

## Roundtable Talk among Three Independent Directors



**Hiroyuki Bamba**  
Independent Director  
(Chairman of the Board of Directors)

**Yumiko Ito**  
Independent Director  
(Chair of the Corporate Governance Committee)

**Masaaki Kono**  
Independent Director  
(Chair of the Audit & Supervisory Committee)

One year has passed since the formulation of the KOBELCO Group Medium-Term Management Plan (FY2021–2023). What are the views of independent directors on the current progress of the plan? With the business environment changing at dizzying speed, what are the challenges ahead? And, how has the discussion at meetings of the Board of Directors changed over the last year after strengthening its monitoring function? Three independent directors, Hiroyuki Bamba (Chairman of the Board of Directors), Yumiko Ito (Chair of the Corporate Governance Committee), and Masaaki Kono (Chair of the Audit & Supervisory Committee), sat down for a candid discussion about these and other issues.

### KOBELCO Group's Transformation with the Establishment of the Group Corporate Philosophy and Materiality

**Bamba:** I think the KOBELCO Group has changed significantly compared to 2017, when I was appointed as an independent director. In 2017, the Group had the quality misconduct. In the efforts to prevent the recurrence, we not only focused on the quality-related issues but also worked on the reforms of the corporate structure itself, including internal organizational structures and communications with the aim of removing barriers between business divisions and promoting their collaboration. Furthermore, through the establishment of the Group Corporate Philosophy that integrated new components in May 2020 and formulation of the Group's materiality in 2021, we have made the direction of the Group's business more concrete, including defining who we are and what we are aiming for. These changes were

not led by the management, but were promoted by employees through bottom-up discussions. This made me feel firsthand the resolve and enthusiasm of the management and employees to work together to overhaul the Group from its core and drive a rebirth of the KOBELCO Group.

**Kono:** The establishment of the Group Corporate Philosophy and of materiality was a major transformation for the Group, further accelerating cross-divisional initiatives throughout the Group. Such Group efforts are reflected in its organizational structure. With the establishment of the Sustainability Management Committee, the Risk Management Committee, the Business Portfolio Management Committee, the Investment and Loan

Committee, and other committees, I believe that the Group has put in place a system that enables us to see the overall picture across business divisions.

**Ito:** Personally, I find it very impressive that President Yamaguchi energetically engages in dialogue with employees, with strong determination to strengthen internal communication. For example, as part of the initiatives in the Core Values of KOBELCO—NEXT 100 Project, the Group has been promoting direct dialogue

between management and employees through various events, such as the KOBELCO Gathering, a session to explain Group activities for all members of the KOBELCO Group. I was surprised to see the president devoting so much time to answering questions from employees during a dialogue session. It felt strongly that the president himself is taking the initiative in practicing improved communication.

### Promoting Sustainability Management

**Ito:** The Medium-Term Management Plan has further clarified the Group's vision for sustainability management. In addition to its "defensive" strategy of reducing CO<sub>2</sub> emissions across the entire Company, the Group has also set out its "offensive (proactive)" strategy of utilizing technologies, products, and services such as the MIDREX® Process to create business opportunities. I think it was a notable achievement. I believe that by strategically integrating the technological capabilities that have been cultivated in the materials businesses, machinery businesses, and the electric power business beyond the boundaries of business divisions, the Group will continue to expand the possibilities for realizing a sustainable society.

**Kono:** The KOBELCO Group has numerous products and technologies with significant competitive edges, such as the low-CO<sub>2</sub> blast furnace steel product Kobenable Steel and the MIDREX® Process. Through these products and technologies, I believe the KOBELCO Group can effectively demonstrate how the Group is contributing to the realization of a sustainable society. It is also important that the Group makes constant efforts so that such measures will not end as one-off initiatives but will continue to be the initiatives that appeal to the public on a continuous basis.

**Bamba:** In promoting the Group's sustainability management, the Sustainability Management Committee, which is an auxiliary body to the Executive Council, plays a central role in implementing the management cycle for important issues.

We believe that a solid framework for sustainability management has been put in place, but it will be important to operate it under the framework and increase the awareness of it throughout the Group. Making the framework easy to understand is the key to spreading it to the workplace. In this regard, the Group Corporate Philosophy is playing a major role in indicating the direction of the Group's business.

As a member of the management team, I will carefully monitor whether the Group's sustainability management will become a living, soulful practice that functions properly. As one of the measures, we use the results of the annual employee awareness survey to understand employees' attitudes toward work and the Company, as well as the current state of the organization and any issues outstanding. We will make sure that policies that are implemented throughout the Group, including the sustainability management framework, do not end in management complacency.

### Assessment of Performance in the First Year of the Medium-Term Management Plan, and Future Issues

**Bamba:** In terms of performance in fiscal 2021, the first year of the Medium-Term Management Plan, the Group got off to a good start. With the introduction of ROIC management, there is a growing awareness among divisions and business units that they must generate

earnings on their own. I think this also has fostered the awareness of stably increasing earnings and paying dividends regardless of the external environment and reviewing the business portfolio for unprofitable businesses.

In fiscal 2022 and 2023, while we need to take



While we need to take defensive measures to secure stable earnings, we will also need to move ahead with offensive (proactive) measures to promote corporate growth toward the next Medium-Term Management Plan. With the business environment becoming increasingly uncertain, I believe the key is to strike a balance between offense and defense.

defensive measures to secure stable earnings, we will also need to forge ahead with offensive (proactive) measures to promote corporate growth toward the next Medium-Term Management Plan. With the business environment becoming increasingly uncertain, I believe the key is to strike a balance between offense and defense.

**Ito:** I also think that the performance in the first year of the Medium-Term Management Plan was generally good. From fiscal 2022 and beyond, the Board of Directors will keep a close eye on issues such as passing on sharp increases in raw material prices to product prices.

Although management that use the ROIC tree has achieved certain results, it may take more time before it fully takes roots in the workplace. Despite this situation, my assessment is that the Company has put in place a system to identify various events that affect its business performance, conduct breakdown analyses, set targets, and work toward them. I think the process is nearing completion.

**Kono:** From the perspective of an Audit & Supervisory Committee member, I would also say that the performance in the first year of the Medium-Term Management Plan was satisfactory. On the other hand, in fiscal 2022 and beyond, I believe it will be necessary to quickly address new risks that were not factored into the plan, such as those related to the supply chain and economic security arising from geopolitical risks.

In terms of establishing a stable earnings base, which is one of the key measures in the Medium-Term Management Plan, my assessment is that the Group has achieved a certain level of results. However, in terms of reforming the business portfolio, I believe it is necessary for the Group to take bold steps to tackle the issues that have been recognized, without using its ongoing good performance as a reason to slow down or put it off. For the challenge of realizing carbon neutrality, I hope the Group will continue to take prompt actions in line with the trends of the times.

## Changes in Discussions at the Board of Directors with Enhanced Monitoring Function

**Bamba:** In fiscal 2021, the Board of Directors changed its structure to place greater emphasis on deciding important management directions and monitoring, including risk management. Now, new measures are being undertaken to further enhance the effectiveness of the Board of Directors.

For example, we have created a system that facilitates

lively discussions among directors by summarizing matters reported to the Board to the essential points and devoting sufficient time to deliberations on important matters. Moreover, for technical matters related to production systems and carbon neutrality, which are difficult to reach a decision through having explanations at the Board of Directors alone, we receive lectures from the respective

business divisions in charge at preliminary briefings and on other occasions. By asking questions and exchanging opinions at preliminary briefings, independent directors can broaden their knowledge of the businesses and technologies of the KOBELCO Group and thereby express opinions from external perspectives on matters that were previously difficult to do so due to a lack of understanding. By devising such measures, the Board of Directors is beginning to develop a foundation to ensure thorough discussion on important matters

As the Chairman of the Board of Directors, I believe that setting the agenda for Board meetings is extremely important. I think it is vital that the Board of Directors focus on deliberations and discussions on important matters that will lead to the enhancement of corporate value. Since last fiscal year, the Group has delegated the decision-making authority to the executive side by raising the criteria for submission of items for the agenda of Board of Directors' meetings, which has increased the speed of execution. Of course, decisions made by the executive side are reported to the Board of Directors, so the Board will never be left out of the loop. I believe the quality of the Group's corporate governance has remarkably enhanced by improving the operating rules of the Board of Directors and by speeding up decision-making on the executive side.

**Ito:** In order to further strengthen the monitoring functions of the Board of Directors, I think it is important to improve the quality of reports from the executive side. Over the past year I feel that the quality of reports has improved, as the importance of each reporting item has become even clearer.

I have been a member of the Corporate Governance Committee since last year and have been Chair of the Committee since June of this year. In order to evaluate the effectiveness of the Board of Directors, the Corporate Governance Committee not only conducts questionnaire surveys but also interviews with directors. In interviews, directors express a variety of opinions that cannot be obtained through questionnaires, and I am proud that these have led to specific measures to enhance the effectiveness of the Board of Directors, including discussions at the Corporate Governance Committee.

I believe that corporate governance should shift from the stage of working to satisfy formal requirements to the stage of earnestly committing ourselves to enhancing corporate value. At Board of Directors' meetings, I try to speak with a focus on what is needed to strengthen the executive structure. From this fiscal year onward, I feel that it will be necessary to deepen discussions at the management level in areas such as human resources development, diversity, and DX.

**Kono:** Speaking from the perspective of an Audit & Supervisory Committee member, seven years have passed since the Company transitioned to a company with an Audit & Supervisory Committee. It is my perception that, while paying attention to the balance between monitoring and auditing of legality, we have been able to demonstrate a certain presence in the Board of Directors.

In conducting audits, the Audit & Supervisory Committee has set priority audit items, which include the effectiveness of the new management structure, and the effectiveness of risk management, as well as initiatives for

I believe that by strategically integrating the technological capabilities that have been cultivated in the materials businesses, machinery businesses, and the electric power business beyond the boundaries of business divisions, the Group will continue to expand the possibilities for realizing a sustainable society.





The KOBELCO Group possesses a wide range of technologies, products, and services that it has developed over the course of its history, as well as diverse human resources and a customer base that support their realization. By organically integrating them, the Group can provide solutions to the needs of society.

establishing a stable earnings base and realizing carbon neutrality. These priority items have been presented to the Board of Directors and are being implemented. In terms of discussions at the Board of Directors' meetings and the Board's monitoring functions, I believe we have made significant progress over the past year. This can be seen, for example, in the speed of the response

from the executive side when the Audit & Supervisory Committee raised a problem from a Groupwide and global perspective with regard to the effectiveness of risk management, and in the prompt reporting to the Board of Directors regarding the response to changes in the business environment.

### Aiming to Be a Company that Creates Excitement

**Bamba:** The recent business environment has remained uncertain, but I believe that the strategy of the next two to three years will be extremely important in determining the future growth of the Group. The KOBELCO Group has continued to provide resolutions to social issues by utilizing its various technologies, products, and services, and the Group has a lot of potential to continue to respond to the demands of society in the future. With the MIDREX® Process, Kobenable Steel, and news releases about others, the Group is drawing the attention of all our stakeholders. I believe the Group will be a company that creates greater excitement and will be evaluated by its stakeholders as a corporate group worthy of a conglomerate premium.

**Ito:** I think that the ideal way to become a company that generates excitement is to make it an autonomous team. Rather than just doing what you are told to do, taking the initiative in doing something that excites yourself will add excitement to your company and society as well. Then, human resources will gather in such a company with a lot

of excitement. I believe this cycle will lead to creating a sustainable company.

**Kono:** Without a doubt, the KOBELCO Group is a corporate group with hidden tremendous potential for providing resolutions to social issues. The KOBELCO Group possesses a wide range of technologies, products, and services that it has developed over the course of its history, as well as diverse human resources and a customer base that support their realization. By organically integrating them, the Group can provide solutions to the needs of society. If the management and employees are all heading toward the same direction under the Group Corporate Philosophy, the KOBELCO Group will be a very exciting corporate group.

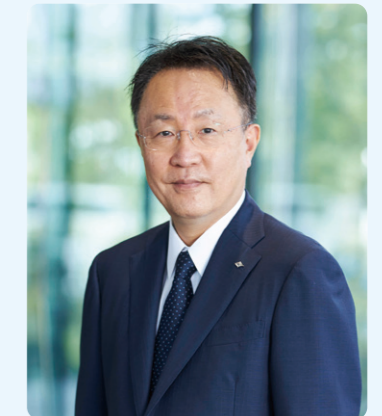
## Messages from Newly Appointed Independent Directors

By bringing an objective and neutral point of view, I will contribute to the enhancement of corporate value of the KOBELCO Group.

The KOBELCO Group, with its long history and tradition, is one of Japan's leading companies. Leveraging its highest level of technology, the Group has been operating business with customers and business partners around the world in a wide range of areas. Today, we are facing a number of management challenges, including the growing demand for decarbonization, global inflation trend impacted by Russia's invasion of Ukraine, and rapid changes in the economic structure and international relations.

I was involved in all aspects of economic policy as a government official. For many years, I was engaged particularly in the fields of natural resources and energy, growth strategies, and trade relations. In addition, outside the government, I have been involved in corporate management in the private sector as well. Utilizing this experience, I intend to fulfill my duties as independent director while always striving to bring an objective and neutral point of view to understand the big picture.

Companies today are required to take sustainable actions that respect the interest of many stakeholders and address the global demand for decarbonization. To that end, it is essential for companies to continue to create value with a foresight into the world's future direction by promoting research and development and making business investments in respective business areas, and to implement appropriate risk management along the way. The KOBELCO Group is a large corporate entity that requires adequate discussion and responsible judgment at each decision-making stage. Building an organization capable of fulfilling these requirements will lead to greater trust from customers and business partners. From an independent standpoint, I will contribute to the enhancement of corporate value of the KOBELCO Group.



**Shinsuke Kitagawa**  
Independent Director



**Nobuko Sekiguchi**  
Independent Director

Aiming to enhance the KOBELCO Group's corporate value, I will strive to realize corporate governance that transcends conventional frameworks.

Currently, the KOBELCO Group is facing a number of challenges such as the transition toward carbon neutrality, social changes, and the transformation of the industrial structure triggered by the COVID-19 pandemic. Considering the business environment surrounding the Group, we understand that it is extremely difficult to steer management toward establishing a stable earnings base. In order to promote sustainability management more effectively and efficiently under these circumstances, it is necessary to strengthen our ability to adapt flexibly to new values and rapid changes.

Previously, I engaged in accounting and corporate planning in different sectors than the KOBELCO Group. I also engaged in corporate management as independent director at other listed companies, where I strengthened governance and organized management issues to reach solutions. Looking at the KOBELCO Group based on this knowledge and experience, I feel that untapped value is buried in the achievements and corporate culture that have been cultivated over its 116-year history.

Going forward, I will fulfill my roles as independent director and Audit & Supervisory Committee member while making use of my knowledge and experience in accounting and business administration. Along with this, I aim to contribute to the enhancement of corporate value by strengthening the governance of the Group while delivering my frank opinions at meetings, such as Board of Directors' meetings, without being bound by conventional thinking.

# Directors (Including Audit & Supervisory Committee Members) (As of June 22, 2022)

## Directors



**Mitsugu Yamaguchi**  
President, CEO and Representative Director  
Compliance Committee Member  
Nomination & Compensation Committee Member  
Corporate Governance Committee Member

Number of Company shares owned: 48,300

Apr. 1981 Joined the Company  
Apr. 2011 Officer  
Apr. 2013 Senior Officer  
Apr. 2015 Executive Officer  
Jun. 2016 Director, Senior Managing Executive Officer  
Apr. 2017 Executive Vice President and Director  
Apr. 2018 President, CEO and Director (incumbent)

Duties  
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.



**Fusaki Koshiishi**  
Executive Vice President and Representative Director  
Quality Management Committee Member

Number of Company shares owned: 43,500

Apr. 1984 Joined the Company  
Apr. 2012 Officer  
Apr. 2014 Senior Officer  
Jun. 2015 Managing Director  
Apr. 2016 Director, Senior Managing Executive Officer  
Apr. 2018 Executive Vice President and Director (incumbent)

Duties  
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.



**Koichiro Shibata**  
Executive Vice President and Representative Director

Number of Company shares owned: 40,500

Apr. 1984 Joined the Company  
Apr. 2012 Officer  
Apr. 2014 Senior Officer  
Apr. 2016 Senior Managing Executive Officer  
Apr. 2018 Executive Vice President  
Jun. 2018 Executive Vice President and Director (incumbent)

Duties  
Oversees the Business Development Department, the Intellectual Property Department, and the IT Planning Department. Oversees companywide technical development. Oversees companywide information systems.



**Yoshihiko Katsukawa**  
Director, Executive Officer  
Corporate Governance Committee Member

Number of Company shares owned: 27,900

Apr. 1985 Joined the Company  
Apr. 2015 Officer  
Apr. 2017 Managing Executive Officer  
Apr. 2018 Senior Managing Executive Officer  
Jun. 2018 Director, Senior Managing Executive Officer  
Apr. 2021 Director, Executive Officer (incumbent)

Duties  
Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office).



**Hajime Nagara**  
Director, Executive Officer  
Compliance Committee Member  
Corporate Governance Committee Member

Number of Company shares owned: 26,600

Apr. 1985 Joined the Company  
Apr. 2016 Executive Officer  
Apr. 2018 Managing Executive Officer  
Apr. 2020 Senior Managing Executive Officer  
Jun. 2020 Director, Senior Managing Executive Officer  
Apr. 2021 Director, Executive Officer (incumbent)

Duties  
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.



**Hiroyuki Bamba**  
Independent Director  
Chairman of the Board of Directors  
Nomination & Compensation Committee Member (Committee Chair)  
Corporate Governance Committee Member

Number of Company shares owned: 11,000

Apr. 1976 Joined Sumitomo Rubber Industries, Ltd.  
Mar. 2000 Director of Sumitomo Rubber Industries, Ltd.  
Mar. 2003 Executive Officer of Sumitomo Rubber Industries, Ltd.  
Jul. 2003 President and Director of SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)  
Mar. 2011 Chairman and Director of SRI Sports Limited  
Mar. 2015 Counselor to Sumitomo Rubber Industries, Ltd.  
Jun. 2015 Outside Director of Sekisui Plastics Co., Ltd. (currently Sekisui Kasei Co., Ltd.) (incumbent)  
Jun. 2017 Director of the Company (incumbent)



**Yumiko Ito**  
Independent Director  
Corporate Governance Committee Member (Committee Chair)

Number of Company shares owned: 5,800

Apr. 1984 Legislation Staff (Sanji), The Legislative Bureau of the House of Representatives of Japan  
Apr. 1989 Admitted to the bar in Japan, Sakawa Law Office  
Jul. 1991 Tanabe & Partners  
Apr. 2001 General Counsel, Legal & Patent Operation, GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)  
May 2004 Staff Counsel, Legal & Intellectual Property, IBM Japan, Ltd.  
Mar. 2007 Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)  
Apr. 2013 Executive Officer and General Counsel, Sharp Corporation  
Jun. 2013 Director, Executive Officer, and General Counsel, Sharp Corporation  
Apr. 2014 Director, Executive Managing Officer and General Counsel, Sharp Corporation  
Jun. 2016 Executive Managing Officer and General Counsel, Sharp Corporation  
Mar. 2019 Resigned as Executive Managing Officer and General Counsel, Sharp Corporation  
Apr. 2019 Established Ito Law Office, appointed as Representative (incumbent)  
Jun. 2019 Director of the Company (incumbent)  
Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd. (incumbent)



**Shinsuke Kitagawa**  
Independent Director  
Corporate Governance Committee Member

Number of Company shares owned: 0

Apr. 1981 Joined the Ministry of International Trade and Industry  
Sep. 2012 Director-General, Trade and Economic Cooperation Bureau, the Ministry of Economy, Trade and Industry (METI)  
Jun. 2013 Commissioner, Small and Medium Enterprise Agency, METI  
Jul. 2015 Retired from METI  
Nov. 2015 Advisor of MITSUI & CO., LTD.  
Apr. 2016 Executive Managing Officer of MITSUI & CO., LTD.  
Apr. 2019 Senior Executive Managing Officer of MITSUI & CO., LTD. (incumbent)  
Jul. 2020 President & CEO of Mitsui & Co. Global Strategic Studies Institute (incumbent)  
Jun. 2022 Director of the Company (incumbent)

## Directors, Audit & Supervisory Committee Members



**Hiroshi Ishikawa**  
Director  
(Audit & Supervisory Committee Member, full time)

Number of Company shares owned: 17,300

Apr. 1982 Joined the Company  
Apr. 2014 Officer  
Apr. 2016 Managing Executive Officer  
Jun. 2018 Director, Audit & Supervisory Committee Member of the Company (incumbent)



**Yasushi Tsushima**  
Director  
(Audit & Supervisory Committee Member, full time)

Number of Company shares owned: 16,400

Apr. 1982 Joined the Company  
Apr. 2013 Officer  
Jun. 2015 Director, Managing Executive Officer of Kobelco Construction Machinery Co., Ltd.  
Apr. 2018 Director of Kobelco Construction Machinery Co., Ltd.  
Jun. 2018 Director, Audit & Supervisory Committee Member of the Company (incumbent)



**Masaaki Kono**  
Independent Director, Audit & Supervisory Committee Member  
Audit & Supervisory Committee Chair  
Nomination & Compensation Committee Member  
Corporate Governance Committee Member

Number of Company shares owned: 3,200

Apr. 1979 Joined The Dai-ichi Kangyo Bank, Limited  
Mar. 2006 Executive Officer of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)  
Apr. 2008 Managing Executive Officer of Mizuho Corporate Bank, Ltd.  
Apr. 2011 Managing Executive Officer of Mizuho Financial Group, Inc.  
Jun. 2011 Managing Director and Managing Executive Officer of Mizuho Financial Group, Inc.  
Apr. 2012 Managing Executive Officer of Mizuho Bank, Ltd. Managing Executive Officer of Mizuho Corporate Bank, Ltd. Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.  
Apr. 2013 Director of Mizuho Financial Group, Inc. Deputy President and Deputy President-Executive Officer (Representative Director) of Mizuho Bank, Ltd. Deputy President & Executive Officer of Mizuho Corporate Bank, Ltd.  
Jul. 2013 Deputy President & Executive Officer of Mizuho Financial Group, Inc.  
Apr. 2016 Retired from Mizuho Bank, Ltd. and Mizuho Financial Group, Inc., and appointed as Advisor of Orient Corporation  
Jun. 2016 President and Representative Director of Orient Corporation  
Apr. 2020 Chairman and Representative Director of Orient Corporation  
Jun. 2020 Director, Audit & Supervisory Committee Member of the Company (incumbent) Chairman and Director of Orient Corporation (incumbent)



**Kunio Miura**  
Independent Director, Audit & Supervisory Committee Member  
Compliance Committee Member (Committee Chair)

Number of Company shares owned: 3,200

Apr. 1979 Appointed as judge  
Mar. 1988 Resigned as judge  
Apr. 1988 Admitted to the bar in Japan  
Apr. 1997 Established Kawamoto and Miura Law Office; appointed as Representative (incumbent)  
Jun. 2003 Outside Corporate Auditor of YAMAHA CORPORATION  
Jun. 2008 Outside Audit & Supervisory Board Member of ASAH INTELLIGENCE SERVICE CO., LTD. (incumbent)  
Jun. 2010 External Corporate Auditor of Sumitomo Seika Chemicals Company, Limited (incumbent)  
Jun. 2020 Director, Audit & Supervisory Committee Member of the Company (incumbent)  
Jun. 2021 External Director (Audit and Supervisory Committee Member) of Sumitomo Seika Chemicals Company, Limited. (incumbent)



**Nobuko Sekiguchi**  
Independent Director, Audit & Supervisory Committee Member

Number of Company shares owned: 0

Nov. 2005 Joined CAPCOM CO., LTD.  
Apr. 2011 Corporate Officer supervising Management Planning, CAPCOM CO., LTD.  
Apr. 2016 Managing Corporate Officer, Head of Management Planning and Human Resources, CAPCOM CO., LTD.  
Mar. 2019 Resigned from CAPCOM CO., LTD.  
Jun. 2019 Outside Director of DUSKIN CO., LTD. (incumbent)  
Jun. 2020 Outside Director, Audit & Supervisory Committee Member of H2O RETAILING CORPORATION (incumbent)  
Jun. 2022 Director, Audit & Supervisory Committee Member of the Company (incumbent)

# Corporate Governance

## Basic Stance on Corporate Governance

The KOBELCO Group recognizes that corporate value includes not only business results and technological capabilities but also the stance on social responsibility to all stakeholders who may be affected by its business activities, such as shareholders and investors, customers, business partners, people of local communities, and members of the KOBELCO Group. We believe that working earnestly to improve all of these factors leads to the enhancement of corporate value.

Therefore, corporate governance is not merely a form of the organization, but it is a framework for realizing all the efforts the KOBELCO Group is undertaking. In the development of the framework, the Group places importance on the following: establishing a system that contributes to improving corporate value through appropriate risk-taking, collaborating with stakeholders, promoting appropriate dialogue with investors in the capital market, ensuring the rights of and fairness for shareholders, and ensuring transparency.

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

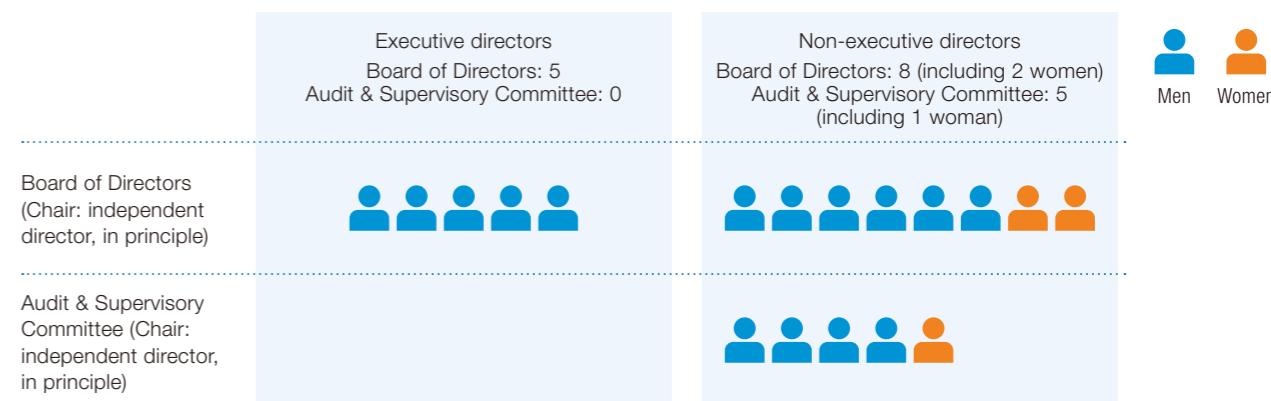
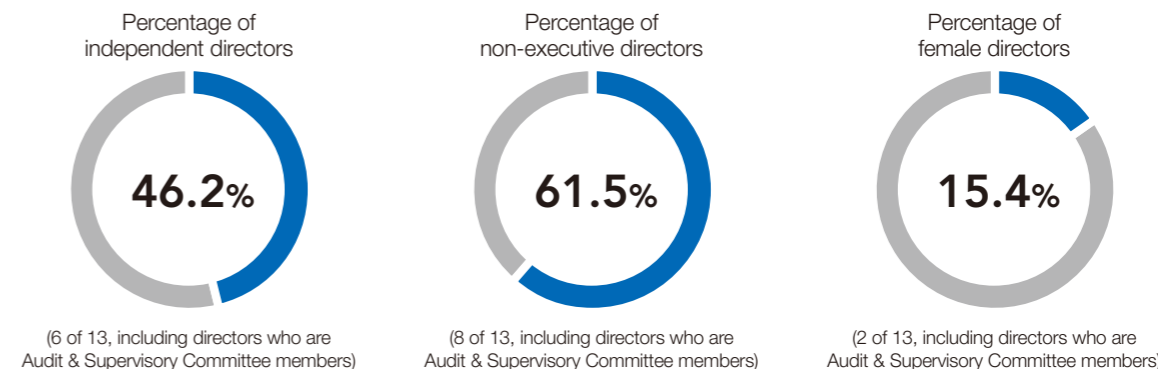
For information about the Company's basic policy and operation policy on corporate governance, please see the Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.

[https://www.kobelco.co.jp/english/about\\_kobelco/kobesteel/governance/files/Basic\\_Policy\\_and\\_Initiatives.pdf](https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/files/Basic_Policy_and_Initiatives.pdf)

## Initiatives to Strengthen Corporate Governance

	1999	2010	2015	2020	(FY)
Philosophy and Policies		→ • 2006 Establishes corporate philosophy	→ • 2017 Turns corporate philosophy into the Core Values of KOBELCO and establishes the Six Pledges of KOBELCO Men and Women	→ • 2020 Establishes the new Group Corporate Philosophy by integrating the newly formulated KOBELCO's View of the Future and KOBELCO's Mission	
Organizational Structure	• 1999 Introduces an internal company system and adopts an executive officer system	→ • 2010 Abolishes the internal company system and introduces a business unit system	• 2003 Establishes the Compliance Committee as advisory committee to the Board of Directors	• 2015 Establishes the Meetings of Independent Directors • 2016 Becomes a company with an Audit & Supervisory Committee • 2018 Reassesses the role of the Board of Directors from the standpoint of enhancing its oversight functions	→ • 2021 Shifts to a Board of Directors that places greater emphasis on decisions regarding important management directions as well as on monitoring that encompasses risk management Establishes the Corporate Governance Committee as an advisory body to the Board of Directors • 2022 Reduces the maximum number of directors (excluding directors who are Audit & Supervisory Committee members) from 15 to 10
Directors and Executive Officers		• 2007 Appoints two independent directors	• 2015 Establishes principles on appointment of directors/Audit & Supervisory Board members and establishes standards for independent directors/auditors	• 2016 Establishes training policy for directors and executive officers • 2019 Appoints the Company's first female director • 2021 Abolishes the positions of senior managing executive officer and managing executive officer	
Effectiveness Evaluation				• 2016 Introduces evaluation system for the Board of Directors	
Remuneration				• 2016 Revises directors' remuneration system (introduces stock-type remuneration)	→ • 2022 Partially revises the remuneration system for directors and executive officers (including lowering the maximum remuneration)

## Corporate Governance Highlights



Note: Our Company has registered all six independent directors as independent directors with a Financial Instruments Exchange.

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

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

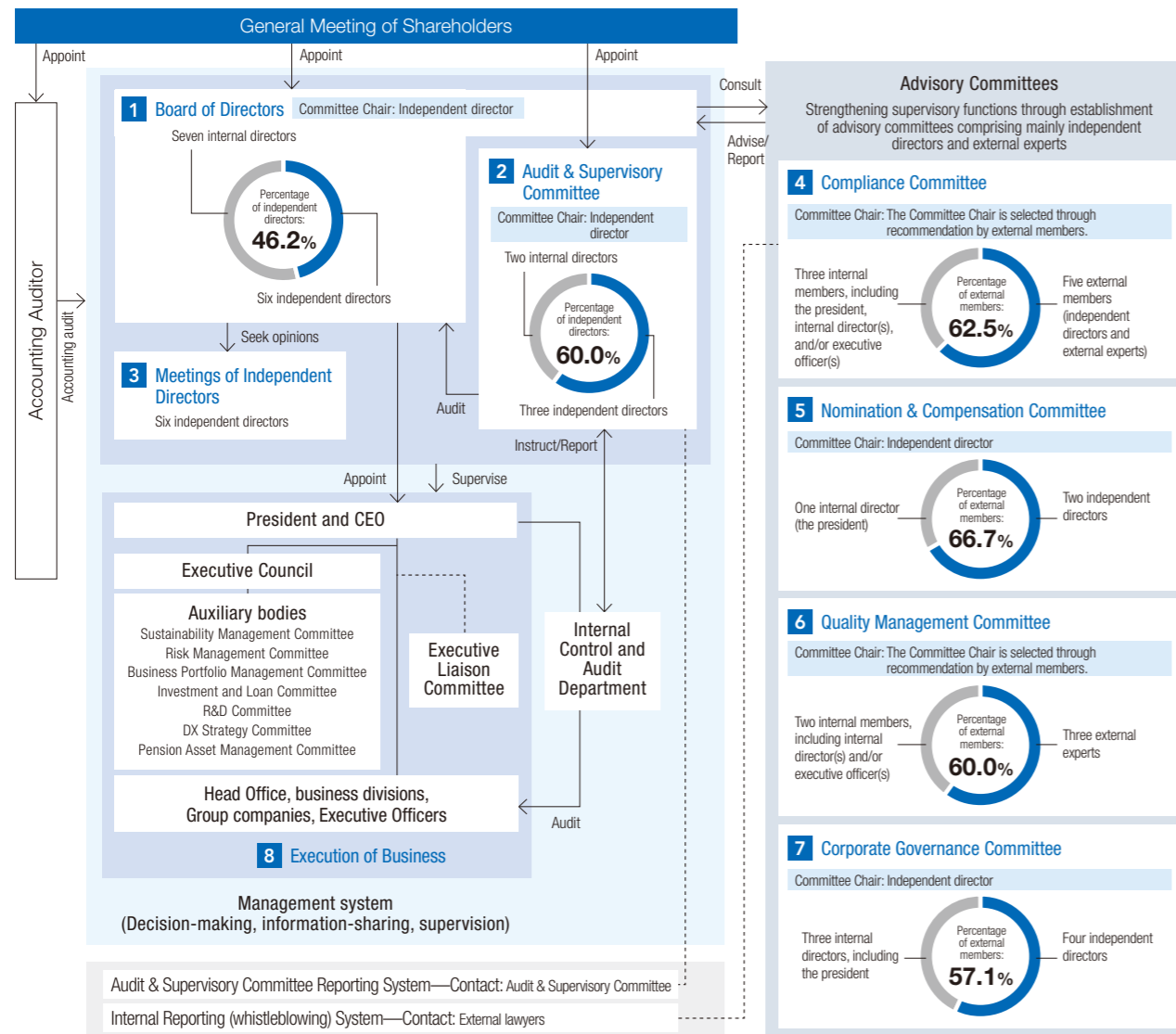
Furthermore, the Company believes it is necessary for the Board of Directors to hold active discussions and make appropriate decisions regarding the risk management and the distribution of management resources for a wide range of businesses, and at the same time, to flexibly supervise business execution.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

In line with this approach, the Company has adopted an Audit & Supervisory Committee whose members have voting rights on the Board of Directors. Under this governance structure, the Company aims to enable comprehensive audits

of its extensive businesses, maintain and strengthen the supervisory function of the Board of Directors, and accelerate decision-making on management, with no clear boundaries that separate the supervisory and execution functions.

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

## Our Corporate Governance System



### 1 Board of Directors

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

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

### 2 Audit & Supervisory Committee

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

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

### 3 Meetings of Independent Directors

The Company has established the Meetings of Independent Directors to take full advantage of the independent directors' capabilities. The meetings are a platform where the Company shares with independent directors information regarding the Company's businesses excluding the nomination and compensation of executives. The Meetings of Independent Directors consist solely of independent directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary. The executive directors of the Company attend the Meetings of Independent Directors as appropriate to share information and exchange opinions with the independent directors.

### 4 Compliance Committee

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

The Compliance Committee consists of the president, the director/executive officer overseeing Companywide compliance, the executive officer responsible for Companywide compliance, lawyers (without a retainer agreement executed by the Company) in charge of receiving reports via the Internal Reporting (whistle-blowing) System, independent directors, and external experts. The majority of the committee consists of members from outside of the Company. The committee chair is selected through mutual recommendation among the external members.

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

### 5 Nomination & Compensation Committee

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

### 6 Quality Management Committee

The Company has established the Quality Management Committee, as an advisory body to the Board of Directors. The committee undertakes the continuous monitoring and makes recommendations regarding quality management enhancement activities within the Group, as well as the monitoring of the effectiveness of measures to prevent recurrence of the quality misconduct. Members of the committee include two internal executives of the Company and three external experts selected

by the Board of Directors who have technical or legal knowledge on quality control. The committee chair is selected through mutual recommendation among the external members.

### 7 Corporate Governance Committee

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

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

### 8 Execution of Business

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

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

In order to enhance the effectiveness of deliberations by the Executive Council, various committees will be established as auxiliary bodies for important matters related to business strategy, such as sustainability management, risk management, business portfolio management, and investment and loans.

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

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

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

In order to address the Group's medium- to long-term material issues (materiality) and to implement the Medium-Term Management Plan (FY2021–2023), which was formulated and announced in May 2021, we have put together a skills matrix of the knowledge, experience, and skills that the Board of Directors particularly expects the directors to demonstrate for the improvement of the functions of the Board of Directors. These areas of knowledge,

experience, and skills will be reviewed as necessary in response to changes in the business environment, the formulation of new management plans, and other changes.

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

- The KOBELCO Group aims to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities. In order for the Board of Directors to appropriately determine important management directions and conduct monitoring that encompasses risk management, aimed at enhancing the KOBELCO Group's corporate value over the medium to long term, we believe it is necessary to have the Board of Directors consisting of directors who have well-balanced knowledge, experience, and skills in the following three key areas:
    - Comprehensive skills in overall management,
    - Skills in resolving social issues and creating new value, and
    - Skills in further strengthening the management foundation.
- In particular, we expect independent directors to demonstrate their knowledge, experience, and skills with regard to insights into other industry sectors.
- Items in the key areas have been determined after discussion at the Corporate Governance Committee and the Nomination & Compensation Committee, taking into account the Company's business strategy and business characteristics as well as the business environment and the Company's management plan.

Name	Length of service as director (years)	Comprehensive skills in overall management		Skills in resolving social issues and creating new value			Skills in further strengthening the management foundation			Insights into other industry sectors	Attendance at Board of Directors' meetings (fiscal 2021)	Attendance at Audit & Supervisory Committee meetings (fiscal 2021)
		Business management and administration	ESG	Sales strategy and marketing	Technical development, intellectual properties, production technologies, and DX	Global business	Finance and accounting	Organization and human resources	Legal and risk management			
Mitsugu Yamaguchi President, CEO and Representative Director	6	●	●	●		●					15 of 15 (100%)	—
Fusaki Koshiishi Executive Vice President and Representative Director	7	●	●	●	●						15 of 15 (100%)	—
Koichiro Shibata Executive Vice President and Representative Director	4	●	●	●	●						15 of 15 (100%)	—
Yoshihiko Katsukawa Director, Executive Officer	4	●				●	●		●		15 of 15 (100%)	—
Hajime Nagara Director, Executive Officer	2	●	●					●	●		15 of 15 (100%)	—
Hiroyuki Bamba Independent Director	5	●	●		●				●	●	15 of 15 (100%)	—
Yumiko Ito Independent Director	3		●			●			●	●	15 of 15 (100%)	—
Shinsuke Kitagawa Independent Director	—		●			●			●	●	—	—
Hiroshi Ishikawa Director, Audit & Supervisory Committee Member	4	●		●		●					15 of 15 (100%)	16 of 16 (100%)
Yasushi Tsushima Director, Audit & Supervisory Committee Member	4	●						●	●		15 of 15 (100%)	16 of 16 (100%)
Masaaki Kono Independent Director, Audit & Supervisory Committee Member	2	●	●					●		●	15 of 15 (100%)	16 of 16 (100%)
Kunio Miura Independent Director, Audit & Supervisory Committee Member	2		●						●	●	15 of 15 (100%)	16 of 16 (100%)
Nobuko Sekiguchi Independent Director, Audit & Supervisory Committee Member	—		●				●	●		●	—	—

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

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

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

- Every year, the Audit & Supervisory Committee interviews each director to verify the decisions on business execution made by the Board of Directors and the implementation of efficient business execution as stipulated in the basic policy of the internal control system.
- In the operation of the Board of Directors, the Company distributes meeting materials at least three days prior to the date of the meeting as necessary in order to enable active and sufficient deliberations at meetings of the Board of Directors. To this end, the Company will promote the use of electromagnetic means with due consideration for the protection of trade secrets, so that meeting materials can be received regardless of the whereabouts of the directors.
- In addition to meeting materials for the Board of Directors, the Company provides the directors with sufficient information and explanation as necessary, upon the request of the directors, etc.
- To revitalize and deepen discussions at meetings of the Board of Directors and further enhance the monitoring function for business activities, the Company has an independent director serve as the Chairman of the Board of Directors, in principle.
- The Company has established a secretariat for the Board of Directors within the Corporate Planning Department.

The Secretariat determines and organizes the annual schedule of meetings of the Board of Directors and anticipates agenda items to the extent possible, in advance of the fiscal year.

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

## Evaluation Results for Fiscal 2021

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

Targets	Implementation process	
All 13 directors	Questionnaire survey targeting all directors and individual interviews by the Corporate Governance Committee	
Evaluation items	(1) Structure of the Board of Directors; (2) Agenda of Board of Directors' meetings; (3) Materials for Board of Directors' meetings; (4) Operation of the Board of Directors; (5) Provision of information to independent directors; (6) Monitoring and supervision of directors; (7) Other items (e.g., evaluation and opinions on various initiatives implemented in fiscal 2021)	
Evaluation method	<ul style="list-style-type: none"> <li>• Based on the results of the questionnaire and interviews, the Corporate Governance Committee submits to the Board of Directors the results of the effectiveness evaluation and proposes the future direction for improving the effectiveness.</li> <li>• The Board of Directors reviews the evaluation results and identifies current issues. Based on these, the Board of Directors deliberates future initiatives for improving effectiveness and makes decisions on future measures.</li> </ul>	

### Summary of Analysis and Evaluation Results

- In fiscal 2021, the Company made changes to the number of directors and the composition of the Board of Directors as well as the criteria for matters to be discussed at Board of Directors' meetings. Along with these changes, the Company found it necessary to study and implement measures to address communication issues with the executive side.
- Therefore, since fiscal 2021, the Company has taken steps to (1) review how to report the business execution status, (2) record the points of discussions on the executive side and discussions at meetings of the Board of Directors in the meeting materials, (3) provide

feedback to the executive side after the discussions at Board of Directors' meetings, and (4) hold preliminary discussions with independent directors at the Meetings of Independent Directors, etc. As a result of these efforts, communication with the executive side has been strengthened and the function of the Board of Directors as a monitoring board has been enhanced.

- Based on the above, the Company believes that the effectiveness of the Board of Directors has been continuously improved based on the effectiveness evaluation results so far. We will continue with these initiatives in fiscal 2022 and strive to make further improvements.

- In fiscal 2021, the Company placed a greater emphasis on monitoring of individual business issues, but in fiscal 2022, it will strengthen monitoring of initiatives related to the business foundation area, among other various initiatives to enhance corporate value.

### Future Initiatives for Improving Effectiveness

- Among various initiatives and measures to enhance corporate value, the Company will focus on initiatives concerning the business foundation area and strengthen

monitoring by holding preliminary discussions at the Meetings of Independent Directors, offline meetings, etc.

- The Company will continue to strengthen two-way communication between the Board of Directors and the executive side, with a focus on the following initiatives started in fiscal 2021.
  - Providing feedback to the executive side on the details of discussions at Board of Directors' meetings
  - Reporting to the Board of Directors on the details of discussions at the Executive Council

## Training and Succession Plan for Directors and Executive Officers

### Training for Directors and Executive Officers

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

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

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

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

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



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

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

- The system aims to secure talented human resources who can contribute to the Company's sustainable development, and appropriately compensate for such efforts.
- The system aims to share values widely with stakeholders and promote not only short-term growth, but also medium- to long-term growth.
- In offering the incentive for accomplishing consolidated business result targets, the system shall be devised with due consideration of the characteristics of each business so that directors and executive officers can fully carry out their roles.
- 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

- 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.
- 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.

- 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.
- Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders are as follows.
  - Remuneration for directors (excluding directors who are Audit & Supervisory Committee members)
    - The limit of basic remuneration: Within a total of 460 million yen per fiscal year
    - The limit of performance-based compensation: Within a total of 240 million yen per fiscal year
    - Maximum points to be granted for medium- to long-term incentive compensation: Within a total of 424,100 points per fiscal year
  - Remuneration for directors who are also Audit & Supervisory Committee members (basic remuneration only)
    - Within a total of 132 million yen per fiscal year

### 3 Performance-Based Compensation

- 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.
- 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 portion linked to individual evaluation is determined by comprehensively taking into account the status of ESG-related initiatives in the commissioned duties of each director and executive officer.

- The calculation methods for the standard pay amount and coefficients for each rank and remuneration rank are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
- 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 and strengthen the business foundation with an awareness of cost of capital. The base value for calculation is set at a ROIC of 5%, based on the targets set forth in the Medium-Term Management Plan.

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

**Performance-based compensation (portion linked to division performance) = Standard pay amount for each rank and remuneration rank\*1 × Coefficient based on evaluation index\*2**

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

\*2 The ROIC for the evaluation period is used as an evaluation index. Coefficient is calculated based on a certain formula.

For the Coefficient Calculation Formula Based on Evaluation Indicators, please see p. 103 of the ESG Data Book.

### 4 Medium- to Long-Term Incentive Compensation

- For medium- to long-term incentive compensation, a system known as Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit uses a base point number calculated based on the standard pay amount for each rank and remuneration rank, and the number of points determined by multiplying the base point number by 0–100% according to consolidated 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 number of the Company's shares will be provided according to the number of points granted.

Note: Since the Company considers the return of profits to shareholders as an important issue for management, it uses net income attributable to owners of the parent (hereinafter "net income") as the evaluation indicator. The base value for the calculation is net income of 79.4 billion yen, which is based on the dividend payout ratio set forth in the Company's dividend policy.

- The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
- As funds for acquisition of shares 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 the Company will contribute an amount derived by deducting the amount of the remaining Company shares, etc. from 1.1 billion yen.

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

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

\*1 Stipulated in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.

\*2 Determined based on the results of dividends and net income.

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

- Basic remuneration will be paid every month from the month of appointment to the position in a monthly amount derived by dividing basic remuneration based on rank and remuneration rank by 12 months. If there is a change to the basic remuneration in the middle of the month due to a change in the assigned tasks and other reasons, the revised remuneration will be paid from the month following the change.
- Of performance-based compensation, the amount for the portion linked to division performance will be determined based on the calculation formula after the end of each fiscal year and paid 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 in an amount determined according to the results of individual evaluation based on the calculation formula after the end of each fiscal year, together with the portion linked to division performance.
- In terms of medium- to long-term incentive compensation, the number of points will be determined based on the calculation formula after the end of each fiscal year and granted on June 30 each year. Company shares, etc., will be provided every three years on a fixed date during the trust period.

### 6 Method to Determine Remuneration Standards

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

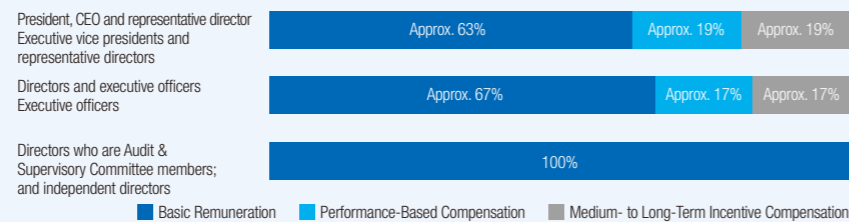
### 7 Method to Determine and Examine Remuneration Policy

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

### Reference

#### Composition of Remuneration for Directors and Executive Officers

The bar graph on the right shows the composition of remuneration. 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.



\*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 graph represent the case where each pay amount is 100% of the base amount. In addition to the above amount, the amount for the portion linked to individual evaluation is paid in the range of -5% to 5% of basic remuneration.

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

Reference

Base Value and Actual Value for Each Remuneration Category

Remuneration Category	Performance-Based Compensation	Medium- to Long-Term Incentive Compensation
Index	ROIC	Net income attributable to owners of the parent
Base value for fiscal 2021	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 in Recent Fiscal Years

The following items regarding the remuneration for directors and executive officers in fiscal 2021 have been deliberated by the Nomination & Compensation Committee and then decided on by the Board of Directors.

Timing	Items deliberated and decided on
Aug. 2021	Lifting of reduction to basic remuneration
Feb. 2022	Review of the remuneration system for directors and executive officers (evaluation indicators for performance-based compensation and performance levels for medium- to long-term incentive compensation)
Apr. and May 2022	Review of the officer remuneration system (payment timing of performance-based compensation)
May 2022	Amounts of performance-based compensation and medium- to long-term incentive compensation in fiscal 2021

FY2021 Remuneration for Directors

Category	Number of directors (Persons)	Amount (Millions of yen)	Breakdown of Total Remuneration (Millions of yen)			Remarks
			Basic Remuneration	Performance-Based Compensation	Medium- to Long-Term Incentive Compensation	
Directors excluding Audit & Supervisory Committee members (of whom are independent directors)	11 (3)	480 (40)	321 (40)	84 (—)	74 (—)	The number of payees and the amount of payment include three internal directors (who are not Audit & Supervisory Committee members) who resigned during fiscal 2021.
Directors who are Audit & Supervisory Committee members (of whom are independent directors)	5 (3)	109 (44)	109 (44)	— (—)	— (—)	
Total	16	589	430	84	74	

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

Remuneration for Accounting Auditor

In fiscal 2021, remuneration and other amounts payable to the Accounting Auditor by the Company totaled 159 million yen, and the total amount of money and other financial interests payable by the Company and its subsidiaries was 477 million yen.

Strategic Holdings of Shares

Basic Policy on Strategic Holdings of Shares

For the Company's basic policy on strategic holdings of shares, please see p. 105 of the ESG Data Book.

Criteria for Exercising Voting Rights

For the Company's criteria for the exercising of voting rights for strategic holdings of shares, please see p. 105 of the ESG Data Book.

Verification Results Regarding Strategic Holdings of Shares (As of March 31, 2022)

Targets	All the strategic holdings of shares that the Company holds in listed companies as of March 31, 2022 (30 stocks)
Verification details	We verified whether the holding of each company's shares contributes to strengthening the Company's business foundation and to improving the Company's corporate value over the medium to long term, based on the following evaluation items, and comprehensively judged the reasonableness of each shareholding. <b>Evaluation items</b> (i) Scale and importance as a business partner (volume of transactions, share of transactions, and stable procurement) (ii) Relationship as an alliance partner (economic effect of the alliance) (iii) Dividend yield

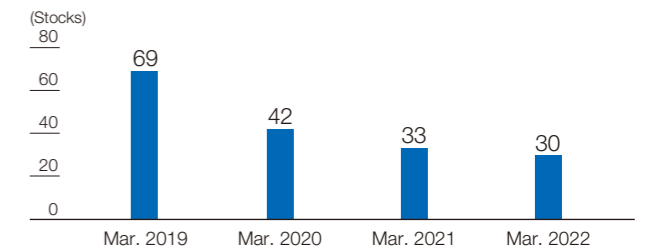
Verification Results

- In fiscal 2021, the Company reviewed the significance of strategic holdings of shares in listed companies from the perspective of improving the capital and asset efficiency. As a result, it was confirmed that, of the 33 stocks that the Company held as of the end of March 2021, all shares in five stocks had been sold under the agreement with the counterparties. On the other hand, the Company confirmed that a total of two stocks have been added to its strategic holdings of shares. One is a stock that was removed from the Company's equity-method affiliates due to the partial sale of the Company's holdings, and another is a stock for which the Company took over the disposal of treasury shares through a third-party allotment in connection with a capital and business alliance.
- As of March 31, 2022, the Company holds 30 stocks. The holdings of these shares have been judged to be reasonable as they are contributing to strengthening the Company's business foundation and to enhancing the

Company's corporate value over the medium to long term, based on the scale and importance of the companies as business partners (volume of transactions, share of transactions, and stable procurement) and the relationships as alliance partners.

Going forward, the Company will continue to verify the necessity of strategic holdings of shares in listed companies, and those holdings that are judged to have diminished significance will be reduced through sale or other means.

Changes in the Company's Strategic Holdings of Shares



Approach to Listed Group Companies

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

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

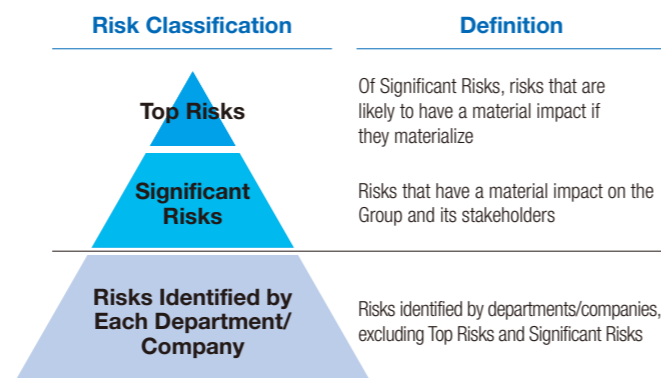
Listed subsidiaries	Benefits of listing	Uniqueness of business	Independent directors
Nippon Koshuha Steel Co., Ltd.	<ul style="list-style-type: none"> <li>Heightened employee motivation</li> <li>Highly skilled human resources</li> <li>Flexible fundraising from capital markets</li> </ul>	<ul style="list-style-type: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

# Risk Management

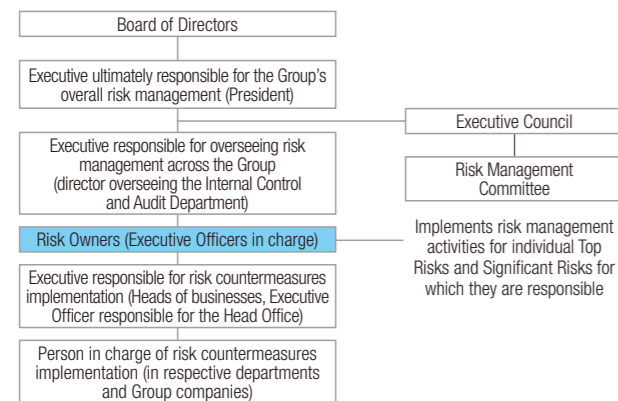
## Basic Policy

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

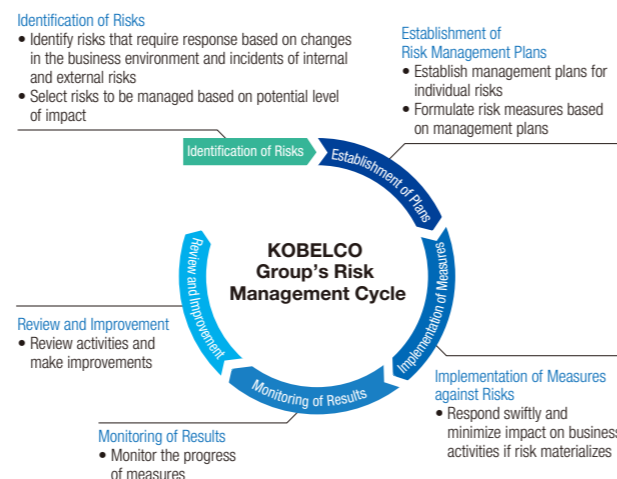
### Classification and Definition of Risks



## Management Structure



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



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

For our response to major risks, please refer to Risk Management on pp. 112–113 of the ESG Data Book.

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

# Compliance

Based on the Group Corporate Philosophy, the KOBELCO Group has positioned compliance as one of the key components of the business foundation that supports its business and is working to build organizational structures and implement the initiatives as outlined below.

## Compliance Code and Standards

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

The KOBELCO Group's Compliance Program consists of five pillars: (1) Risk Assessment and Commitment, (2) Setting Rules and Procedures and Securing Resources, (3) Training and Communication, (4) Monitoring and Response to Reports, and (5) Review and Improvement. By assessing the progress of the compliance activities of the Company and its Group companies with a focus on these five items and implementing them based on the characteristics of respective businesses and regions, we will carry out comprehensive and effective compliance activities throughout the Group.

## Compliance Structure

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

### (1) Compliance Committee

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

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

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

### KOBELCO Group's Compliance Program

Risk Assessment and Commitment

Setting Rules and Procedures and Securing Resources

Training and Communication

Monitoring and Response to Reports

Review and Improvement

## Compliance-Related Initiatives

Specific activities include regular communication by top management about their commitment to compliance, creation of various manuals, implementation of compliance education, establishment/operation of internal reporting system, and regular implementation of compliance awareness surveys.

For other initiatives, please refer to Compliance on pp. 107–111 of the ESG Data Book.