fiscal 2021, the Company changed the method to count orders received by the Company and all of its consolidated subsidiaries. Accordingly, orders received in the previous fiscal year have been recalculated.

● Orders Received (Billions of yen)

Category		168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)
Orders	Domestic	58.5	73.1
	Overseas	74.5	133.4
	Total	133.1	206.6
Backlog of Orders	Domestic	26.3	34.8
	Overseas	91.6	122.1
	Total	118.0	157.0

Engineering

Consolidated orders increased by 83.8% year on year to 208.5 billion yen and the backlog of orders amounted to 343.0 billion yen, due to large-scale orders in the DRI-related business and waste treatment-related business.

While consolidated segment sales were similar to the previous fiscal year at 135.6 billion yen, ordinary income increased by 3.3 billion yen year on year to 7.7 billion yen due to an improvement in the profit margin with the progress of overseas projects affected by the COVID-19 pandemic and changes in the project composition.

● Orders Received (Billions of yen)

Category		168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)
Orders	Domestic	94.2	151.7
	Overseas	19.1	56.8
	Total	113.4	208.5
Backlog of Orders	Domestic	231.7	269.5
	Overseas	50.4	73.5
	Total	282.1	343.0

Construction Machinery

The unit sales of hydraulic excavators increased year on year, with the previous fiscal year being affected by the COVID-19 pandemic, due to recovery in demand accompanied by increased infrastructure investment particularly in Southeast Asia and Europe, despite a decline in demand in China where infrastructure investment has decreased. On the other hand, while the unit sales of crawler cranes decreased in North America, affected by the engine certification problem, it remained similar to the previous fiscal year due to recovery in demand in India and Europe.

As a result, consolidated segment sales increased by 11.5% year on year to 371.6 billion yen. Ordinary income decreased by 0.6 billion yen year on year to 12.0 billion yen due to a deterioration in the sales mix and an increase in procurement costs, despite the yen’s depreciation against the dollar and the euro.

Electric Power

The amount of electricity sold decreased year on year due to the difference in operating days resulting from the implementation of statutory inspections at the Moka Power Plant and the downturn in demand from the previous fiscal year that saw a rise in demand due to temporary power supply-demand tightness. The unit price of electric power increased year on year due to the increase in the price of coal for power generation.

As a result, consolidated segment sales increased by 36.6% year on year to 109.8 billion yen. Ordinary income decreased by 7.4 billion yen year on year to 13.2 billion yen, mainly due to a decrease in sales volume of electricity.

Other Businesses

Consolidated segment sales increased by 3.6% year on year to 28.8 billion yen, and ordinary income increased by 2.8 billion yen year on year to 7.0 billion yen.

Note 1: The orders and the backlog of orders include the amount of orders placed with the Kobe Steel's Group companies.

Note 2: Consolidated net sales include adjustments of (55.3) billion yen. In addition, the percentage of net sales is calculated based on the total net sales of each business, excluding these adjustments.

Definition of Ordinary Income (Loss)*

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

(b) Issues to Be Addressed

<The business environment surrounding the Group>

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

<The Fiscal 2021–2023 KOBELCO Group Medium-Term Management Plan>

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

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

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

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

Establishing a stable earnings base

In order to secure earnings with ROIC of 5% or more in fiscal 2023 and establish a stable profit base with an aim of achieving ROIC of 8% or more in the future, the Company is making steady efforts. Five key measures are envisioned in the medium-term management plan, specifically, strengthening the earnings base of the steel business, smooth start-up/stable operation of new electric power projects, strategic investment in the materials businesses leading to earnings contribution, restructuring unprofitable businesses, and stabilizing earnings in the machinery business and responding to growing markets. In addition, in response to soaring prices of raw and other materials and energy, the Company will rapidly and steadily implement initiatives to resolve the gap between procurement costs and sales prices.

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

For new electric power projects, Kobe Power Plant No. 3 started commercial operations as scheduled in February 2022. The Company continues to focus on smooth start-ups and stable operations in line with the expectation to be able to contribute approximately 40.0 billion yen annually to earnings from fiscal 2023 with stable operations at all power plants.

For strategic investment projects in the materials businesses, which the Group has been promoting as part of the automobile weight reduction strategies, it has required more time to produce earnings than originally expected due to factors such as delays in the rise of demand and challenges in monozukuri capability. However, the Group continues to endeavor to achieve an early contribution to earnings by making steady progress in receiving approval of materials and beginning mass production.

For the restructuring of unprofitable businesses, amid changes in the demand environment and industrial structure, the Company aims to rapidly turn profits by making progress as scheduled on streamlining the steel casting and forging business and the titanium business, which incurred impairment of fixed assets in fiscal 2019, as well as the crane business, which continues to face intensifying competition in Japan and overseas, withdrawal from unprofitable products, staff reduction, etc.

The machinery business segment is receiving an increasing number of inquiries on environmental contribution menus related to social infrastructure, hydrogen/renewable energy, and CO_2 reduction such as MIDREX®, etc. The Company will work to actively receive orders while promoting intra-Group cooperation by rapidly displaying the synergistic effects of initiatives including Kobelco Eco-Solutions Co., Ltd. being turned into a wholly-owned subsidiary in November 2021 and the capital and business alliance relating to the standard compressor business that began in January 2022, to accompany the acquisition of shares of Kobelco Compressors Corporation by Miura Co., Ltd. In addition, the Company will promote the development of its distinctive technologies related to hydrogen/renewable energy, waste treatment, and other environmental contribution menus. Regarding the construction machinery business, the Company strives to turn profits in new areas by breaking away from the conventional earnings structure that is highly dependent on the Chinese market as early as possible. The Company will also promote turning profits from a new value creation business through providing solutions for innovations such as workstyle reforms in the construction industry and commercialization of peripheral businesses for construction machinery through providing know-how on the installation of new systems and other solutions.

For initiatives to resolve the gap between procurement costs and sales prices, there has been a significant increase in procurement costs particularly in the materials business and the construction machinery business due to soaring prices of raw and other materials and energy. The Company will continue efforts to improve earnings and ensure stable production through cost reductions and other measures while rapidly and steadily implement initiatives to resolve the gap between procurement costs and sales prices to make progress on establishing a stable earnings base.

Taking on the challenge of realizing carbon neutrality

The transition to carbon neutrality and social transformation have become clear global trends, but the Group faces both risks and opportunities in the internal and external environment. The Group believes that our vision for the future is to take on the challenge of realizing carbon neutrality in 2050 and aim to improve corporate value while moving toward this transition.

In order to minimize risks, the Group will boldly take on efforts to reduce CO_2 by promoting development of its own original technologies and utilizing external innovative technology to realize carbon neutrality in 2050. In order to maximize opportunities, taking advantage of the Group's strengths that enable the fusion of diverse technologies and diverse menus that contribute to CO_2 emissions reduction, such as MIDREX® and the supply of materials for lightweighting and vehicle electrification, the Group will respond to growing demand for these menus as new business opportunities.

As the initial step, the Group will take on the challenge of achieving carbon neutrality in 2050 by reducing CO_2 emissions in the production process by 30–40% in 2030 as compared to fiscal 2013.

Regarding the ironmaking process in particular, the Group will strive to lead the industry in the field of CO_2 emission reduction and differentiate itself from other companies by utilizing its original MIDREX® technologies for blast furnaces as announced in February 2021, while promoting the development of existing technologies (energy-saving technologies, increased use of scrap, AI furnace operation, etc.) as well as innovative technologies (COURSE50, ferrocoke, etc.).

In addition, the Group will contribute to the realization of global carbon neutrality through diverse technologies such as the Group's MIDREX® technology and supply of materials and parts that contribute to automobile weight reduction and vehicle electrification, with the aim of contributing to reducing CO_2 emissions by 61.00 million tons in 2030 and 0.1 billion tons or more in 2050.

In the electric power business, the Group will supply heat and hydrogen to surrounding areas using steam from Kobe Power Plant and increase the efficiency of region-wide energy use and promote the collaboration of the electric power business and the engineering business to strengthen CO_2 reduction initiatives such as co-firing of biomass fuel (sewage sludge and food residue) and ammonia, aiming to achieve the world's most advanced urban coal-fired power plant. In addition, at Kobe Power Plant, the Group will increase the rate of co-firing of ammonia, and ultimately, we will take on the challenge of single-fuel firing. At the Moka Power Plant, the Group is also considering the maximum use of carbon neutral city gas, and through these measures, aim to achieve carbon neutrality by 2050.

Strengthening the management infrastructure

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

For the management system, the Company has been reviewing its management system since April 2021, implementing measures such as reviewing the composition of the Board of Directors and advisory bodies to strengthen the monitoring function of the Board of Directors, and reviewing the committee system and executive officer system and reorganizing departments at the head office to strengthen the system on the executive side. The Company is making steady efforts to improve effectiveness under this system.

For the promotion of DX strategy, in April 2021, the Digital Innovation Technology Center was newly established to strengthen and accelerate technological development and business application in the ICT/AI field. The Company has set up the DX Strategy Committee to comprehensively formulate and execute the Group's strategy. Furthermore, in December 2021, the KOBELCO Group announced its Digital Transformation (DX) Strategy, and in January 2022, acquired certification as a "DX-certified operator" under the DX Certification established by the Ministry of Economy, Trade and Industry. Going forward, the Company will strive to strengthen and accelerate DX initiatives more systematically and strategically.

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

Furthermore, the Project for Restoring Trust which began activities in fiscal 2018 was restructured into the Trust Improvement Project in April 2021, and the Company continues to work to improve its quality governance and customer trust. Through the KOBELCO TQM activities in this project, the Company will continue to work to improve not only the quality of its products and services, but also the overall quality of business activities, including operations, organizations, and safety and other management.

KOBELCO Group’s materiality (Medium- to long-term important issues)

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

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

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

(2) Assets and Results of Operations

Assets and Results of Operations of the Group

Category		166th Business Term (Fiscal year 2018)	167th Business Term (Fiscal year 2019)	168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)
Net sales	(Millions of yen)	1,971,869	1,869,835	1,705,566	2,082,582
[Overseas sales of the above]		713,942	653,853	573,685	722,559
Operating income (loss)	(Millions of yen)	48,282	9,863	30,398	87,622
Ordinary income (loss)	(Millions of yen)	34,629	(8,079)	16,188	93,233
Net income (loss) attributable to owners of the parent	(Millions of yen)	35,940	(68,008)	23,234	60,083
Net income (loss) per share	(yen)	99.20	(187.55)	64.05	160.23
Total assets	(Millions of yen)	2,384,973	2,411,191	2,582,873	2,728,745
Net assets	(Millions of yen)	803,312	716,369	769,375	872,346
Net assets per share	(yen)	2,041.29	1,811.10	1,958.57	2,066.48

Assets and Results of Operations of the Company

Category		166th Business Term (Fiscal year 2018)	167th Business Term (Fiscal year 2019)	168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)
Net sales	(Millions of yen)	1,073,791	995,447	924,648	1,229,177
Operating income (loss)	(Millions of yen)	2,321	(22,163)	(13,210)	47,552
Ordinary income (loss)	(Millions of yen)	11,940	(14,269)	(7,634)	54,470
Net income (loss)	(Millions of yen)	14,345	(48,759)	7,888	45,396
Net income (loss) per share	(yen)	39.52	(134.22)	21.70	120.84
Total assets	(Millions of yen)	1,640,872	1,681,347	1,817,450	1,857,452
Net assets	(Millions of yen)	554,841	497,759	518,245	588,515
Net assets per share	(yen)	1,528.60	1,369.87	1,426.27	1,488.62

(3) Major Businesses (As of March 31, 2022)

The major businesses undertaken by the Kobe Steel Group are described below.

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

(4) Major Offices and Plants (As of March 31, 2022)

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

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

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

Note 3: As of July 1, 2021, Harima Plant was transferred to Kobelco Compressors Corporation.

(5) Major Subsidiaries and Affiliated Companies

(Subsidiaries)

Company Name [Location of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
Nippon Koshuha Steel Co., Ltd. [Tokyo]	12,721 million yen	51.83	Manufacture and sale of special steel
Kobelco Wire Company, Ltd. [Amagasaki, Hyogo] *1	8,062 million yen	43.62	Manufacture and sale of secondary wire rod products Contracting construction work of structures
Kobelco Logistics, Ltd. [Kobe]	2,479 million yen	97.68	Harbor transportation, coastal shipping, customs clearance, truck transportation, warehousing and contracting plant work
Kobelco Bolt, Ltd. [Ichikawa, Chiba]	465 million yen	100.00	Manufacture and sale of bolts for construction and bridges
Shinko Engineering & Maintenance Co., Ltd. [Kobe]	150 million yen	100.00	Design, manufacture, installation, piping and maintenance of plants and equipment
Tesac Shinko Wire Rope Co., Ltd. [Osaka] *1	80 million yen	100.00	Sale of wire ropes and accessories, sale of secondary wire rod products
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. [China] *1	884,000 thousand yuan	100.00	Manufacture and sale of aluminum sheets for automotive body panels
Kobelco Precision Technology Sdn. Bhd. [Malaysia]	19,000 thousand Malaysian ringgit	100.00	Manufacture and sale of aluminum disk material for HDDs
Kobe Aluminum Automotive Products (China) Co., Ltd. [China]	239,681 thousand yuan	60.00	Manufacture and sale of aluminum forgings for automotive suspensions
Kobe Aluminum Automotive Products, LLC [United States] *1	154,000 thousand U.S. dollars	97.66	Manufacture and sale of aluminum forgings for automotive suspensions
Kobelco Aluminum Products & Extrusions Inc. [United States] *1	24,000 thousand U.S. dollars	100.00	Manufacture and sale of bumper materials and frame materials for automotive bumpers
Kobelco Welding of Qingdao Co., Ltd. [China]	211,526 thousand yuan	90.00	Manufacture and sale of welding materials, sales of welding robot systems and its parts
Kobelco Welding of Korea Co., Ltd. [Korea]	6,554 million won	87.74	Manufacture and sale of welding materials
Kobelco Compressors Corporation [Tokyo]	7,400 million yen	51.00	Manufacture, sale and service of air compressors
Kobelco Machinery Engineering Co., Ltd. [Ogaki, Gifu] *1	388 million yen	100.00	Manufacture and sale of internal combustion engines, transmissions, and testing machines, etc.
Shinko Wuxi Compressor Co., Ltd. [China]*1	150,000 thousand yuan	70.00	Manufacture and sale of compressors
Kobelco Compressors Manufacturing (Shanghai) Corporation [China] *1	87,796 thousand yuan	100.00	Development and manufacture of compressors and related products Sale and service of products of the Company
Kobelco Industrial Machinery India Pvt. Ltd. [India] *1	863 million Indian rupees	100.00	Manufacture and sale of rubber mixers and twin screw roller head extruder
Quintus Technologies AB [Sweden] *1	10 million Swedish krona	100.00	Design, manufacture, sale and service of isostatic pressing equipment and sheet metal forming equipment
Kobelco Compressors America, Inc. [United States] *1	5 thousand U.S. dollars	100.00	Manufacture and sale of compressor systems for process gas, refrigeration compressor system 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

Company Name [Location of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
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 iron-making process) plants
Kobelco Construction Machinery Co., Ltd. [Tokyo]	16,000 million yen	100.00	Manufacture and sale of construction machinery
Kobelco Construction Machinery Japan Co., Ltd. [Ichikawa, Chiba] *1	490 million yen	100.00	Sale and service of construction machinery
Toyosugiue Co., Ltd. [Takamatsu] *1	350 million yen	100.00	Sale, rental, repair and installation service of construction machinery and industrial machinery
Kobelco Construction Machinery (China) Co., Ltd. [China] *1	2,522,314 thousand yuan	100.00	Sale and service of construction machinery
Chengdu Kobelco Construction Machinery Financial Leasing Ltd. [China] *1	374,199 thousand yuan	88.95	Leasing business
Hangzhou Kobelco Construction Machinery Co., Ltd. [China] *1	261,374 thousand yuan	100.00	Manufacture and sale of construction machinery
Kobelco Construction Machinery Southeast Asia Co., Ltd. [Thailand] *1	2,279 million Thai baht	100.00	Manufacture and sale of construction machinery
Kobelco Construction Equipment India Pvt. Ltd. [India] *1	7,112 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 USA, Inc. [United States] *1	2.3 thousand U.S. dollars	100.00	Manufacture, sale, and service of construction machinery
Kobelco Power Kobe Inc. [Kobe]	3,000 million yen	100.00	Wholesale power supply
Kobelco Power Moka Inc. [Moka, Tochigi]	600 million yen	100.00	Wholesale power supply
Kobelco Power Kobe No. 2, Inc. [Kobe]	300 million yen	100.00	Wholesale power supply
Kobelco Research Institute, Inc. [Kobe]	300 million yen	100.00	Material analysis and testing, structural analyses Manufacture and sale of target material and inspection equipment for semiconductor and FPD
Kobelco (China) Holding Co., Ltd. [China]	1,775,939 thousand yuan	100.00	A holding company in China
Kobe Steel USA Holdings Inc. [United States]	205 thousand U.S. dollars	100.00	Holding shares of companies in the United States

(Affiliated Companies)

Company Name [Locations of Head Offices]	Common Stock	Ratio of Voting Rights (%)	Major Businesses
Kansai Coke and Chemicals Company, Limited. [Amagasaki, Hyogo]	6,000 million yen	24.00	Manufacture and sale of coke and other chemical products
Nippon Steel Kobelco Metal Products Co., Ltd. [Tokyo]	300 million yen	35.00	Manufacture and sale of products for civil engineering and construction
Kobelco Angang Auto Steel Co., Ltd. [China] *1	700,000 thousand yuan	49.00	Manufacture and sale of cold-rolled, high-strength steel
Ulsan Aluminum, Ltd. [Korea]	588,361 million won	50.00	Manufacture of aluminum sheet base material
PRO-TEC Coating Company, LLC [United States] *1	123,000 thousand U.S. dollars	50.00	Manufacture and sale of galvanized steel sheet and cold-rolled, high-strength steel
Kobelco Millcon Steel Co., Ltd. [Thailand]	2,830 million Thai baht	50.00	Manufacture and sale of special steels and ordinary steel wire
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	35.93	Trading of iron & steel and nonferrous metal products and machinery, etc.
Shinko Lease Co., Ltd. [Kobe]	3,243 million yen	20.00	Leasing and installment sale of construction machinery, industrial equipment, office equipment, and other moveable property
Shinko 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 Company transferred all its shares in Kobelco & Materials Copper Tube, Ltd. which was included in the list in the previous fiscal year, to M Cap No. 7, Co., Ltd. on March 31, 2022. Therefore, Kobelco & Materials Copper Tube, Ltd., Kobelco & Materials Copper Tube (Thailand) Co., Ltd., and Kobelco & Materials Copper Tube (M) Sdn. Bhd. are not included in the list from fiscal year 2021.

Note 4: Osaka Titanium technologies Co., Ltd., which was included in affiliated companies in fiscal 2020, is excluded in fiscal 2021 as it is no longer a major affiliate company of the Company after the sale of a portion of its shares held by the Company in Osaka Titanium technologies Co., Ltd. on May 13, 2021.

Note 5: During fiscal 2021, Nippon Koshuha Steel Co., Ltd. reduced its capital to 12,721 million yen due to a capital reduction.

Note 6: Effective December 1, 2021, Kobelco Engineered Construction Materials Co., Ltd took over road-related business of NIPPON STEEL METAL PRODUCTS CO., LTD. through absorption-type demerger and issued shares to NIPPON STEEL METAL PRODUCTS. As a result, the Company’s ratio of voting rights in Kobelco Engineered Construction Materials became 35.00%, and Kobelco Engineered Construction Materials ceased to be a subsidiary of the Company and became an affiliate company. In addition, Kobelco Engineered Construction Materials changed its name to Nippon Steel Kobelco Metal Products Co., Ltd.

Note 7: Kobe Precision Technology Sdn. Bhd. changed its name to Kobelco Precision Technology Sdn. Bhd. as of January 11, 2022.

Note 8: As of July 1, 2021, the Company implemented a company split to transfer its standard compressor business to Kobelco Compressors Corporation, and as of January 5, 2022, Kobelco Compressors Corporation received an equity investment from Miura Co., Ltd. As a result, the investment in it amounted to 7,400 million yen and the Company’s ratio of voting rights in it become 51.00%.

Note 9 Wuxi Compressor Co., Ltd. changed its name to Shinko Wuxi Compressor Co., Ltd. as of October 25, 2021.

Note 10: During fiscal 2021, Kobelco Industrial Machinery India Pvt. Ltd. increased its capital to 863 million Indian rupees.

Note 11: As of November 1, 2021, the Company and Kobelco Eco-Solutions Co., Ltd. executed a share exchange making the Company the wholly owning parent company and Kobelco Eco-Solutions Co., Ltd. a wholly owned subsidiary. As a result, the Company's ratio of voting rights in Kobelco Eco-Solutions become 100.00%, and it became a wholly owned subsidiary of the Company. Prior to the share exchange, the common stock of Kobelco Eco-Solutions was delisted from the 2nd Section of Tokyo Stock Exchange, Inc.

Note 12: During fiscal 2021, Kobelco Construction Equipment India Pvt. Ltd. increased its capital to 7,112 million Indian rupees. Additionally, as of March 8, 2022, Kobe steel and its Group company acquired additional shares of Kobelco Construction Equipment India Pvt. Ltd., increasing the Group's ratio of voting rights in it to 100.00%.

Note 13: As of April 1, 2022, Shinko Wire Company, Ltd. and Tesac Shinko Wire Rope Co., Ltd. executed an absorption-type merger with Shinko Wire Company, Ltd. as the surviving company.

Note 14: Shinko Engineering & Maintenance Co., Ltd. changed its name to Kobelco E&M Co., Ltd. as of April 1, 2022.

Note 15: Shinko Lease Co., Ltd. changed its name to Shinsei Kobelco Leasing Co., Ltd. as of April 1, 2022.

Note 16: Shinko Real Estate Co., Ltd. changed its name to TC Kobelco Real Estate Co., Ltd. as of April 1, 2022.

(6) Capital Investments

Total capital investment in fiscal 2021 on a construction (inspection and acceptance) basis is 108.1 billion yen.

The major capital investments completed in fiscal 2021 or ongoing as of the end of fiscal 2021 are as follows:

Category	Facility Name
Completed	Kobelco Power Kobe No. 2, Inc. Kobe Power Plant No. 3 unit in Kobe, Hyogo Prefecture (Electric Power)
Ongoing	Kobelco Power Kobe No. 2, Inc. Kobe Power Plant No. 4 unit in Kobe, Hyogo Prefecture (Electric Power)

(7) Financing Activities

The Group issued 10 billion yen in unsecured bonds to fund the redemption of bonds.

(8) Major Lenders and Amount Borrowed (As of March 31, 2022)

Main Lenders	Balance of Loans (Millions of yen)
Mizuho Bank, Ltd.	124,624
Development Bank of Japan Inc.	114,431
MUFG Bank, Ltd.	97,252
Sumitomo Mitsui Banking Corporation	80,019
The Yamaguchi Bank, Ltd.	45,177

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

(9) Employees (As of March 31, 2022)

(a) Employees of the Group (Persons)

Category	Number of Employees
Steel & Aluminum	11,828
Advanced Materials	4,469
Welding	2,445
Machinery	4,716
Engineering	3,553
Construction Machinery	7,829
Electric Power	272
Other or companywide	2,994
Total	38,106

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

(b) Employees of the Company

Number of Employees	11,296 persons
Increase/Decrease from the Previous Fiscal Year-End	(541) persons
Average Age	38.9 years old
Average Years of Service	15.2 years

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

Note 2: The number of employees stated above does not include 1,058 seconded employees.

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

(1) Total number of shares authorized to be issued 600,000,000 shares

(2) The aggregate number of the issued shares 396,345,963 shares

*As of November 1, 2021, the Company executed a share exchange making Kobelco Eco-Solutions Co., Ltd. a wholly owned subsidiary, and issued the Company's shares of its common stock. As a result, the number of the Company's issued shares increased by 31,981,753 to 396,345,963 as of November 1, 2021.

(3) Total number of shareholders 189,427

(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)	56,035	14.15	—	—
Custody Bank of Japan, Ltd. (Trust Account)	15,372	3.88	—	—
Nippon Steel Corporation	10,735	2.71	6,744	0.71
Nippon Life Insurance Company	7,471	1.89	—	—
HAYAT	7,373	1.86	—	—
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	5,454	1.38	—	—
DFA INTL SMALL CAP VALUE PORTFOLIO	5,156	1.30	—	—
STATE STREET BANK WEST CLIENT - TREATY 505234	4,918	1.24	—	—
KOBELCO Employee Stock Ownership Plan	4,473	1.13	—	—
SHIMABUN Corporation	4,420	1.12	—	—

Note 1: The Company holds 258,159 shares in treasury stock. Treasury stock is excluded in the calculation of the major shareholders' ratio of shareholding in the Company.

Note 2: The shares acquired by the Company through the purchase of shares less than one unit during the period is 8,930 shares (total acquisition price is 5,903,515 yen). The number of shares of treasury stock disposed of in response to a request for additional purchase of shares less than one unit is 642 shares (total disposal price is 419,446 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 2021, through the Board Benefit Trust, is as follows. Shares are paid on a fixed day every three years during the trust period and at the time of retirement of Directors. In fiscal 2021, no shares have been granted to Directors because there was no due date for the share benefits in this fiscal term, and Directors who are to retire during fiscal 2021 will continue to be eligible for the medium- to long-term incentive compensation as Executive Officers. Additionally, the Outside Directors and Directors who are Audit and Supervisory Committee members are not covered by medium- to long-term incentive compensation considering their responsibilities. Please refer to pages 62 through 66 for the Company's executive compensation system for Directors.

	Number of shares	Number of recipients
Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members)	0	0

3. Directors, Audit & Supervisory Committee Members and Officers

(1) Directors (As of March 31, 2022)

Positions	Name	Duties & Significant concurrent positions
President (Representative Director)	Mitsugu Yamaguchi	
Executive Vice President (Representative Director)	Fusaki Koshiishi	Oversees the Environment and Safety Department and the Quality Management Department. Oversees companywide health and safety. Oversees companywide environmental protection and disaster prevention. Oversees companywide quality.
Executive Vice President (Representative Director)	Koichiro Shibata	Oversees the Business Development Department, the Intellectual Property Department, and the IT Planning Department. Oversees companywide technical development. Oversees companywide information systems.
Director, Executive Officer	Yoshihiko Katsukawa	Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office).
Director, Executive Officer	Hajime Nagara	Oversees the Internal Control and Audit Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance.
Director	Takao Kitabata	Chairman of the Company's Board of Directors, Outside Director of Marubeni Corporation, Outside Director of SEIREN CO., LTD, Outside Director of Zeon Corporation, President of Kaishi Professional University.
Director	Hiroyuki Bamba	Outside Director of Sekisui Kasei Co., Ltd.
Director	Yumiko Ito	Representative of Ito Law Office, Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd.
Director (Audit & Supervisory Committee Member, full time)	Hiroshi Ishikawa	
Director (Audit & Supervisory Committee Member, full time)	Yasushi Tsushima	
Director (Audit & Supervisory Committee Member)	Yoshiiku Miyata	Outside Director of ENEOS Holdings, Inc.
Director (Audit & Supervisory Committee Member)	Masaaki Kono	Committee Chair of the Company's Audit & Supervisory Committee, Chairman and Director of Orient Corporation
Director (Audit & Supervisory Committee Member)	Kunio Miura	Representative of Kawamoto and Miura Law Office, Outside Audit & Supervisory Board Member of ASAHI INTELLIGENCE SERVICE CO., LTD., External Director (Audit and Supervisory Committee Member) of Sumitomo Seika Chemicals Company Limited.

Note 1: Directors Takao Kitabata, Hiroyuki Bamba, Yumiko Ito, Yoshiiku Miyata, Masaaki Kono and Kunio Miura are outside directors under Article 2, Item 15 of the Companies Act.

Note 2: The Company registered Directors Takao Kitabata, Hiroyuki Bamba, Yumiko Ito, Yoshiiku Miyata, Masaaki Kono and Kunio Miura as independent directors with the financial instruments exchange.

Note 3: Director Masaaki Kono engaged in banking operations for many years and has considerable financial and accounting knowledge.

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

Note 5: There are no special relationships that require disclosure in the ongoing business relationships between the Company and Marubeni Corporation, Zeon Corporation, ENEOS Holdings, Inc., and Sumitomo Seika Chemicals Company Limited.

Note 6: Except as set forth above, there are no special relationships that require disclosure between the Company and entities in which Outside Directors concurrently served.

Note 7: The Directors who resigned during this term are as follows:

Positions	Name	Resignation Date
Director	Makoto Mizuguchi	June 23, 2021
Director	Kazuto Morisaki	June 23, 2021
Director	Jiro Kitagawa	June 23, 2021

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, 2022 as follows.

Positions	Name	Duties
Executive Vice President	Makoto Mizuguchi	Oversees the materials businesses. Head of the Steel & Aluminum Business. Oversees companywide automotive projects.
	Kazuto Morisaki	Oversees the machinery businesses. Head of the Engineering Business. Responsible for the companywide construction business.
Executive Officer	Kazuo Iritani	General Manager of the Engineering Division in the Machinery Business, General Manager of the Compressor & Static Equipment Engineering Department of the Engineering Division in the Machinery Business, Deputy General Manager of the Management Division in the Machinery Business
	Yasushi Okano	Responsible for the Legal Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Center, and Takasago Works (departments under its direct supervision)
	Daisuke Ogura	Responsible for the Quality Management Department and the Intellectual Property Department. Responsible for companywide health and safety. Responsible for companywide environmental protection and disaster prevention. Responsible for companywide quality assurance. General Manager of the Environment and Safety Department
	Takeharu Kato	Responsible for the Steel Casting & Forging Unit and the Titanium Unit in the Advanced Materials Business
	Ryosaku Kadowaki	Responsible for the Takasago Management Department and the Takasago Quality Assurance Department in the Advanced Materials Business. Responsible for the Aluminum Casting & Forging Unit and the Steel Powder Unit in the Advanced Materials Business.
	Yoichi Kamiyauchi	Responsible for the SQE System Management Department, the Nuclear Project Department, and the CWD Project Center in the Engineering Business.
	Kazuaki Kawahara	Responsible for the Finance and Accounting Department, and overseas locations (under the Head Office)
	Jiro Kitagawa	Oversees the electric power business, Head of the Electric Power Business
	Shuji Kitayama	General Manager of Kakogawa Works in the Steel & Aluminum Business
	Kazuhiko Kimoto	Responsible for the Business Development Department in the Steel & Aluminum Business, General Manager of the Steel Plate Products Unit in the Steel & Aluminum Business

Positions	Name	Duties
	Yoshinori Kurioka	General Manager of the Production Division in the Machinery Business, Deputy General Manager of the Management Division in the Machinery Business
	Yuichiro Goto	Head of the Technical Development Group
Executive Officer	Koichi Sakamoto	Responsible for the Technology Planning Department and the IT Management Department in the Steel & Aluminum Business. Responsible for special assignments from the Head of the Steel & Aluminum Business
	Shogo Sarumaru	Responsible for the New Business Development Division and the Sales & Marketing Division in the Machinery Business. Deputy General Manager of the Management Division in the Machinery Business
	Kazuyuki Suenaga	Head of the Welding Business
	Masamichi Takeuchi	Head of the Machinery Business, General Manager of the Management Division in the Machinery Business
	Masaki Tanigawa	Responsible for Moka Works in the Steel & Aluminum Business, General Manager of the Aluminum Flat Rolled Products Unit in the Steel & Aluminum Business
	Hajime Nakanishi	Responsible for the Automotive 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
	Shoji Nakamura	Responsible for the Automotive Materials Planning Section, the Automotive Sheet Products Technical Marketing Department, and the Research & Development Laboratory in the Steel & Aluminum Business. Responsible for overall sales of automotive sheet products in the Steel & Aluminum Business. Responsible for overall technical development of steel products in the Steel & Aluminum Business. Responsible for companywide automotive projects
	Keitaro Nakamori	Responsible for the Internal Control and Audit Department and domestic branch offices and sales offices. Responsible for companywide compliance. General Manager of the General Administration and CSR Department
	Akihiro Nishiguchi	Responsible for Chofu Works (departments under its direct supervision) and Daian Works (departments under its direct supervision) in the Advanced Materials Business. Responsible for the Aluminum Extrusion & Suspension Unit and the Copper Rolled Products Unit in the Advanced Materials Business
	Sumikazu Hoda	Responsible for the Raw Materials Procurement Department in the Steel & Aluminum Business. General Manager of the Planning & Management Department in the Steel & Aluminum Business
	Hiroaki Matsubara	Responsible for the Technology Management Department and the Quality Assurance Department in the Advanced Materials Business
	Yuji Mihara	General Manager of the Wire Rod & Bar Products Unit in the Steel & Aluminum Business
	Shinji Miyaoka	Responsible for the Corporate Planning Department and the IT Planning Department. Responsible for companywide infomation systems
	Shoji Miyazaki	Head of the Advanced Materials Business
	Masahiro Motoyuki	Responsible for the New Business Promotion Section and the Iron Unit Center in the Engineering Business. General Manager of the Project Engineering Division in the Engineering Business
	Kunihiko Yoshitake	Vice Head of the Electric Power Business. General Manager of the Kobe Construction Division

(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 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 Directors and Executive Officers Liability Insurance Contract

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

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

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

(4) 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)	11 (3)	480 (40)	321 (40)	84 (-)	74 (-)	Number of Payees and Amount include three Internal Directors (excluding Audit & Supervisory Committee Members) that retired in fiscal year 2021.
Directors (Audit & Supervisory Committee Members) (of which, Outside Directors)	5 (3)	109 (44)	109 (44)	- (-)	- (-)	
Total	16	589	430	84	74	

Note 1: The 163rd Ordinary General Meeting of Shareholders held on June 22, 2016, passed a resolution regarding the total amount of remuneration for Directors (excluding directors who are Audit and Supervisory Committee members) that defines the maximum amount of basic remuneration paid to be within a total of 650 million yen per fiscal year and the maximum amount of performance-based compensation to be within within a total of 350 million yen per fiscal year, and the limit of remuneration for Directors who are Audit & Supervisory Committee Members to be within within a total of 132 million yen per fiscal year. At the end of the said General Meeting of Shareholders, the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) eligible for basic remuneration was eleven (11) (of which, two (2) are Outside Directors), the number of Directors who are Audit & Supervisory Committee Members eligible for basic remuneration is five (5) (of which, three (3) are Outside Directors), and the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) eligible for performance-based compensation was eight (8). In addition, the 168th Ordinary General Meeting of Shareholders held on June 23, 2021, passed a resolution that defines the maximum amount to be contributed to the Board Benefit Trust (BBT) as funds to acquire the Company’s shares, 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), to be within 570 million yen for a three-fiscal year period and the number of points granted per fiscal year to be within 671,400 points. As of the conclusion of said General Meeting of Shareholders, the number of Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) who are eligible for medium- to long-term incentive compensation was five (5).

Note 2: The Company does not pay bonuses to Directors.

Note 3: Taking seriously the large net loss attributable to owners of the parent for fiscal 2019 and the forgoing of the annual dividend, the Company has reduced the basic remuneration of Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) by 8 to 20% from February to April 2020 and by 13 to 25% from May 2020 to August 2021.

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: As of May 11, 2022, the Company changed the timing of payment of performance-based compensation (reflecting individual evaluations), which has been applied to compensation related to the execution of duties from fiscal 2021. Such change was deliberated by the Nomination & Compensation Committee and resolved at a meeting of the Board of Directors held on the same day.

Note 6: 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 year 2021 has 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 for 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, Independent Directors and Directors who are Audit & Supervisory Committee Members are not eligible for performance-based compensation and medium- to long-term incentive compensation. The remuneration rank is determined by the President taking account of the level of responsibility of the assigned duties and reported to the Nomination & Compensation Committee and the Board of Directors.

C) Of performance-based compensation, the standard pay amount for the portion linked to division performance will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank, the amount for the portion linked to individual evaluation will be set at the level of -5% to 5% of basic remuneration for each rank and remuneration rank, and the value of medium- to long-term incentive compensation provided per fiscal year will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank.

D) Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders

•Remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)

The limit of basic remuneration	Within a total of 650 million yen per fiscal year
The limit of performance-based compensation	Within a total of 350 million yen per fiscal year
Maximum points to be granted for medium- to long-term incentive compensation	Within a total of 671,400 points per fiscal year

(Note) If Items 5 and 6, which are submitted to this Ordinary General Meeting of Shareholders, are approved, the limit on the payment of basic compensation will be within 460 million yen in total per fiscal year, the limit on the payment corresponding to the maximum amount of performance-based compensation will be within 240 million yen in total per fiscal year, and the maximum number of points to be granted for medium- to long-term incentive compensation will be within 424,100 points per fiscal year.

•Remuneration for Directors who are also Audit & Supervisory Committee Members (basic remuneration only)	Within a total of 132 million yen per fiscal year

Reference: Composition of Remuneration for Directors and Executive Officers

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

Rank	Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation
President, CEO and Representative Director	Approx. 63%	Approx. 19%	Approx. 19%
Executive Vice President and Representative Director	Approx. 63%	Approx. 19%	Approx. 19%
Director, Executive Officer	Approx. 67%	Approx. 17%	Approx. 17%
Director who is an Audit & Supervisory Committee Member	100%	-	-
Independent 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 base amount for the portion linked to division performance of performance-based compensation and 0 –100% of the base 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 are based on each amount being 100% of the base amount. In addition to the above table, the amount for the portion linked to individual evaluation is paid in the range of -5% to 5% of basic remuneration.

*2 Executive Directors and Executive Officers are based on a standard remuneration rank.

3) Performance-based Compensation

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

B) The portion linked to individual evaluation of performance-based compensation is subject to comprehensive evaluation, including the performance of assigned duties and business unit, the accomplishment of the target, and other aspects. The amount to be paid is determined by multiplying the basic remuneration for each rank and remuneration rank by -5% to 5% according to the evaluation results. Evaluation for Executives 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 Officers.

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

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

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

4) Medium- to Long-term Incentive Compensation

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

Note: Since the Company considers the return of profits to shareholders as one of its most important management issues, the Company uses net income attributable to owners of the parent (hereinafter, “net income”) as an evaluation indicator of the Company’s performance. The base value for the calculation is net income of 79.4 billion yen, which reflects the dividend payout ratio as stated in the Company’s dividend policy.

B) The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in 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 acquisition of shares by the trust, in principle, 1.1 billion yen will be contributed every three years. However, when there are remaining shares of the Company in the trust property as of the last 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 1.1 billion yen will be contributed.

5) The Timing of the Determination and the Payment of Remuneration Amount

A) Basic remuneration will be paid every month from the month of appointment to the position in a monthly amount derived by dividing basic remuneration based on rank and remuneration rank by 12 months. If there is a change to the basic remuneration in the middle of the month due to a change in the assigned tasks and other reasons, the revised remuneration will be paid from the month following the change.

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

C) In terms of medium- to long-term incentive compensation, the number of points will be determined based on the calculation formula after the end of each fiscal year and granted on June 30 each year. Company shares, etc. will be provided every three years on a fixed date during the trust period.

6) Method to Determine Remuneration Standards

Remuneration standards are determined based on the survey data, collected by external specialized agency, concerning the remuneration for directors and executive officers so that the standards are commensurate with the Company’s corporate scale and the duties expected of Directors and Executive Officers.

7) Method to Determine and Examine Remuneration Policy

A) The policy concerning remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) is determined by resolution of the Board of Directors, and the policy concerning remuneration for Directors who are Audit & Supervisory Committee Members is determined by discussion among all Audit & Supervisory Committee Members.

B) The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee. If it is necessary to revise the remuneration system, the Company will present a revised remuneration plan at a meeting of the Board of Directors for resolution.

Reference:

Base value and actual value of indicators for each compensation

Compensation item	Performance-based compensation	Medium- to long-term incentive compensation
Indicator	ROIC	Net income attributable to owners of the parent
Base value for fiscal2021	5.0%	79.4 billion yen
Actual value for fiscal 2021	4.7%	60.0 billion yen

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

The following details regarding remuneration for Directors and Executive Officers for fiscal 2021 were discussed and reported to the Board of Directors by the Nomination & Compensation Committee and then resolved by the Board of Directors.

Meeting period	Details of deliberations and resolutions
August 2021	Cancellation of reduction of basic remuneration
February 2022	Revision of the remuneration system for Directors (evaluation indicator for performance-based compensation and the base value of performance for medium- to long-term incentive compensation)
April–May 2022	Revision of the remuneration system for Directors (timing of payment of performance-based compensation)
May 2022	Amount of performance-based compensation and amount of medium- to long-term incentive compensation for fiscal 2021

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

$$\boxed{\text{Performance-based compensation}} = \boxed{\text{Standard pay amount for each rank and remuneration rank*1}} \times \boxed{\text{Coefficient based on evaluation index*2}}$$

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

*2 Coefficient based on evaluation index:
The coefficient is calculated based on the following formula using the ROIC over the given period as the evaluation index The applicable business division for the portion linked to division performance shall be determined for each prospective recipient based on his/her commissioned work. In addition, in the case where the assigned duties to a Director are performed in the Head Office divisions (including the Technical Development Group) or the electric power business division, the said Director's performance-based compensation shall not include the portion of compensation linked to division performance and shall be calculated by multiplying the portion linked to Companywide performance by a factor of 1.0 [Portion linked to Companywide performance × 1.0] regardless of the following formula.

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

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

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

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

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

Number of points to be provided	=	Base point number for each rank and remuneration rank*1	×	Coefficient based on evaluation index*2

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

*2 Coefficient based on evaluation index:
The coefficient based on evaluation index is determined according to actual dividends and net income.

(5) Major Activities of Outside Directors during the Current Fiscal Year

		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	Takao Kitabata	15/15 meetings held (100%)	–	Provided advice and suggestions concerning corporate management based on his deep insight in the world of industry backed by his broad experience as an administrative official and extensive knowledge as an outside director/outside audit & supervisory board member of listed companies. At Meetings of Independent Directors, he received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among Independent Directors, as a person responsible for monitoring the management of the Company. In addition, as Chairman of the Board of Directors, Committee Chair of the Nomination & Compensation Committee, and a member of the Corporate Governance Committee, he contributed to the enhancement of the monitoring functions of the management of the Company.
Director	Hiroyuki Bamba	15/15 meetings held (100%)	–	Provided advice and suggestions concerning corporate management based on his abundant experience in different business fields from ours in the world of industry and deep insight as a corporate executive. At Meetings of Independent Directors, he received information from executives and provided various kinds of advice and suggestions on business execution, and contributed to the enhancement of the monitoring function of the management of the Company as Committee Chair of the Corporate Governance Committee from an objective standpoint based on active discussion on related matters among Independent Directors, as a person responsible for monitoring the management of the Company.

		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	15/15 meetings held (100%)	–	Provided advice and suggestions concerning corporate management based on her experience in the legal profession as an Attorney at Law and abundant experience as a corporate executive, including serving as a representative of an institution, in a different business field from ours in the world of industry, centered on legal affairs. At Meetings of Independent Directors, she received information from executives and provided various kinds of advice and suggestions on business execution, and contributed to the enhancement of the monitoring function of the management of the Company as a member of the Corporate Governance Committee from an objective standpoint based on active discussion on related matters among Independent Directors, as a person responsible for monitoring the management of the Company.
Director (Audit & Supervisory Committee Member)	Yoshiiku Miyata	15/15 meetings held (100%)	16/16 meetings held (100%)	Provided advice and suggestions concerning corporate management based on his abundant experience in different business fields from ours in the world of industry and deep insight as a corporate executive including serving as president at overseas business entities. He also actively shared his thoughts on matters related to compliance. At Meetings of Independent Directors, he received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among Independent Directors, as a person responsible for monitoring the management of the Company. In addition, as Audit & Supervisory Committee Member, he actively visited and audited business locations.
Director (Audit & Supervisory Committee Member)	Masaaki Kono	15/15 meetings held (100%)	16/16 meetings held (100%)	Provided advice and suggestions concerning corporate management based on his abundant experience in credit management and financial management at financial institutions and deep insight as a corporate executive of financial institutions. He also actively shared his thoughts on matters related to compliance. At Meetings of Independent Directors, he received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint, based on active discussion on related matters among Independent Directors, as a person responsible for monitoring the management of the Company. In addition, as Committee Chair of the Audit & Supervisory Committee, member of the Nomination & Compensation Committee, and a member of the Corporate Governance Committee, he contributed to the enhancement of the monitoring functions of the management of the Company, while actively visiting and auditing business locations as Audit & Supervisory Committee Member.

		Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
Director (Audit & Supervisory Committee Member)	Kunio Miura	15/15 meetings held (100%)	16/16 meetings held (100%)	Provided advice and suggestions concerning corporate management based on his deep insight backed by his abundant experience in the legal profession as a judge and an Attorney at Law and his extensive knowledge as an outside director and outside audit & supervisory board member of listed companies. He also actively shared his thoughts on matters related to compliance. At Meetings of Independent Directors, he received information from executives and provided various kinds of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among Independent Directors, as a person responsible for monitoring the management of the Company. In addition, he contributed to the enhancement of the monitoring functions of the management of the Company as the Committee Chair of the Compliance Committee, and actively visited and audited business locations as Audit & Supervisory Committee member.

4. Accounting Auditor

(1) Name of Accounting Auditor
KPMG AZSA LLC

(2) Remuneration and Other Amounts to Accounting Auditor

Category		Amount (Millions of yen)
(a)	Remuneration and other Amounts to be paid as payment to Accounting Auditor by the Company	159
(b)	Total amount of money and other financial interests to be paid by the Company and its subsidiaries	477

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 (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 the current fiscal year and the basis for calculation of remuneration, while also taking into consideration the audit results of the Accounting Auditor for the previous fiscal year.

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

(3) Description of Non-Auditing Services

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

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

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

In addition, if the Company deems that the Accounting Auditor is unable to perform an accounting audit appropriately, or if the Company deems it necessary to dismiss him or her for other reasons, the Audit & Supervisory Committee shall determine the details of a proposal for the dismissal or non-reappointment of the Accounting 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 Systems and Policies

(1) System for Ensuring the Propriety of Business Operations

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

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

As the norms and criteria for compliance, the Company shall uphold: (i) The Core Values of KOBELCO, which are stipulated in the Group Corporate Philosophy and are the commitments of the Kobe Steel Group, namely the KOBELCO Group, to society as the values shared by the entire Group in order to promote the sustainable development of the Group; and (ii) the Six Pledges of KOBELCO, which are determined as a concrete code of conduct for all Group employees. The Group's compliance promotion activities shall be planned and implemented based on the KOBELCO Group's Compliance Program. The Company shall build a structure to ensure compliance with laws, regulations, social norms, etc., that incorporates checks by outside experts at the Company and major Group Companies, 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 systems 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 over Financial Reporting."

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

The Company shall properly store and manage information relating to the performance of duties by Directors in accordance with the Regulations Relating to Retention and Management of Information Relating to Performance of Duties by Directors.

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

The risk Management Committee has been established as an auxiliary body to the Executive Council. The Committee shall plan and evaluate basic policies regarding overall risk management, develop specific policies regarding important risk management issues, and approve/evaluate risk countermeasure implementation plans for highest priority and important risks.

In addition, the Company shall ensure proper and efficient operations by establishing Risk Management Regulations. Risk management activities shall be developed 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) Systems for ensuring the efficient performance of duties by Directors

The Board of Directors of the Company 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 Independent Directors who are Audit & Supervisory Committee Members and Independent Directors who are not Audit & Supervisory Committee Members.

In order to enhance the effectiveness of the monitoring function of the Board of Directors, the Compliance Committee, Nomination & Compensation Committee, Quality Management Committee, and Corporate Governance Committee shall be established as advisory bodies. The Company shall adopt the Business Unit System to promote prompt decision-making and fully demonstrate the Group's collective strengths, through information sharing and cooperation across business divisions. The Company shall hold meetings of the Executive Council as a forum for the 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 of the Executive Council, the Company shall establish various committees as auxiliary bodies to the Executive Council to address important matters related to companywide strategies such as sustainability management, risk management, business portfolio management, and investment and loan. In addition, the Company shall also establish an Executive Liaison Committee, comprised of Directors, Executive Officers, and fellows who execute business operations of the Company, and the presidents and executives of affiliated companies designated by the President of the Company, to facilitate the sharing of information on important matters relating to management.

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

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

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

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

In addition, the Company shall require its subsidiaries to share the Core Values of KOBELCO, which are part of the Group's Corporate Philosophy, and the Six Pledges of KOBELCO as a concrete corporate code of conduct, establish a compliance committee and undertake other initiatives, such as establishing an internal reporting (whistleblowing) system, based on the KOBELCO Group's Compliance Program in order to build a system to ensure compliance with laws and regulations.

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

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

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

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

(h) Systems for reporting to the Audit & Supervisory Committee by Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees and other systems regarding reporting to the Audit & Supervisory Committee; systems for reporting to the Audit & Supervisory Committee by Directors and employees of the Company's subsidiaries; and systems 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 the status of performance of duties, important committees, and other matters, in addition to matters designated by law. They shall also report each time material risks occur in business activities and the status of response to them, as well as the development and operation of internal systems for ensuring proper financial reporting.

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

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

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

If the Audit & Supervisory Committee requests payment for expenses arising from the execution of its 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 their 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 systems 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 1: Group Companies cover subsidiaries that receive direct or indirect investment from the Company.

Note 2: The above describes the systems implemented in fiscal 2021. At the meeting of the Board of Directors held on March 29, 2022, the Company resolved the revision of the Internal Control System Basic Policy in accordance with the restructuring of the Corporate Code of Ethics, etc. as of April 1, 2022. The new Internal Control System Basic Policy is posted on the Company's website (https://www.kobelco.co.jp/english/) as reference materials for the 169th Ordinary General Meeting of Shareholders.

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

The Company is taking measures to develop the System for Ensuring the Propriety of Business Operations, and ensure its proper operation, in line with its basic policy on this system. A summary of the operational status of the system in fiscal 2021 is as follows.

(a) Compliance measures

・ Meetings of the Compliance Committee

The Compliance Committee, an advisory body to the Board of Directors, met four (4) times and its activities include reports on the results of activities in the previous fiscal year and the formulation and approval of the annual plan.

・ Implementation of the KOBELCO Group’ s Compliance Program

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

・ Implementation of compliance training

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

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

Compliance with competition laws and security trade control laws was regularly monitored. The internal reporting system received 113 reports, including those from domestic and overseas Group companies, and responded to them appropriately. The status of response to the cases were reported to the Compliance Committee.

・ Implementation of compliance awareness surveys

The Company and its domestic Group companies conducted compliance awareness surveys this fiscal year, continued from previous years and based on the survey results, it planned compliance promotion activities for fiscal 2022 .

(b) Risk management

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

・ Response to high-priority potential risks

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

・ Implementation of risk management activities

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

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

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

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

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

The Audit & Supervisory Committee conducted interviews with executive directors including the President, heads of business divisions, and Executive Officers, exchanged views with Outside Directors, and implemented on-site audits at domestic and overseas locations. By making use of the internal control system, the Committee held monthly meetings with the Internal Control and Audit Department in an effort to promote information sharing and cooperation and conducted interviews with planning and administration departments in business divisions and companies overseeing operations overseas. The Committee also conducted interviews with the corporate auditors of subsidiaries concerning the status of their activities.

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

(3) Basic policy for parties who have control over decisions of the Company financial and business policies (Basic Policy on Corporate Control)

(a) Description of the Basic Policy

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

The Company believes that its corporate value relies on the sources that originated from: the synergies created through the exchange and fusion of technologies across business divisions; the provision of unique and high-value-added products; relationships of trust built with stakeholders through these activities: the responsibility to provide social infrastructure; and the trust of society. The Company, as a listed company, deems that there may be a situation where it must approve even a large-scale purchase of the Company's shares involving a change of its corporate control, as long as such purchase contributes to the securing and enhancement of its corporate value generated from the sources described above, and, ultimately, to the common interests of its shareholders in the course of open stock trading. However, for this to happen, the party who has control over decisions on the Company's financial and business policies must fully understand the sources of the Company's corporate value, such as the Company's management philosophy and the relationship of mutual trust with its stakeholders who support the Company, which are essential for the enhancement of corporate value and, ultimately, the common interests of its shareholders. With this understanding, such a party must secure and enhance the Company's corporate value and, ultimately, the common interests of its shareholders.

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

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

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

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

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

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

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

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

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

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

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

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

Further, 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 withing the scope permitted by the relevant laws and regulations.

The initiatives stipulated in (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 (a) above, and are not intended to maintain the status of Directors of the Company.

(4) Policy on decisions concerning dividends of surplus, etc.

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

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

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

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

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

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

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

Consolidated Balance Sheets

(As of March 31, 2022)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current Assets	**1,287,314**	**Current liabilities**	**884,939**
Cash and deposits	243,502	Notes and accounts payable	539,267
Notes receivable	31,129	Short-term borrowings	87,265
Accounts receivable	296,969	Bonds due within one year	25,150
Contract assets	29,874	Accounts payable - other	34,055
Securities	17,200	Income and enterprise taxes payable	8,318
Merchandise and finished goods	209,417	Contract liabilities	45,218
Work-in-process	138,664	Provision for bonuses	22,878
Raw materials and supplies	225,053	Provision for product warranties	14,390
Other	99,760		
Allowance for doubtful accounts	(4,256)	Provision for loss on construction contracts	14,730
Fixed assets	**1,441,430**	Provision for loss on guarantees	448
Tangible fixed assets	**1,060,197**		
Buildings and structures	292,487	Provision for customer compensation expenses	343
Machinery and equipment	528,904	Other	92,871
Tools, equipment and fixtures	14,191		
Land	131,896		
Construction in progress	92,718	**Long-term liabilities**	**971,459**
Intangible fixed assets	**36,324**	Bonds and notes	45,900
Software	20,358	Long-term borrowings	750,126
Other	15,966	Lease obligations	51,427
Investments and other assets	**344,908**	Deferred tax liabilities	8,158
Investments in securities	194,381	Deferred tax liabilities on land revaluation	3,253
Long-term loans receivable	3,147		
Deferred tax assets	57,068	Net defined benefit liability	79,978
Net defined benefit asset	19,536	Provision for environmental measures	1,634
Other	90,181		
Allowance for doubtful accounts	(19,408)	Provision for dismantlement-related expenses	1,416
		Other	29,563
		Total liabilities	**1,856,399**
		NET ASSETS	
		Stockholders' equity	**783,136**
		Common stock	250,930
		Capital surplus	116,434
		Retained earnings	418,033
		Treasury stock, at cost	(2,261)
		Accumulated other comprehensive income	**32,189**
		Unrealized gains on securities, net of taxes	28,987
		Deferred gains (losses) on hedges, net of taxes	(13,141)
		Land revaluation differences, net of taxes	(3,400)
		Foreign currency translation adjustments	16,054
		Remeasurements of defined benefit plans, net of taxes	3,689
		Non-controlling interests	**57,019**
		Total net assets	**872,346**
Total assets	**2,728,745**	**Total liabilities and net assets**	**2,728,745**

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

Consolidated Statements of Income

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Item	Amount	
Net sales		2,082,582
Cost of sales		1,774,778
Gross profit		**307,803**
Selling, general and administrative expenses		220,181
Operating income		**87,622**
Non-operating income		
Interest and dividend income	5,529	
Other	38,928	44,457
Non-operating expenses		
Interest expense	13,236	
Other	25,609	38,846
Ordinary income		**93,233**
Extraordinary losses		
Loss on sale of investment securities	9,220	9,220
Income before income taxes and non-controlling interests		**84,013**
Income taxes – current	16,083	
Income taxes – deferred	4,239	20,323
Income before non-controlling interests		**63,689**
Net income attributable to non-controlling interests		3,606
Net income attributable to owners of the parent		**60,083**

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

Non-Consolidated Balance Sheets

(As of March 31, 2022)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current Assets	**816,930**	**Current liabilities**	**647,539**
Cash and deposits	108,235	Accounts payable	385,333
Notes receivable	504	Short-term borrowings	56,661
Accounts receivable	120,667	Lease obligations	4,810
Contract assets	1,039	Bonds due within one year	25,000
Lease receivables	56	Accounts payable - other	22,722
Securities	17,200	Accrued expenses	24,320
Merchandise and finished goods	114,894	Income and enterprise taxes payable	2,210
Work-in-process	101,513		
Raw materials and supplies	167,894	Contract liabilities	74,265
Advance payments - trade	52,936	Deposits received	3,743
Prepaid expenses	3,261	Unearned revenue	368
Short-term loans receivable	61,124	Provision for bonuses	9,544
Accounts receivable - other	55,103	Provision for product warranties	3,158
Other	12,587	Provision for loss on construction contracts	12,250
Allowance for doubtful accounts	(86)		
Fixed assets	**1,040,521**	Provision for environmental measures	795
Tangible fixed assets	**537,352**		
Buildings	100,339	Provision for customer compensation expenses	274
Structures	45,041		
Machinery and equipment	295,478	Asset retirement obligations	19
Vehicles	711	Other	22,059
Tools, equipment and fixtures	6,815	**Long-term liabilities**	**621,397**
Land	65,272	Bonds and notes	45,000
Construction in progress	23,692	Long-term borrowings	491,769
		Lease obligations	34,825
Intangible fixed assets	**14,388**	Provision for retirement benefits	43,550
Software	12,876	Provision for environmental measures	896
Right of using facilities	312		
Other	1,198	Provision for dismantlement-related expenses	1,416
Investments and other assets	**488,781**		
Investments in securities	93,865	Asset retirement obligations	694
Shares of subsidiaries and associates and investments in capital	213,777	Other	3,244
		Total liabilities	**1,268,937**
		NET ASSETS	
Long-term loans receivable	145,107	**Stockholders' equity**	**566,595**
Prepaid pension cost	15,651	**Common stock**	**250,930**
Deferred tax assets	12,249	**Capital surplus**	**122,697**
Other	15,892	Legal capital surplus	122,697
Allowance for doubtful accounts	(7,764)	**Retained earnings**	**194,264**
		Other retained earnings	194,264
		Reserve for special depreciation	82
		Reserve for advanced depreciation of fixed assets	1,781
		Retained earnings brought forward	192,401
		Treasury stock, at cost	**(1,296)**
		Valuation and translation adjustments	**21,920**
		Unrealized gains on securities, net of taxes	23,250
		Deferred gains (losses) on hedges, net of taxes	(1,330)
		Total net assets	**588,515**
Total assets	**1,857,452**	**Total liabilities and net assets**	**1,857,452**

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

Non-Consolidated Statements of Income

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Item	Amount	
Net sales		1,229,177
Cost of sales		1,096,212
Gross profit		**132,965**
Selling, general and administrative expenses		85,412
Operating income		**47,552**
Non-operating income		
Interest and dividend income	25,245	
Other	14,440	39,685
Non-operating expenses		
Interest expense	6,832	
Other	25,935	32,768
Ordinary income		**54,470**
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	3,205	3,205
Income before income taxes		**51,264**
Income taxes – current	2,829	
Income taxes – deferred	3,038	5,867
Net income		**45,396**

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

[Reference] Status of Consolidated Cash Flow (From April 1, 2021 to March 31, 2022)

	(Millions of yen)
Net cash provided by operating activities	168,809
Net cash provided by investing activities	(161,510)
Net cash provided by financing activities	(69,143)
Effect of exchange rate changes on cash and cash equivalents	5,191
Increase (decrease) in cash and cash equivalents	(56,653)
Cash and cash equivalents at the beginning of fiscal year	317,310
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(145)
Cash and cash equivalents at the end of fiscal year	260,511

Consolidated Statements of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance as of April 1, 2021	250,930	102,228	368,892	(2,261)	719,789
Cumulative impact of changes in accounting policies			(631)		(631)
Balance as of April 1, 2021 reflecting changes in accounting policies	250,930	102,228	368,260	(2,261)	719,158
Amount of change					
Dividends of surplus			(7,282)		(7,282)
Net income attributable to owners of the parent			60,083		60,083
Share exchange		21,907			21,907
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock			(1)	12	10
Changes in stockholders interest due to transaction with non-controlling interests		(7,701)			(7,701)
Change of scope of consolidation and equity method			(3,021)		(3,021)
Change in treasury stock due to change in scope of equity method				34	34
Change in shares of parent owned by entities accounted for using equity method				(41)	(41)
Reversal of land revaluation difference			(5)		(5)
Net changes other than stockholders' equity					
Total changes	―	14,205	49,773	(0)	63,978
Balance as of March 31, 2022	250,930	116,434	418,033	(2,261)	783,136

	Accumulated other comprehensive income							
	Unrealized gains on securities, net of taxes	Deferred gains (losses) on hedges, net of taxes	Land revaluation differences, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans, net of taxes	Total Accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2021	15,757	(13,764)	(3,406)	(4,568)	(3,444)	(9,427)	59,013	769,375
Cumulative impact of changes in accounting policies								(631)
Balance as of April 1, 2021 reflecting changes in accounting policies	15,757	(13,764)	(3,406)	(4,568)	(3,444)	(9,427)	59,013	768,744
Amount of change								
Dividends of surplus								(7,282)
Net income attributable to owners of the parent								60,083
Share exchange								21,907
Purchase of treasury stock								(6)
Disposal of treasury stock								10
Changes in stockholders interest due to transaction with non-controlling interests								(7,701)
Change of scope of consolidation and equity method								(3,021)
Change in treasury stock due to change in scope of equity method								34
Change in shares of parent owned by entities accounted for using equity method								(41)
Reversal of land revaluation difference								(5)
Net changes other than stockholders' equity	13,230	623	5	20,623	7,134	41,617	(1,993)	39,623
Total changes	13,230	623	5	20,623	7,134	41,617	(1,993)	103,601
Balance as of March 31, 2022	28,987	(13,141)	(3,400)	16,054	3,689	32,189	57,019	872,346

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Matters Concerning the Scope of Consolidation

Kobe Steel, Ltd. (the "Company") has 201 subsidiaries, of which 169 subsidiaries are included in the scope of consolidation (the "Kobe Steel Group"). Names of major consolidated subsidiaries are as follows.

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

For fiscal year 2021, 7 companies, including Kobelco Compressors Asia (Singapore) Pte. Ltd. are newly consolidated and 13 companies, including Kobelco & Materials Copper Tube, Ltd. are excluded from the scope of consolidation due to the transfer of shares, etc.

32 non-consolidated subsidiaries, including Kobe EN&M Vietnam Co., Ltd., are excluded from the scope of consolidation because the aggregated amounts of their total assets, sales, net income (corresponding to amount of equity interest), retained earnings (corresponding to amount of equity interest) and other indicators are insignificant compared to those of the consolidated companies.

2. Matters Concerning the Application of the Equity Method

Of the 32 non-consolidated subsidiaries and 50 affiliates, 37 companies are accounted for by the equity method. Names of major companies accounted for by the equity method are as follows.

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

For fiscal year 2021, Nippon Steel Kobelco Metal Products Co., Ltd. is newly accounted for by the equity method and 2 companies, including Osaka Titanium Technologies Co., Ltd., are excluded from the application of equity method mainly due to share transfer, etc.

32 non-consolidated subsidiaries, including Kobe EN&M Vietnam Co., Ltd., and 13 affiliates, including J&T Welding Supply Co., Ltd., are not accounted for by the equity method because the aggregated amounts of their net income (corresponding to amount of equity interest), retained earnings (corresponding to amount of equity interest) and other indicators are insignificant compared to those of the consolidated companies and companies accounted for by the equity method.

3. Matters Concerning Accounting Policies

(1) Basis and method for valuation of significant assets

A. Basis and method for valuation of securities

Available-for-sale securities

i) Securities other than shares, etc. that do not have a market price

Fair value basis, based on the market price etc. on the balance sheet date (with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets and cost of securities sold is primarily determined using the moving average method).

ii) Shares, etc. that do not have a market price — Cost basis, determined mainly using the moving average method.

B. Basis for valuation of derivatives

Fair value basis

C. Basis and method for valuation of inventories

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

(2) Depreciation and amortization method for significant depreciable assets

a) Tangible fixed assets

i) Owned fixed assets — Primarily by the straight-line method.

ii) Leased assets

- Under finance leases that transfer ownership of the leased assets

  By the same method as the owned fixed assets.

- Under finance leases that do not transfer ownership of the leased assets

  By the straight-line method over the respective lease term (equal to estimated useful lives) with no residual value.

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

(3) Basis for recognition of significant allowances and provisions

a) Allowance for doubtful accounts

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

b) Provision for bonuses

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

c) Provision for product warranties

To provide for after-sales and after-construction and delivery warranty cost payments, mainly for steel castings and forgings as well as titanium products in the Advanced Materials Business, Machinery Business, Engineering Business and Construction Machinery Business, provision is made at an estimated amount attributable to the fiscal year 2021 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount attributable to the fiscal year 2021 for certain individual cases.

d) Provision for loss on construction contracts

To provide for future losses on construction contracts, mainly for steel castings and forgings as well as titanium products in the Advanced Materials Business, Machinery Business and Engineering Business, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal year 2021.

e) Provision for loss on guarantees

Provision for future loss on guarantees is based on an estimate of total loss at the end of the fiscal year 2021, considering the financial position, etc. of the guaranteed parties on a case- by- case basis.

f) Provision for dismantlement related expenses

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at the Kobe Wire Rod & Bar Plant, provision is made at an estimated amount at the end of the fiscal year 2021.

g) Provision for customer compensation expenses

For expenses related to a response to the misconduct that through data falsification and/or fabrication of inspection results, products that did not meet, among others, public standards or customer specifications were shipped or provided to customers as if they had met these requirements, including compensation for product exchanges and investigations carried out by customers, etc., provision is made at an estimated amount at the end of the fiscal year 2021.

h) Provision for environmental measures

For the cost of PCB waste treatment required by “Law Concerning Special Measure against Promotion of Proper Treatment of Polychlorinated Biphenyl (PCB) Waste” and others, provision is made at an estimated amount at the end of the fiscal year 2021.

(4) Accounting method for retirement benefits

To provide for payments of retirement benefits to employees, the amount of retirement benefit obligations net of the amount of plan is established assets based on the amount expected at the end of the fiscal year 2021.

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

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

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

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

(5) Basis for recognition of revenue and expenses

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

Step 1: Identify a contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when or as the performance obligations are satisfied

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

a) Performance obligation satisfied at a point in time	For sales of products, in principle, revenue is recognized at the time of delivery of such product, since control of the product is transferred to a customer and the performance obligation is satisfied at that time. However, if the period from the time of shipment to the time when control of the product is transferred to a customer is a normal period of time, control of the product is deemed to be transferred to the customer at the time of shipment, and revenue is recognized at the time of shipment. For provision of services, the performance obligation is satisfied when services are provided, and revenue is recognized at that time. For supply of electric power, the performance obligation is satisfied when electric power is supplied, and the Company recognizes revenue based on the amount of electric power supplied to a customer, as measured by meter readings taken on the contractually specified measurement date.

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

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

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

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

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

(7) Principal method for hedge accounting

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

B. Hedging instruments and hedged items

a) Hedging instruments — Foreign currency exchange contracts, interest rate swap contracts and commodity forward contracts

b) Hedged items — Assets and liabilities exposed to losses from market fluctuations related to foreign exchange rates, interest rates and trading of bare metal such as aluminum (including those expected from forecasted transactions).

C. Hedging policy and method for assessing the hedge effectiveness

The Group uses hedge transactions to reduce the risks from market fluctuations and do not enter into hedge transactions for speculative purposes.
The Company assesses the hedge effectiveness in accordance with its internal rules.
The consolidated subsidiaries assess the hedge effectiveness in accordance with similar internal rules through the Company's responsible division or the subsidiary's own responsible division.

(8) Method for amortization of goodwill

Goodwill is amortized using the straight-line method (or immediately charged to income if immaterial) over the practically estimated effective periods where estimable during the period in which it arises, or otherwise, over five years.

(9) Accounting for consumption taxes

The tax-exclusion method is applied for the consumption tax and the local consumption tax.

(10) Application of consolidated taxation system

Consolidated taxation system is applied.

(11) Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and some of its domestic consolidated subsidiaries will transfer from the consolidated taxation system to the group tax sharing system from the next fiscal year. However, with regards to the transition to the group tax sharing system, which was instituted by the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020), and the items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, in accordance with Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Issues Task Force (PITF) No. 39, March 31, 2020), the Company and some of its domestic consolidated subsidiaries have applied the provisions of the pre-amendment tax law to deferred tax assets and liabilities, instead of the provisions of Paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018).
From the beginning of the next consolidated fiscal year, the Company plans to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Guidance No. 42, August 12, 2021), which provides for the accounting treatment and disclosure of income taxes, local income taxes and tax effect accounting under the group tax sharing system.

Notes Regarding Changes in Accounting Policies

1. Application of the "Accounting Standard for Revenue Recognition," etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the current fiscal year. The Company has decided to recognize revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. As a result, discounts, rebates, etc., which were previously deducted from net sales at the time the amount was determined, are now reflected in the transaction price at the time of revenue recognition.
The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the current fiscal year in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the current fiscal year were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the current fiscal year.
Furthermore, “notes and accounts receivable,” which were presented under “current assets” in the consolidated balance sheets of the previous period, have been included under “notes receivable,” “accounts receivable,” and “contract assets” from the current fiscal year, and “other,” which was presented under “current liabilities,” has been included under “contract liabilities” and “other” from the current fiscal year.
The cumulative impact of this change has been reflected on net assets at the beginning of the current fiscal year. As a result, the beginning balance of retained earnings decreased by 631 million yen in the consolidated statements of changes in net assets.
The impact on the consolidated statements of income for the current fiscal year is immaterial.

2. Application of the “Accounting Standard for Fair Value Measurement,” etc.
The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no impact on the consolidated balance sheets and the consolidated statements of income.
In addition, notes on the breakdown of the fair value of financial instruments by appropriate classification, etc. are provided in the “Notes on Financial Instruments.”

Notes Regarding Accounting Estimates

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

The book value of fixed assets at the end of the fiscal year under review was 1,096,522 million yen (1,060,197 million yen for tangible fixed assets and 36,324 million yen for intangible fixed assets), including multiple asset groups for which the Group did not recognize an impairment loss despite there being an indication of impairment. The main asset groups to which this applies were as follows.

< Construction Machinery Business >

The Group judged that there was an indication of impairment for fixed assets used in the businesses of Kobelco Construction Machinery Co., Ltd., a subsidiary of the Company in the Construction Machinery Business, as a result of continuous operating losses caused by increasingly fierce competition overseas, lower demand owing to the novel coronavirus infection, higher procurement costs for steel, and other factors. In future business plans, the Group has incorporated key assumptions, including an improvement in sales prices and an increase in units sold based on higher demand in sales areas owing to increased construction investment and expansion of the market share. The undiscounted total amount of future cash flows estimated based on business plans formulated under these assumptions exceeded the book value of the fixed assets of 58,302 million yen (54,165 million yen for tangible fixed assets and 4,136 million yen for intangible fixed assets), and therefore the Group did not recognize an impairment loss.

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

2. Deferred tax assets

The Group recorded 57,068 million yen in “deferred tax assets” under “investments and other assets” in “fixed assets” on the consolidated balance sheets for deductible temporary differences, tax losses carried forward, etc. with a high possibility of being deducted from future taxable income.

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

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

Additional Information

1. Introduction of a Board Benefit Trust (BBT) for Directors

   The Company introduced a new stock compensation plan, a "Board Benefit Trust (BBT)", to more clearly link the compensation of Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive Officers to the Company's performance and the value of its stock, and in order to encourage the Directors to contribute to improve medium- to long-term business performance and enhance corporate value.

   The accounting method regarding the BBT agreement complies with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (Practical Issues Task Force (PITF) No. 30, March 26, 2015).

   1) Overview of transactions

      This plan is a stock compensation plan under which money contributed by the Company is used as funds to acquire the Company's shares through a trust. With regard to Directors and Executive Officers (hereinafter "Directors and Other Executives"), in accordance with the director stock benefit rules established by the Company, the Company's shares (hereinafter the "Company's Shares and Money") and the cash equivalent to the amount converted from the market price of the Company's Shares are provided through the trust.

      In addition, Directors and Other Executives shall receive the Company's Shares and Money in principle every three years on a fixed date during the trust period.

   2) Kobe Steel stock remaining in the Trust

      The Company's stock remaining in the trust is posted as treasury stock in a part of net assets based on the book value (excludes amounts for incidental expenses). The corresponding treasury stock's book value at the end of the fiscal year under review was 670 million yen for 746 thousand shares.

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

   It is difficult to forecast how the novel coronavirus infection will spread in future, when it will recede, etc., but the Group forms accounting estimates of the recoverability of deferred tax assets based on information available at the time of writing. Although demand is currently declining in the automotive and other sectors due to production cutbacks caused by parts supply shortages, the impact is temporary and does not have a material impact on forming accounting estimates. The Group has assumed that the current and future impacts of the decline in production and order volume on the Group have largely been resolved, with the exception of certain demand fields, such as the aircraft sector, where the market is expected to perform poorly for some years.

Notes to Consolidated Balance Sheets

1. Assets Pledged as Collateral and Collateralized Debt

(1) Assets pledged as collateral

Tangible fixed assets	248,772 million yen
Other	49,993
Total	298,765

(2) Collateralized debt

Short-term borrowings	7,433 million yen
Long-term borrowings	246,736
Total	254,169

2. Accumulated Depreciation of Tangible Fixed Assets 2,569,851 million yen

3. Guarantee Liabilities

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

Kobelco Millcon Steel Co., Ltd.	4,854 million yen*	
Japan Aeroforge, Ltd.	1,764	
Other (13 companies and other)	1,335	*
Total	7,954	

*Of which, 2,507 million yen is covered by reassurances from other companies.

Kobelco Construction Machinery (China) Co., Ltd., which is a consolidated subsidiary of the Company, sells construction machinery to customers through sales agents or leasing companies. Sales agents pledge guarantees to buy construction machinery, pledged as collateral at the amounts of the balance on bank loans or future minimum lease payments. Kobelco Construction Machinery (China) Co., Ltd. pledges reassurance for this guarantee. The balances of the reassurance were 12,750 million yen at the end of fiscal year 2021.

(2) Trade notes receivable endorsed 131 million yen

(3) Repurchase obligation accompanying securitization of receivables 5,695 million yen

Notes to Consolidated Statements of Income

Revenue from contracts with customers

Net sales consist primarily of revenue recognized from contracts with customers, and the amount of revenue recognized from other sources is not material.

Notes to Consolidated Statements of Changes in Net Assets

1. Type and Total Number of Shares Issued at the End of Fiscal Year 2021

Common stock	396,345,963 shares

2. Matters Concerning Dividends

(1) Dividends paid

Resolution	Type of stock	Total dividends	Dividends per share	Record date	Effective date	Source of dividends
May 17, 2021 Board of Directors' meeting	Common stock	3,641 million yen	10.0 yen	March 31, 2021	June 24, 2021	Retained earnings
November 5, 2021 Board of Directors' meeting	Common stock	3,641 million yen	10.0 yen	September 30, 2021	December 1, 2021	Retained earnings

(2) Dividends with the record date in fiscal year 2021 and the effective date in fiscal year 2022

At a meeting of the Board of Directors to be held on May 18, 2022, the Company intends to submit an agenda item concerning the payment of a dividends on common stock as follows.

1) Total dividends	11,882	million yen
2) Dividends per share	30.0	yen
3) Record date	March 31, 2022	
4) Effective date	June 23, 2022	

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

Notes on Financial Instruments

1. Matters Concerning Status of Financial Instruments

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

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

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

2. Matters concerning fair value of financial instruments

Carrying amount of financial instruments on the consolidated balance sheets, fair value and the difference as of March 31, 2022 are as follows.

(Millions of yen)

	Carrying amount *3	Fair value *3	Difference
(1) Investments in securities *4			
a) Securities of subsidiaries and affiliates	5,688	4,441	(1,247)
b) Available-for-sale securities	90,248	90,248	—
(2) Short-term borrowings	(87,265)	(91,655)	(4,389)
(3) Bonds and notes due within one year	(25,150)	(25,170)	(20)
(4) Bonds and notes	(45,900)	(46,458)	(558)
(5) Long-term borrowings	(750,126)	(755,575)	(5,449)
(6) Lease obligations (long-term liabilities)	(51,427)	(50,515)	911
(7) Derivative transactions *5			
a) Hedge accounting not applied	(2,577)	(2,577)	—
b) Hedge accounting applied	(18,281)	(18,281)	—

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

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

*3 Liabilities are presented with parentheses ( ).

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

(Millions of yen)

Classification	Carrying amount in consolidated balance sheets
Unlisted shares, etc.	98,445

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

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

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

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

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

Level 3 fair value: Fair value measured using unobservable inputs

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

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

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investments in securities				
b) Available-for-sale securities	90,248	—	—	90,248
(7) Derivative transactions				
a) Hedge accounting not applied	—	(2,577)	—	(2,577)
b) Hedge accounting applied	—	(18,281)	—	(18,281)

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

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investments in securities				
a) Shares of subsidiaries and affiliates	4,441	—	—	4,441
(2) Short-term borrowings	—	(91,655)	—	(91,655)
(3) Bonds and notes due within one year	—	(25,170)	—	(25,170)
(4) Bonds and notes	—	(46,458)	—	(46,458)
(5) Long-term borrowings	—	(755,575)	—	(755,575)
(6) Lease obligations (long-term liabilities)	—	(50,515)	—	(50,515)

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

(1) Investments in securities

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

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

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

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

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

(7) Derivative transactions

For foreign currency exchange contracts, the fair values are determined based on forward foreign exchange rate. For interest rate swaps and currency swaps, the fair values are determined based on quotes obtained from counterparty financial institutions. For commodity forward contracts, the fair values are determined based on commodity futures price, and they are classified as Level 2.

For certain foreign currency exchange contracts for which the “assigning” method is applied, the fair values are included in the fair values of the hedged accounts receivable and accounts payable.
For interest rate swaps for which the “exceptional” method is applied, the fair values are included in the fair values of the hedged long-term borrowings (see (5) above).

Notes on Revenue Recognition

1. Disaggregation of revenue from contracts with customers

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

(1) Breakdown by region

(Millions of yen)

	Reportable segments						
	Steel & Aluminum			Advanced Materials	Welding	Machinery	Engineering
	Steel	Aluminum sheet	Total				
Japan	572,580	105,589	678,170	193,029	42,867	61,623	107,973
China	41,293	31,442	72,735	23,265	7,256	41,779	7,652
Other	108,135	22,011	130,146	108,054	26,098	58,425	18,693
Net sales to external customers	722,009	159,042	881,052	324,349	76,222	161,828	134,319

	Reportable segments			Other (Note 1)	Total	Adjustment	Carrying amount in consolidated statements of income
	Construction Machinery	Electric Power	Total				
Japan	147,405	109,866	1,340,935	17,687	1,358,622	1,400	1,360,023
China	47,586	—	200,275	1,599	201,874	31	201,905
Other	176,557	—	517,977	2,647	520,624	29	520,653
Net sales to external customers	371,548	109,866	2,059,188	21,933	2,081,121	1,460	2,082,582

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

(Millions of yen)

	Reportable segments						
	Steel & Aluminum			Advanced Materials	Welding	Machinery	Engineering
	Steel	Aluminum sheet	Total				
Goods or services transferred at a point in time	709,383	159,042	868,426	324,349	76,222	148,859	46,909
Goods or services transferred over a certain period of time	12,625	—	12,625	—	—	12,969	87,410

Net sales to external customers	722,009	159,042	881,052	324,349	76,222	161,828	134,319

	Reportable segments			Other (Note 1)	Total	Adjustment	Carrying amount in consolidated statements of income
	Construction Machinery	Electric power	Total				
Goods or services transferred at a point in time	362,099	109,866	1,936,733	21,421	1,958,154	1,434	1,959,588
Goods or services transferred over a certain period of time	9,449	–	122,455	512	122,967	26	122,993
Net sales to external customers	371,548	109,866	2,059,188	21,933	2,081,121	1,460	2,082,582

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

Note 2: Net sales consist primarily of revenue recognized from contracts with customers, and the amount of revenue recognized from other sources is not material.

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

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

(1) Contract asset and contract liability balances

(Millions of yen)

	Amount
Receivables from contracts with customers (beginning balance)	273,985
Receivables from contracts with customers (ending balance)	328,098
Contract assets (beginning balance)	40,009
Contract assets (ending balance)	29,874
Contract liabilities (beginning balance)	36,108
Contract liabilities (ending balance)	45,218

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

Contract liabilities primality relate to advances received from customers. Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 21,833 million yen. The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied in the previous fiscal year is not material.

(2) Transaction price allocated to the remaining performance obligations

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

(Millions of yen)

	Amount
Within one year	226,467
Over one year	240,325
Total	466,793

Notes on Per Share Information

Net assets per share 2,066.48 yen

Net income per share 160.23 yen

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

The number of such shares at the end of the period excluded from the calculation of net assets per share for this fiscal year was 746 thousand shares, while the average number of shares during the period excluded from the calculation of net income per share for this fiscal year was 750 thousand shares.

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

Non-Consolidated Statements of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Stockholders' equity								
		Capital surplus		Retained earnings					
				Other retained earnings					
	Common stock	Legal capital surplus	Total capital surpluses	Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	Retained earnings brought forward	Total retained earnings	Treasury stock, at cost	Total stock-holders' equity
Balance as of April 1, 2021	250,930	100,789	100,789	129	1,925	155,093	157,148	(1,302)	507,565
Cumulative impact of changes in accounting policies						(997)	(997)		(997)
Balance as of April 1, 2021 reflecting changes in accounting policies	250,930	100,789	100,789	129	1,925	154,096	156,151	(1,302)	506,568
Amount of change									
Reversal of reserve for special depreciation				(47)		47	–		–
Reversal of reserve for advanced depreciation of fixed assets					(143)	143	–		–
Dividends of surplus						(7,282)	(7,282)		(7,282)
Net income						45,396	45,396		45,396
Share exchange		21,907	21,907						21,907
Purchase of treasury stock								(6)	(6)
Disposal of treasury stock						(1)	(1)	12	10
Net changes other than stockholders' equity									
Total changes	–	21,907	21,907	(47)	(143)	38,304	38,113	6	60,026
Balance as of March 31, 2022	250,930	122,697	122,697	82	1,781	192,401	194,264	(1,296)	566,595

	Valuation and translation adjustments			
	Unrealized gains on securities, net of taxes	Deferred gains (losses) on hedges net of taxes	Total valuation and translation adjustments	Total net assets
Balance as of April 1, 2021	11,191	(511)	10,680	518,245
Cumulative impact of changes in accounting policies				(997)
Balance as of April 1, 2021 reflecting changes in accounting policies	11,191	(511)	10,680	517,248
Amount of change				
Reversal of reserve for special depreciation				–
Reversal of reserve for advanced depreciation of fixed assets				–
Dividends of surplus				(7,282)
Net income				45,396
Share exchange				21,907
Purchase of treasury stock				(6)
Disposal of treasury stock				10
Net changes other than stockholders' equity	12,059	(819)	11,240	11,240
Total changes	12,059	(819)	11,240	71,267
Balance as of March 31, 2022	23,250	(1,330)	21,920	588,515

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Matters concerning Significant Accounting Policies

1. Basis and Method for Valuation of Securities

(1) Securities of subsidiaries and affiliates — Cost basis, determined using the moving average method.

(2) Available-for-sale securities

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

Shares, etc. that do not have a market price — Cost basis, determined using the moving average method.

2. Basis for Valuation of Derivatives

Fair value basis

3. Basis and Method for Valuation of Inventories

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

4. Depreciation and Amortization Method for Fixed Assets

(1) Tangible fixed assets

a) Owned fixed assets — By the straight-line method.

b) Leased assets

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

(2) Intangible fixed assets — By the straight-line method. For software for internal use, by the straight-line method over the estimated internal use lives (five (5) years).

(3) Long-term prepaid expenses — By the straight-line method.

5. Basis for Recognition of Allowances and Provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for product warranties

To provide for after-sales and after-construction and delivery warranty cost payments, for steel castings and forgings as well as titanium products in the Advanced Materials Business, Machinery Business, and Engineering Business, provision is made at an estimated amount attributable to the fiscal year 2021 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount attributable to the fiscal year 2021 for certain individual cases.

(4) Provision for loss on construction contracts

To provide for future losses on construction contracts, for steel castings and forgings as well as titanium products in the Advanced Materials Business, Machinery Business and Engineering Business, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal year 2021.

(5) Provision for dismantlement related expenses

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at the Kobe Wire Rod & Bar Plant, provision is made at an estimated amount at the end of the fiscal year 2021.

(6) Provision for customer compensation expenses

For expenses related to a response to the misconduct that through data falsification and/or fabrication of inspection results, products that did not meet, among others, public standards or customer specifications were shipped or provided to customers as if they had met these requirements, including compensation for product exchanges and investigations carried out by customers, etc., provision is made at an estimated amount at the end of the fiscal year 2021.

(7) Provision for environmental measures

For the cost of PCB waste treatment required by “Law Concerning Special Measure against Promotion of Proper Treatment of Polychlorinated Biphenyl (PCB) Waste”, provision is made at an estimated amount at the end of the fiscal year 2021.

(8) Provision for retirement benefits

To provide for payments of retirement benefits to employees, provision is made based on the retirement benefit obligation and the estimated amount of plan assets at the end of the fiscal year 2021.

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

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

6. Basis for Recognition of Revenue and Expenses

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

Step 1: Identify a contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when or as the performance obligations are satisfied

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

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

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

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

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

8. Method for Hedge Accounting

(1) Method for hedge accounting

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

(2) Hedging instruments and hedged items

Hedging instruments: Foreign currency exchange contracts, interest rate swap contracts, currency swaps, and commodity forward contracts

Hedged items: Assets and liabilities exposed to losses from market fluctuations related to foreign exchange rates, interest rates, currencies, and trading of bare metal such as aluminum (including those expected from forecasted transactions).

(3) Hedging policy and method for assessing the hedge effectiveness

The Company uses hedge transactions to reduce the risks from market fluctuations and does not enter into hedge transactions for speculative purposes.
The Company assesses the hedge effectiveness in accordance with its internal rules.

9. Accounting for Retirement Benefits

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

10. Accounting for Consumption Taxes

The tax-exclusion method is applied for the consumption tax and the local consumption tax.

11. Application of Consolidated Taxation System

Consolidated taxation system is applied.

12. Treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company will transfer from the consolidated taxation system to the group tax sharing system from the next fiscal year. However, with regards to the transition to the group tax sharing system, which was instituted by the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020), and the items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system, in accordance with Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Issues Task Force (PITF) No.39, March 31, 2020), the Company has applied the provisions of the pre-amendment tax law to deferred tax assets and liabilities, instead of the provisions of Paragraph 44 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, February 16, 2018).

From the beginning of the next fiscal year, the Company plans to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Guidance No. 42, August 12, 2021), which provides for the accounting treatment and disclosure of income taxes, local income taxes and tax effect accounting under the group tax sharing system.

Notes Regarding Changes in Accounting Policies

1. Application of the "Accounting Standard for Revenue Recognition," etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Company has decided to recognize revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. As a result, discounts, rebates, etc., which were previously deducted from net sales at the time the amount was determined, are now reflected in the transaction price at the time of revenue recognition.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings brought forward at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the current fiscal year in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the current fiscal year were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings brought forward at the beginning of the current fiscal year.

Furthermore, "accounts receivable," which were presented under "current assets" in the non-consolidated balance sheets of the previous period, have been included under "accounts receivable" and "contract assets" from the current fiscal year, and "advances received," which were presented under "current liabilities," have been included under "contract liabilities" from the current fiscal year.

The cumulative impact of this change has been reflected on net assets at the beginning of the current fiscal year. As a result, the beginning balance of retained earnings decreased by 997 million yen in the non-consolidated statements of changes in net assets.

The impact on the non-consolidated statements of income for the current fiscal year is immaterial.

2. Application of the “Accounting Standard for Fair Value Measurement,” etc.
The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no impact on the non-consolidated balance sheets and the non-consolidated statements of income.

Notes Regarding Accounting Estimates

Deferred tax assets

The Company recorded 12,249 million yen in “deferred tax assets” under “investments and other assets” in “fixed assets” on the non-consolidated balance sheets for deductible temporary differences, tax losses carried forward, etc. with a high possibility of being deducted from future taxable income.

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

Additional Information

1. Introduction of the Board Benefit Trust (BBT) for Directors and Other Executives
Notes on transactions that provide the Company’s shares through the trust for Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive Officers are omitted as the same details are contained in “Additional information” in the Notes to Consolidated Financial Statements.

2. Approach to the impact of the novel coronavirus infection when forming accounting estimates
It is difficult to forecast how the novel coronavirus infection will spread in future, when it will recede, etc., but the Company forms accounting estimates of the recoverability of deferred tax assets based on information available at the time of writing. Although demand is currently declining in the automotive and other sectors due to production cutbacks caused by parts supply shortages, the impact is temporary and does not have a material impact on forming accounting estimates. The Company has assumed that the current and future impacts of the decline in production and order volume on the Company have largely been resolved, with the exception of certain demand fields, such as the aircraft sector, where the market is expected to perform poorly for some years.

Notes to Non-consolidated Balance Sheets

1. Assets Pledged as Collateral and Collateralized Debt

(1) Assets pledged as collateral

Securities of subsidiaries and affiliates	11,110 million yen	*1 *2
Other	66,444	*1 *2

(2) Collateralized debt

Borrowings of subsidiaries and affiliates from financial institutions
253,793 million yen *1 *2

*1 Of the assets pledged as collateral, 27,476 million yen are the mortgages established for borrowings of 55,027 million yen from financial institutions to Kobelco Power Moka Inc., which is one of the primary operators of the wholesale power supply business.

*2 Of the assets pledged as collateral, 50,060 million yen are the mortgages established for borrowings of 198,260 million yen from financial institutions to Kobelco Power Kobe No. 2, Inc., which is one of the primary operators of the wholesale power supply business.

2. Accumulated Depreciation of Tangible Fixed Assets 2,010,291 million yen

3. Guarantee Liabilities

(1) Guarantees of borrowings from financial institutions are provided to other companies.

Kobe Aluminum Automotive Products, LLC.	4,942 million yen	
Kobelco Millcon Steel Co., Ltd.	4,854	*
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd.	3,361	
Quintus Technologies AB	3,107	
Shinko Wuxi Compressor Co., Ltd.	2,970	
Other (12 companies and other)	6,859	*
Total	26,097	

The above includes activities similar to guarantees (77 million yen).

* Of which, 3,998 million yen is covered by reassurances from other companies.

(2) Repurchase obligation accompanying securitization of receivables 2,190 million yen

4. Monetary Receivables and Payables to Subsidiaries and Affiliates

Short-term monetary receivables	150,824 million yen
Long-term monetary receivables	150,266
Short-term monetary payables	93,077
Long-term monetary payables	391

Notes to Non-consolidated Statements of Income

Transactions with Subsidiaries and Affiliates

Operating transactions	
Net sales	444,863 million yen
Purchases	701,351
Non-operating transactions	80,260

Notes to Non-consolidated Statements of Changes in Net Assets

Type and number of treasury stock at the end of fiscal year 2021

Common stock	1,004,459 shares

(Note) 746,300 shares of Kobe Steel owned by Custody Bank of Japan, Ltd. (Trust Account E) related to the Board Benefit Trust (BBT) are included in treasury stock listed above.

Notes on Tax Effect Accounting

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

Notes on Transactions with Related Parties

Category	Company name	Ownership of voting rights etc. (Ownership percentage)	Relationships with related parties	Description of transactions	Transaction amounts (million yen)	Account	Fiscal year-end balance (million yen)
Subsidiaries	Kobelco Power Moka Inc.	100.00% directly	Loan of funds Contracted operation and management of power stations Interlocking directors, etc.	Recovery of funds Interest income	1,393 555	Long-term loans receivable Short-term loans receivable —	22,912 3,473 —
	Kobelco Power Kobe No. 2, Inc.	100.00% directly	Contracted operations such as construction management of power stations Loan of funds Interlocking directors, etc.	Contracted operations such as construction management of power stations Loan of funds Interest income	102,425 14,736 640	Accounts receivable Contract liabilities Long-term loans receivable Other investments	705 49,675 38,789 1,269
	Kobe Steel International (USA) Inc.	100.00% indirectly	Loan of funds Interlocking directors, etc.	– Interest income	— 361	Long-term loans receivable Short-term loans receivable Other current assets	26,597 3,059 20
	Kobelco Compressors Corporation	51.00% directly	Interlocking directors, etc.	Absorption-type split: Split assets Split liabilities	21,983 16,269	— —	— —
Affiliates	Shinsho Corporation	13.33% directly and 1.04% indirectly (21.56%)	Sales of certain finished goods of the Company Purchase of raw materials Interlocking directors, etc.	Purchase of raw materials for iron and steel, other raw materials and materials for equipment	523,791	Accounts payable	37,262
	Kansai Coke and Chemicals Company, Limited.	24.00% directly	Supply of coal, etc. Purchase of coke, etc. Interlocking directors, etc.	Supply of coal, etc. Purchase of coke, etc.	86,545 91,172	Accounts receivable - other Accounts payable	14,064 21,843

Note 1: The terms and conditions and policies for their determination:
The terms and conditions applicable to the above transactions are determined through price negotiations on an arm's length basis and with reference to normal market prices.
Interest rates on loans are reasonably determined in consideration of market interest rates.
The transaction amounts are shown on a net basis.

Note 2: With respect to the absorption-type company split, the Company's standard compressor business was transferred to Kobelco Compressors Corporation through a company split, and the amounts of assets, liabilities, etc. transferred were calculated based on the carrying amounts of the assets, liabilities, etc. of the standard compressor business. The Company received shares as consideration for the assets, liabilities, etc. transferred through the company split. Since the Company implemented the company split independently and all of the shares to be issued upon the company split were allocated to the Company, the amount was determined considering the amount of capital stock of Kobelco Compressors Corporation.

Note 3: Consumption taxes are not included in the amount of the transactions, but are included in the amount of fiscal year-end balances.

Note 4: The figure contained in parentheses is excluded from above number and represents the percentage of ownership with which the Company has received consent for exercise of voting rights.

Notes on Per Share Information

Net assets per share	1,488.62 yen
Net income per share	120.84 yen

Note: The Company’s shares (posted as treasury stock in stockholders’ equity) remaining in the trust related to the Board Benefit Trust (BBT) plan are included in treasury stock. These are excluded from the calculation of the number of shares at the end of the period and the average number of shares during the period when calculating net assets per share and net income per share.
The number of such shares at the end of the period excluded from the calculation of net assets per share for this fiscal year was 746 thousand shares, while the average number of shares during the period excluded from the calculation of net income per share for this fiscal year was 750 thousand shares.

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