

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 as 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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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
Toyosugie 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 information 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)
- 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 Executive Officers overseeing business divisions and heads of business divisions is determined by the President, and evaluation for other Executive Officers is determined by the President after primary evaluation by Executive Officers overseeing business divisions and heads of business divisions. The details of evaluation are reported to the Nomination & Compensation Committee.

Note: The individual evaluation reflects the status of ESG-related initiatives in the work entrusted to each Director and Executive 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)

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

*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.

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

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

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

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

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

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

- *1 Base point number for each rank and remuneration rank:
The base point number for each rank and remuneration rank is set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.
- *2 Coefficient based on evaluation index:
The coefficient 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 within 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.