

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

(Stock Exchange No.: 5406)

May 30, 2024

**NOTICE OF
THE 171ST ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

Kobe Steel, Ltd. (“the Company”) would hereby like to inform you that the 171st Ordinary General Meeting of Shareholders will be held as follows. In the convocation of the Ordinary General Meeting of Shareholders, the Company provides information that constitutes the content of reference documents for the General Meeting of Shareholders, etc., in electronic form. Matters subject to measures for electronic provision are posted on the following websites.

The Company’s website:

<https://www.kobelco.co.jp/ir/library/convocation/index.html> (in Japanese)

Website to access the reference documents for the General Meeting of Shareholders:

<https://d.sokai.jp/5406/teiji/> (in Japanese)

If you are not going to attend the meeting, please carefully read the reference documents for the General Meeting of Shareholders and exercise your voting rights no later than 5:30 p.m., Tuesday, June 18, 2024, Japan Standard Time (JST).

➤ **Voting in writing (by mail)**

Please return to us the voting form enclosed herewith, indicating your approval or disapproval of each item to be resolved.

➤ **Voting via the Internet**

Please read the “Guide to Exercising Voting Rights” and input your approval or disapproval of each item to be resolved in accordance with the instructions on the website.

Yours faithfully,

Yoshihiko Katsukawa

President, CEO and Representative Director

Kobe Steel, Ltd.

2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo

1. Date and Time: **10:00 a.m., Wednesday, June 19, 2024** (JST) (The venue is scheduled to be open at 9:00 a.m.)

2. Venue: Kobe International Exhibition Hall No. 2 Building (first floor)
11-1, Minatojima-nakamachi 6-chome, Chuo-ku, Kobe, Hyogo

3. Meeting Agenda:

- Matters to be reported:*
1. The business report, consolidated financial statements, and non-consolidated financial statements for the 171st business term (from April 1, 2023 to March 31, 2024)
 2. The results of audits by Accounting Auditors and the Audit & Supervisory Committee concerning the consolidated financial statements for the 171st business term

Matters to be resolved:

- Item 1: Election of eight (8) directors (excluding directors who are Audit & Supervisory Committee members)
- Item 2: Election of four (4) directors who are Audit & Supervisory Committee members
- Item 3: Election of one (1) director who is a substitute Audit & Supervisory Committee member
- Item 4: Revision of the amount of performance-based compensation for directors
- Item 5: Revision of the amount of stock compensation for directors and other particulars

4. Matters regarding this Notice of Convocation

(1) Scope of documents to be sent to shareholders who have made a request for documents in physical form

For the shareholders who have made a request for documents in physical form, the Company shall send printed copies of documents that contain matters subject to measures for electronic provision. Based on laws and regulations and the provisions of the Company's Articles of Incorporation, these documents to be provided in physical form shall not include matters that should be displayed as the status of assets and results of operations of the Company, stock acquisition rights, etc. of the Company, the structures for ensuring the propriety of business operations, the operational status of the structure for ensuring the propriety of business operations, the basic policy for parties who have control over decisions of the Company financial and business policies (basic policy on corporate control), consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and notes to non-consolidated financial statements.

The status of assets and results of operations of the Company, stock acquisition rights, etc. of the Company, the structures for ensuring the propriety of business operations, the operational status of the structure for ensuring the propriety of business operations, and the basic policy for parties who have control over decisions of the Company financial and business policies (basic policy on corporate control) were audited as part of the business report by the Audit & Supervisory Committee in the course of the preparation of its audit report, while the consolidated statements of changes in net assets, notes to consolidated financial statements, non-consolidated statements of changes in net assets, and the notes to nonconsolidated financial statements were audited as part of the consolidated financial statements and the non-consolidated financial statements by Accounting Auditors and the Audit & Supervisory Committee in the course of the preparation of their audit reports.

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

In the event that the Company revises Reference Documents for the General Meeting of Shareholders, business report, and consolidated and non-consolidated financial statements, a notice of the revisions and the details of the matters before and after the revisions will be posted on the websites provided on page 1.

Guide to Exercising Voting Rights

Voting rights at the General Meeting of Shareholders are important rights held by shareholders. Please exercise your voting right after reviewing the Reference Documents for the General Meeting of Shareholders.

Voting rights can be exercised by the following three methods.

Exercising Voting Rights in Writing (by mail)



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

Deadline for the exercise of voting rights: To be received no later than 5:30 p.m. Tuesday, June 18, 2024 (JST)

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



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

Deadline for the exercise of voting rights: To be registered no later than 5:30 p.m. Tuesday, June 18, 2024 (JST)

By Attending the General Meeting of Shareholders



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

Date and time of the Meeting: Wednesday, June 19, 2024, at 10:00 a.m. (JST)
The venue is scheduled to be open at 9:00 a.m. (JST).

- (1) If you have expressed neither approval nor disapproval for each item to be resolved on the voting form in exercising your voting rights in writing (by mail), it shall be treated as an approval vote.
- (2) If voting rights are exercised more than once via the Internet, the last vote exercised shall be deemed valid.
- (3) If voting rights are exercised both in writing (by mail) and via the Internet, the vote exercised via the Internet shall be deemed valid.

Guide to Exercising Voting Rights via the Internet

By Entering Login ID and Temporary Password

Link to the Exercise of Voting Rights website: <https://evote.tr.mufg.jp/> (in Japanese)

1. Please access the Exercise of Voting Rights website.
2. Enter your Login ID and Temporary Password provided on the voting form and click on Login.
3. Please follow on-screen instructions and indicate your approval or disapproval of each item to be resolved.

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

Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel.: 0120-173-027 (This toll-free number is available only in Japan.) (9:00 a.m. - 9:00 p.m. JST)
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- (ii) As for inquiries other than those covered in item (i) above, please contact the following office:

Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation Tel.: 0120-094-777 (This toll-free number is available only in Japan.) (9:00 a.m. - 5:00 p.m. JST, excluding Saturdays, Sundays, and Japanese national holidays)
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1. The Exercise of Voting Rights website is not available from 2:30 a.m. to 4:30 a.m. JST every day.
2. Institutional investors may use the electronic voting platform for institutional investors operated by ICJ, Inc.
3. The costs incurred for the access to the Exercise of Voting Rights website (such as provider's Internet connection fees and communication charges) shall be borne by the shareholders.

Please submit the enclosed voting form at the reception desk when you attend the meeting in person.

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

1. Total Number of Voting Rights Held by All Shareholders:

3,919,532

2. Agenda Items and Reference Documents:

Item 1: Election of eight (8) directors (excluding directors who are Audit & Supervisory Committee members)

The terms of office of the eight (8) incumbent directors (excluding directors who are Audit & Supervisory Committee members; hereinafter, the same shall apply in this Item) will expire at the conclusion of the 171st Ordinary General Meeting of Shareholders. Accordingly, it is proposed that eight (8) directors be elected.

In evaluating this Item, the Audit & Supervisory Committee examined the content of the deliberations at the Nomination & Compensation Committee, one (1) of whose members is an outside director who is an Audit & Supervisory Committee member, and concluded that there were no specific issues with the procedures for selecting candidates, and that the candidates were selected in accordance with the Company's Principles on Appointment of Candidates for Directors and there are no specific matters to be declared.

The candidates for directors are as follows.

(Please also see "Reference: Knowledge, Experience, and Skills That are Particularly Expected to be Demonstrated to Improve the Functions of the Board of Directors (Skills Matrix)" and "Reference: The Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors.")


List of the candidates for directors (excluding directors who are Audit & Supervisory Committee members)


No.	Name	Reappointment/New appointment Internal/Outside	Independent director registered at the financial instruments exchange	Current position
1	Yoshihiko Katsukawa (male)	Reappointment Internal	-	President, CEO and Representative Director, Compliance Committee Member, Nomination & Compensation Committee Member, Corporate Governance Committee Member
2	Hajime Nagara (male)	Reappointment Internal	-	Executive Vice President and Representative Director, Compliance Committee Member, Corporate Governance Committee Member
3	Koichi Sakamoto (male)	Reappointment Internal	-	Director, Executive Officer, Quality Management Committee Member
4	Shinji Miyaoka (male)	Reappointment Internal	-	Director, Executive Officer
5	Kazuhiko Kimoto (male)	New appointment Internal	-	Executive Officer, Corporate Governance Committee Member
6	Yumiko Ito (female)	Reappointment Outside	✓	Director, Corporate Governance Committee Member (Committee Chair)
7	Shinsuke Kitagawa (male)	Reappointment Outside	✓	Director, Corporate Governance Committee Member
8	Yoshie Tsukamoto (female)	New appointment Outside	✓	-


Reappointment: Candidates for directors to be reappointed
New appointment: Candidates for directors to be newly appointed
Internal: Candidates for internal directors
Outside: Candidates for outside directors

- Note 1: In order to secure superior talent and prevent directors from being intimidated in the performance of their duties, the Company enters into a compensation agreement with each director, to compensate expenses stipulated in Article 430-2, paragraph 1 of the Companies Act. If each candidate is elected as a director, the Company plans to renew the said agreement with reelected candidates and enter into a similar compensation agreement with newly elected candidate. For details regarding the agreement, please refer to “Directors, Audit & Supervisory Committee Members and Executive Officers” in Section 3 of the Business Report.
- Note 2: The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act with all directors as the insured in order to secure superior talent and prevent directors from being intimidated in the performance of their duties. If each candidate is elected as director, they will become the insured under the said insurance contract. Prior to the renewal of said insurance contract, the Board of Directors will pass a resolution for the renewal of said insurance. For details regarding the insurance contract, please refer to “Directors, Audit & Supervisory Committee Members and Executive Officers” in Section 3 of the Business Report.
- Note 3: If Yumiko Ito is reelected as a director, she will be appointed as Chair of the Board of Directors at the first Board of Directors meeting held after this General Meeting of Shareholders.


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

No. 1	Yoshihiko Katsukawa (Date of birth: March 12, 1962)		
Reappointment/ Internal Director			
Number of shares of the Company owned: 43,600 shares			
Attendance at Board of Directors meetings during fiscal 2023: 19/19 meetings held (100%)			
Career summary (positions)		Reasons for selecting the candidate	
April 1985:	Joined the Company	As Yoshihiko Katsukawa has abundant experience and knowledge in the Company's corporate planning department and planning and administration departments under the business divisions, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In order for the Company to complete the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) and achieve further growth, top management is required to take an objective and comprehensive view. In this regard, the Company deems that Yoshihiko Katsukawa, who has abundant experience in business management of the Group, including corporate planning, accounting and finance in the Head Office divisions, is well qualified for the position.	
April 2015:	Officer		
April 2017:	Managing Executive Officer		
April 2018:	Senior Managing Executive Officer		
June 2018:	Director, Senior Managing Executive Officer		
April 2021:	Director, Executive Officer		
April 2023:	Executive Vice President and Director		
April 2024:	President, CEO and Director (incumbent)		
Duties and significant concurrent positions			
Not applicable			


No. 2	Hajime Nagara (Date of birth: July 5, 1961)		
Reappointment/ Internal Director			
Number of shares of the Company owned: 42,400 shares			
Attendance at Board of Directors meetings during fiscal 2023: 19/19 meetings held (100%)			
Career summary (positions)		Reasons for selecting the candidate	
April 1985:	Joined the Company	As Hajime Nagara has abundant experience and knowledge in the human resources department and the planning and administration departments in the business divisions, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In addition, the Company deems that Hajime Nagara, who has abundant experience in the human resources department and planning department, is well qualified as a person to supervise the departments that serve as the foundation of sustainability management, such as internal control, compliance, safety and health, environmental protection and disaster prevention, legal affairs, general administration, human resources, procurement, etc.	
April 2016:	Officer		
April 2018:	Managing Executive Officer		
April 2020:	Senior Managing Executive Officer		
June 2020:	Director, Senior Managing Executive Officer		
April 2021:	Director, Executive Officer		
April 2023:	Executive Vice President and Director (incumbent)		
Duties and significant concurrent positions			
Oversees the Internal Control and Audit Department, the Environment and Safety Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance. Oversees companywide safety and health. Oversees companywide environmental protection and disaster prevention.			

No. 3	Koichi Sakamoto (Date of birth: April 30, 1964)	
Reappointment/ Internal Director		
Number of shares of the Company owned: 17,200 shares		
Attendance at Board of Directors meetings during fiscal 2023: 14/14 meetings held (100%)		
Career summary (positions)		Reasons for selecting the candidate
April 1990:	Joined the Company	As Koichi Sakamoto has abundant experience and knowledge in the fields of technical development and technology planning in the Company's Technical Development Group and the Steel & Aluminum Business, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In addition, the Company deems that Koichi Sakamoto, who has extensive experience in the fields of technical development and technology planning, is well qualified as a person to supervise the technical development and intellectual property domains, which drive value creation and the field of quality, which supports sustainable growth.
April 2012:	General Manager of the Materials Research Laboratory in the Technical Development Group	
October 2017:	General Manager of the Development Planning Department	
April 2019:	Executive Officer	
June 2023:	Director, Executive Officer (incumbent)	
Duties and significant concurrent positions		
Oversees the Quality Management Department, Technology Strategy & Planning Department, and the Intellectual Property Department. Oversees the Technical Development Group. Oversees companywide quality. Oversees companywide TQM activities. Oversees companywide technical development.		

- Koichi Sakamoto was appointed as a director on June 21, 2023. Since then, the Board of Directors has met 14 times.

No. 4	Shinji Miyaoka (Date of birth: July 21, 1969)		
Reappointment/ Internal Director			
Number of shares of the Company owned: 2,400 shares			
Attendance at Board of Directors meetings during fiscal 2023: 14/14 meetings held (100%)			
Career summary (positions)		Reasons for selecting the candidate	
April 1994:	Joined the Company	As Shinji Miyaoka has abundant experience and knowledge in the Company's corporate planning department and the field of product technology in the steel business, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In addition, the Company deems that Shinji Miyaoka, who has abundant experience in the Company's corporate planning department and the field of product technology, is well qualified as a person to supervise the creation of new business and the promotion of digital transformation.	
April 2018:	General Manager of the Corporate Planning Department		
April 2022:	Executive Officer		
June 2023:	Director, Executive Officer (incumbent)		
Duties and significant concurrent positions			
Oversees the Business Development Department and the IT Planning Department. Oversees companywide information systems.			

- Shinji Miyaoka was appointed as a director on June 21, 2023. Since then, the Board of Directors has met 14 times.

No. 5	Kazuhiko Kimoto (Date of birth: September 15, 1965)		
New appointment/ Internal Director			
Number of shares of the Company owned: 27,700 shares			
Attendance at Board of Directors meetings during fiscal 2023: Not applicable			
Career summary (positions)		Reasons for selecting the candidate	
April 1988:	Joined the Company	As Kazuhiko Kimoto has abundant experience and knowledge in the field of sales in the Company's Steel & Aluminum Business, the Company deems that he is well qualified to be a director of the Company in light of the Company's Principles on Appointment of Candidates for Directors. In addition, the Company considers that Kazuhiko Kimoto, who has abundant experience relating to the formulation and promotion of important business strategies in the Steel & Aluminum Business, is well qualified as a person to supervise the Head Office divisions that supports the implementation of the management reforms of the Group, such as corporate planning, finance and accounting.	
April 2018:	Executive Officer		
April 2020:	Managing Executive Officer		
April 2021:	Executive Officer (incumbent)		
Duties and significant concurrent positions			
Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office). Responsible for the special assignments from the president and CEO. Assists the director overseeing the General Administration and CSR Department in IR activities.			


No. 6	Yumiko Ito (Date of birth: March 13, 1959)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 8,400 shares		
Attendance at Board of Directors meetings during fiscal 2023: 19/19 meetings held (100%)		
Term of office as Outside Director of the Company: 5 years		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1984:	Legislation Staff (<i>Sanji</i>), The Legislative Bureau of the House of Representatives of Japan	As Yumiko Ito has the ability to make objective, fair and neutral judgment based on her abundant experience and deep insight centered on legal affairs in corporate management, the Company deems that she is well qualified to be an independent director of the Company in light of the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. Yumiko Ito has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and she also has provided advice and recommendations on the Company's management system that contributes to sustainable growth and enhanced corporate value from an independent and fair viewpoint at the Corporate Governance Committee meetings as Committee Chair. The Company expects Yumiko Ito to continue to properly carry out her roles such as overseeing business executions as an independent director of the Company.
April 1989:	Admitted to the bar in Japan Joined Sakawa Law Office	
July 1991:	Joined Tanabe & Partners	
April 2001:	General Counsel, Legal & Patent Operation of GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)	
May 2004:	Staff Counsel, Legal & Intellectual Property of IBM Japan, Ltd.	
March 2007:	Executive Officer, Legal & Corporate Affairs of Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)	
April 2013:	Executive Officer and General Counsel of Sharp Corporation	
June 2013:	Director, Executive Officer and General Counsel of Sharp Corporation	
April 2014:	Director, Executive Managing Officer and General Counsel of Sharp Corporation	
June 2016:	Executive Managing Officer and General Counsel of Sharp Corporation	
April 2019:	Established Ito Law Office; appointed as Representative (incumbent)	
June 2019:	Director of the Company (incumbent) Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd.	
March 2023:	Outside Director of NIPPON EXPRESS HOLDINGS, INC. (incumbent)	
Duties and significant concurrent positions		
Representative of Ito Law Office Outside Director of NIPPON EXPRESS HOLDINGS, INC.		

- Yumiko Ito is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company has registered Yumiko Ito as an independent director at the financial instruments exchange. If Yumiko Ito is elected as a director, she will continue to be registered as an independent director.

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

GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)	Left the executive position in April 2004 (three or more years have passed.)
IBM Japan, Ltd.	Left the executive position in February 2007 (three or more years have passed.)
Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)	Left the executive position in March 2013 (three or more years have passed.)
Sharp Corporation	Left the executive position in March 2019 (three or more years have passed)
Sakawa Law Office	Left office in July 1991 (three or more years have passed.)
Tanabe & Partners	Left office in March 2001 (three or more years have passed.)
Ito Law Office	No business transactions with the Company.

- The Company has entered into an agreement with Yumiko Ito that the limit of her liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If Yumiko Ito is elected as a director at the 171st Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with her.


No. 7	Shinsuke Kitagawa (Date of birth: March 5, 1958)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 2,500 shares		
Attendance at Board of Directors meetings during fiscal 2023: 19/19 meetings held (100%)		
Term of office as Outside Director of the Company: 2 years		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1981:	Joined the Ministry of International Trade and Industry	As Shinsuke Kitagawa has the ability to make objective, fair and neutral judgment based on his abundant experience in economic and industrial policies, in the natural resources and energy fields, as well as his deep insight into industry in general gained from his experience in the different business fields from ours, the Company deems that he is well qualified to be an independent director of the Company in light of the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. Shinsuke Kitagawa has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and at the Corporate Governance Committee meetings as well, he has provided advice and recommendations on the Company's management system that contributes to sustainable growth and enhanced corporate value from an independent and fair viewpoint. The Company expects Shinsuke Kitagawa to continue to properly carry out his roles such as overseeing business executions as an independent director of the Company.
September 2012:	Director-General, Trade and Economic Cooperation Bureau, the Ministry of Economy, Trade and Industry (METI)	
June 2013:	Commissioner, Small and Medium Enterprise Agency, METI	
July 2015:	Retired from METI	
November 2015:	Advisor of MITSUI & CO., LTD.	
April 2016:	Executive Managing Officer of MITSUI & CO., LTD.	
April 2019:	Senior Executive Managing Officer of MITSUI & CO., LTD.	
July 2020:	President & CEO of Mitsui & Co. Global Strategic Studies Institute	
June 2022:	Director of the Company (incumbent)	
March 2023:	Left the post of Senior Executive Managing Officer of MITSUI & CO., LTD. Left the post of President & CEO of Mitsui & Co. Global Strategic Studies Institute	
April 2023:	Counselor (<i>Komon</i>) of MITSUI & CO., LTD.	
June 2023:	Outside Audit & Supervisory Board Member of YUTAKA TRUSTY SECURITIES CO., LTD. (incumbent) President of the Japan Commercial Arbitration Association (incumbent)	
Duties and significant concurrent positions		
Outside Audit & Supervisory Board Member of YUTAKA TRUSTY SECURITIES CO., LTD. President of the Japan Commercial Arbitration Association		

- Shinsuke Kitagawa is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company has registered Shinsuke Kitagawa as an independent director at the financial instruments exchange. If Shinsuke Kitagawa is elected as a director, he will continue to be registered as an independent director.

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

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

- The Company has entered into an agreement with Shinsuke Kitagawa that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If Shinsuke Kitagawa is elected as a director at the 171st Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with him.

No. 8	Yoshie Tsukamoto (Date of birth: January 12, 1963)	
New appointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 0 shares		
Attendance at Board of Directors meetings during fiscal 2023: Not applicable		
Term of office as Outside Director of the Company:- years		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1986:	Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION	As Yoshie Tsukamoto has the ability to make objective, fair and neutral judgment based on her abundant experience in the different business fields from ours in the world of industry and deep insight as a corporate executive, the Company deems that she is well qualified to be an independent director of the Company in light of the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. The Company expects Yoshie Tsukamoto to actively provide advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and properly carry out her roles such as overseeing business executions as an independent director of the Company.
June 2000:	General Manager, goo company of NTT-X Corporation	
November 2002:	General Manager, MSN Business Department of Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)	
July 2003:	Executive Officer of Microsoft Co., Ltd.	
February 2007:	Vice President and General Manager, Media Business Preparation Office of ACCESS CO., LTD.	
August 2008:	General Manager, Marketing Solution Office, Corporate Planning Department of NTT Communications Corporation	
October 2012:	President, CEO and Representative Director of NTTCom Online Marketing Solutions Corporation (incumbent)	
Duties and significant concurrent positions		
President, CEO and Representative Director of NTTCom Online Marketing Solutions Corporation		

- Yoshie Tsukamoto is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- If Yoshie Tsukamoto is elected as a director at the 171st Ordinary General Meeting of Shareholders, the Company will register her as an independent director at the financial instruments exchange.
- Yoshie Tsukamoto meets the Company's Standards for Independent Directors. The summary is as follows.

NIPPON TELEGRAPH AND TELEPHONE CORPORATION	Left the executive position in June 2000 (three or more years have passed.)
NTT-X Corporation	Left the executive position in November 2002 (three or more years have passed.)
Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)	Left the executive position in February 2007 (three or more years have passed.)
ACCESS CO., LTD.	Left the executive position in August 2008 (three or more years have passed.)
NTT Communications Corporation	Left the executive position in October 2012 (three or more years have passed.)
NTTCom Online Marketing Solutions Corporation	No business transactions with the Company

- If Yoshie Tsukamoto is elected as a director at the 171st Ordinary General Meeting of Shareholders, the Company will enter into an agreement with her that the limit of her liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.

Item 2: Election of four (4) directors who are Audit & Supervisory Committee members

The terms of office of four (4) of the five (5) incumbent directors who are Audit & Supervisory Committee members will expire at the conclusion of the 171st Ordinary General Meeting of Shareholders. Accordingly, it is proposed that four (4) directors who are Audit & Supervisory Committee members be elected.

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

The candidates for directors who are Audit and Supervisory Committee members are as follows. (Please also see “Reference: Knowledge, Experience, and Skills That are Particularly Expected to be Demonstrated to Improve the Functions of the Board of Directors (Skills Matrix)” and “Reference: The Company’s Principles on Appointment of Candidates for Directors and Standards for Independent Directors.”)

No.	Name	Reappointment/New appointment Internal/Outside	Independent director registered at the financial instruments exchange	Current position
1	Yuichiro Goto (male)	New appointment Internal	-	Executive Officer
2	Masaaki Kono (male)	Reappointment Outside	✓	Audit & Supervisory Committee Member (Committee Chair) Nomination & Compensation Committee Member Corporate Governance Committee Member
3	Kunio Miura (male)	Reappointment Outside	✓	Audit & Supervisory Committee Member Compliance Committee Member (Committee Chair)
4	Nobuko Sekiguchi (female)	Reappointment Outside	✓	Audit & Supervisory Committee Member

Reappointment: Candidates for directors to be reappointed
 New appointment: Candidates for directors to be newly appointed
 Internal: Candidates for internal directors
 Outside: Candidates for outside directors

Note 1: In order to secure superior talent and prevent directors from being intimidated in the performance of their duties, the Company enters into a compensation agreement with each director who is an Audit & Supervisory Committee member, to compensate expenses stipulated in Article 430-2, paragraph 1 of the Companies Act. If each candidate is elected as a director who is an Audit & Supervisory Committee member, the Company plans to renew the said agreement with the reelected candidates and enter into a similar compensation agreement with the newly elected Yuichiro Goto. For details regarding the agreement, please refer to “Directors, Audit & Supervisory Committee Members and Executive Officers” in Section 3 of the Business Report.


Note 2: The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act with all directors as the insured in order to secure superior talent and prevent directors from being intimidated in the performance of their duties. If each candidate is elected as a director who is an Audit & Supervisory Committee member, they will become the insured under the said insurance contract. Prior to the renewal of said insurance contract, the Board of Directors will pass a resolution for the renewal of said insurance. For details regarding the said insurance contract, please refer to “Directors, Audit & Supervisory Committee Members and Executive Officers” in Section 3 of the Business Report.

(Reference) Directors who will continue to serve as Audit & Supervisory Committee members are as follows.

Name	Reappointment/New appointment Internal/Outside	Independent director registered at the financial instruments exchange	Current position
Gyunu Matsumoto (male)	Internal	-	Audit & Supervisory Committee Member (full-time)

Internal: Internal directors

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

No. 1	Yuichiro Goto (Date of birth: July 17, 1964)	
New appointment/ Internal Director		
Number of shares of the Company owned: 24,503 shares		
Attendance at Board of Directors meetings during fiscal 2023: Not applicable		
Attendance at Audit & Supervisory Committee meetings during fiscal 2023: Not applicable		
Career summary (positions)		Reasons for selecting the candidate
April 1990:	Joined the Company	As Yuichiro Goto has abundant experience and knowledge in the field of technical development, technology planning, and project management in the Company's Technical Development Group, and in light of the Company's Principles on Appointment of Candidates for Directors, the Company deems that he is well qualified to be an Audit & Supervisory Committee member of the Company.
April 2017:	Executive Officer	
April 2020:	Managing Executive Officer	
April 2021:	Executive Officer (incumbent)	
Duties and significant concurrent positions		
Not applicable		

- If Yuichiro Goto is elected as a director who is an Audit & Supervisory Committee member at the 171st Ordinary General Meeting of Shareholders, he will be elected as a full-time Audit & Supervisory Committee Member at the first Audit & Supervisory Committee meeting held after this General Meeting of Shareholders.
- If Yuichiro Goto is elected as a director who is an Audit & Supervisory Committee member at the 171st Ordinary General Meeting of Shareholders, the Company will enter into an agreement with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.


No. 2	Masaaki Kono (Date of birth: February 24, 1957)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 5,800 shares		
Attendance at Board of Directors meetings during fiscal 2023: 19/19 meetings held (100%)		
Attendance at Audit & Supervisory Committee meetings during fiscal 2023: 17/17 meetings held (100%)		
Term of office as Outside Director of the Company: 4 years		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1979:	Joined The Dai-Ichi Kangyo Bank, Limited	As Masaaki Kono is able to make objective, fair and neutral judgment based on his abundant experience in credit management and financial management at financial institutions and his knowledge of the financial industry such as his deep insight as a corporate executive of financial institutions, the Company deems that he is well qualified to be an Independent Director who is an Audit & Supervisory Committee member of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors. He has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and, as Chair of the Audit & Supervisory Committee, he has contributed to the enhancement of the monitoring functions of the management of the Company. As a member of the Corporate Governance Committee and Nomination & Compensation Committee, he has provided advice and recommendations on the Company's management system that contributes to sustainable growth and enhanced corporate value from an independent and fair viewpoint. The Company expects Masaaki Kono to continue to properly carry out his roles such as overseeing business executions as an independent director of the Company. In addition, he has considerable knowledge of finance and accounting.
March 2006:	Executive Officer of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)	
April 2008:	Managing Executive Officer of Mizuho Corporate Bank, Ltd.	
April 2011:	Managing Executive Officer of Mizuho Financial Group, Inc.	
June 2011:	Managing Director and Managing Executive Officer of Mizuho Financial Group, Inc.	
April 2012:	Managing Executive Officer of Mizuho Bank, Ltd. Managing Executive Officer of Mizuho Corporate Bank, Ltd. Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.	
April 2013:	Director of Mizuho Financial Group, Inc. Deputy President and Deputy President - Executive Officer (Representative Director) of Mizuho Bank, Ltd. Deputy President & Executive Officer of Mizuho Corporate Bank, Ltd.	
July 2013:	Deputy President & Executive Officer of Mizuho Financial Group, Inc.	
April 2016:	Advisor of Orient Corporation	
June 2016:	President and Representative Director of Orient Corporation	
April 2020:	Chairman and Represent Director of Orient Corporation	
June 2020:	Chairman and Director of Orient Corporation (incumbent) Director, Audit & Supervisory Committee Member of the Company (incumbent)	
Duties and significant concurrent positions		
Chairman and Director of Orient Corporation		

- Masaaki Kono is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Masaaki Kono as an independent director at the financial instruments exchange. If Masaaki Kono is elected as a Director who is an Audit & Supervisory Committee member at the 171st Ordinary General Meeting of Shareholders, the Company will register Masaaki Kono again as an independent director at the financial instruments exchange.
- Until April 2016, Masaaki Kono held executive positions at Mizuho Bank, Ltd., which is one of the Company's major business partners.

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

Mizuho Financial Group, Inc.	Left the executive position in April 2016 (three or more years have passed.)
Mizuho Bank, Ltd. (Mizuho Corporate Bank, Ltd. was merged into Mizuho Bank, Ltd. in July 2013.)	Left the executive position in April 2016 (three or more years have passed.)
Mizuho Trust & Banking Co., Ltd.	Left the executive position in April 2013 (three or more years have passed.)
Orient Corporation	No business transactions with the Company (Orient Corporation is an affiliate of Mizuho Financial Group, Inc., which is the parent company of Mizuho Bank, Ltd., one of the Company's major lenders, but it is not involved in the Company's borrowing from Mizuho Bank, Ltd.)

- The Company has entered into an agreement with Masaaki Kono that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If Masaaki Kono is elected as a director who is an Audit & Supervisory Committee member at the 171st Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with him.

No. 3	Kunio Miura (Date of birth: February 13, 1953)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 5,800 shares		
Attendance at Board of Directors meetings during fiscal 2023: 19/19 meetings held (100%)		
Attendance at Audit & Supervisory Committee meetings during fiscal 2023: 17/17 meetings held (100%)		
Term of office as Outside Director of the Company: 4 years		

Career summary (positions)	Reasons for selecting the candidate and overview of expected roles
<p>April 1979: Appointed as judge</p> <p>March 1988: Resigned as judge</p> <p>April 1988: Admitted to the bar in Japan</p> <p>April 1997: Established Kawamoto and Miura Law Office; appointed as Representative (incumbent)</p> <p>June 2003: Outside Corporate Auditor of YAMAHA CORPORATION</p> <p>June 2008: Outside Audit & Supervisory Board Member of ASAHI INTELLIGENCE SERVICE CO., LTD. (incumbent)</p> <p>June 2010: External Corporate Auditor of Sumitomo Seika Chemicals Company, Limited.</p> <p>June 2020: Director, Audit & Supervisory Committee Member of the Company (incumbent)</p> <p>June 2021: External Director (Audit and Supervisory Committee Member) of Sumitomo Seika Chemicals Company, Limited.</p> <p>June 2023: External Director of Sumitomo Seika Chemicals Company, Limited. (incumbent)</p>	<p>As Kunio Miura is able to make objective, fair and neutral judgment based on his abundant experience as a judge and lawyer and insight as an outside officer of listed companies, even though he has experience in the management of a company merely as an outside director or an outside audit & supervisory board member, the Company deems that he is well qualified to be an Independent Director who is an Audit & Supervisory Committee member of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors. He has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and, as a member of the Audit & Supervisory Committee and Committee Chair of the Compliance Committee, he has contributed to the enhancement of the monitoring functions of the management of the Company. The Company expects Kunio Miura to continue to properly carry out his roles such as overseeing business executions as an independent director of the Company.</p>
<p>Duties and significant concurrent positions</p> <p>Representative of Kawamoto and Miura Law Office Outside Audit & Supervisory Board Member of ASAHI INTELLIGENCE SERVICE CO., LTD. External Director of Sumitomo Seika Chemicals Company, Limited.</p>	

- Kunio Miura is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- The Company registered Kunio Miura as an independent director at the financial instruments exchange. If Kunio Miura is elected as a director who is an Audit & Supervisory Committee member at the 171st Ordinary General Meeting of Shareholders, the Company will register Kunio Miura again as an independent director at the financial instruments exchange.
- Kunio Miura meets the Company's Standards for Independent Directors. The summary is as follows.

Kawamoto and Miura Law Office	No business transactions with the Company.
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- The Company has entered into an agreement with Kunio Miura that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If Kunio Miura is elected as a director who is an Audit & Supervisory Committee member at the 171st Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with him.

No. 4	Nobuko Sekiguchi (Date of birth: July 3, 1968)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 1,800 shares		
Attendance at Board of Directors meetings during fiscal 2023: 19/19 meetings held (100%)		
Attendance at Audit & Supervisory Committee meetings during fiscal 2023: 17/17 meetings held (100%)		
Term of office as Outside Director of the Company: 2 years		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
November 2005:	Joined CAPCOM CO., LTD.	As Nobuko Sekiguchi is able to make objective, fair and neutral judgment based on her abundant experience regarding finance, accounting and business management in the different business fields from ours in the world of industry and knowledge as an outside director who is an audit & supervisory committee member of another listed company, the Company deems that she is well qualified to be an Independent Director who is an Audit & Supervisory Committee member of the Company in light of the Company's principles on appointment of candidates for Directors and Standards for Independent Directors. She has actively provided advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and, as a member of the Audit & Supervisory Committee, she has contributed to the enhancement of the monitoring functions of the management of the Company. The Company expects Nobuko Sekiguchi to continue to properly carry out her roles such as overseeing business executions as an independent director of the Company. In addition, she has considerable knowledge of finance and accounting.
April 2011:	Corporate Officer supervising Management Planning, CAPCOM CO., LTD.	
April 2016:	Managing Cooperate Officer, Head of Management Planning and Human Resources, CAPCOM CO., LTD.	
June 2019:	Outside Director of DUSKIN CO., LTD. (incumbent)	
June 2020:	Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION (incumbent)	
June 2022:	Director, Audit & Supervisory Committee Member of the Company (incumbent)	
Duties and significant concurrent positions		
Outside Director of DUSKIN CO., LTD. Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION		

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

CAPCOM CO., LTD.	Left the executive position in March 2019 (three or more years have passed.)
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- The Company has entered into an agreement with Nobuko Sekiguchi that the limit of her liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If Nobuko Sekiguchi is elected as a director who is an Audit & Supervisory Committee member at the 171st Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with her.


Item 3: Election of one (1) director who is a substitute Audit & Supervisory Committee member

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

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

The candidate for director who is a substitute Audit & Supervisory Committee member is as follows.

There are no special interests between the candidate and the Company.

Hiroumi Shioji (Date of birth: January 28, 1957)		
Outside Director/ Independent Director registered at the financial instruments exchange		
Number of shares of the Company owned: 0 shares		
(Empty space)		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1987: Admitted to the bar in Japan. Joined Asaoka Law Office (currently Asaoka Taki Law & Accounting Office)	April 1991: Representative Lawyer, Shioji Law Office June 2007: External Auditor of TACHIBANA ELETECH CO., LTD. June 2015: Outside Director of Fuji Seal International, INC. (incumbent) December 2021: Representative Lawyer of Shioji Law Office (incumbent) June 2022: External Director of TACHIBANA ELETECH CO., LTD. (Audit & Supervisory Committee Member) (incumbent)	As Hiroumi Shioji has the ability to make objective, fair and neutral judgment based on his abundant experience as a lawyer and insight as an outside officer of listed companies, even though he has experience in the management of a company merely as an outside director or outside audit & supervisory board member, the Company deems that he is well qualified to be an independent director who is an Audit & Supervisory Committee member of the Company in light of the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. The Company expects Hiroumi Shioji to actively provide advice and recommendations on management at meetings of the Board of Directors and the Meetings of Independent Directors, and properly carry out his roles such as overseeing business executions as an independent director of the Company, if he is elected as a director who is an Audit & Supervisory Committee member.
Duties and significant concurrent positions		
Representative Lawyer, Shioji Law Office External Director of TACHIBANA ELETECH CO., LTD. (Audit & Supervisory Committee Member) Outside Director of Fuji Seal International, INC.		

- Hiroumi Shioji is a candidate for outside director who is a substitute Audit & Supervisory Committee member.
- If this Item is approved at the 171st Ordinary General Meeting of Shareholders and Hiroumi Shioji assumes the position as a director who is an Audit & Supervisory Committee member, the Company will register him as an independent director at the financial instruments exchange. Hiroumi Shioji meets the Company's Standards for Independent Directors. The summary is as follows.

Asaoka Law Office (currently Asaoka Taki Law & Accounting Office)	Left office in March 1991 (three or more years have passed.)
Shioji Law Office (currently Shioji Sogo Law Office)	No business transactions with the Company.

- If this Item is approved at the 171st Ordinary General Meeting of Shareholders and Hiroumi Shioji assumes the position as a director who is an Audit & Supervisory Committee member, the Company will enter into an agreement with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.
- In order to secure superior talent and prevent directors from being intimidated in the performance of their duties, the Company will enter into a compensation agreement with Hiroumi Shioji, if he is elected as a director who is an Audit & Supervisory Committee member, to compensate expenses stipulated in Article 430-2, paragraph 1 of the Companies Act. For details regarding the agreement, please refer to “Directors, Audit & Supervisory Committee Members and Executive Officers” in Section 3 of the Business Report.
- The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act with all directors as the insured in order to secure superior talent and prevent directors from being intimidated in the performance of their duties. If Hiroumi Shioji is elected as a director who is an Audit & Supervisory Committee member, he will become the insured under the said insurance contract. For details regarding the insurance contract, please refer to “Directors, Audit & Supervisory Committee members and Executive Officers” in Section 3 of the Business Report.

Item 4: Revision of the amount of performance-based compensation for directors

The current amount of performance-based compensation within remuneration for the Company's directors was resolved at the 169th Ordinary General Meeting of Shareholders held on June 22, 2022, to establish the limits on performance-based compensation for directors (excluding outside directors and directors who are Audit & Supervisory Committee members; hereinafter, the same shall apply in this Item) (This resolution is called hereinafter the "Original Resolution"), and it remains effective until the present.

This Item is to request approval for raising the limit of performance-based compensation per fiscal year from within a total amount of 240 million yen to within a total amount of 387 million yen, in order to increase the ratio of performance-based compensation with the aim of further increasing directors' incentive to achieve the targets set out in the Medium-Term Management Plan. As before, the amount of director remuneration does not include compensation for duties performed as an employee of the Company by directors who also hold an employee position.

Regarding performance-based compensation, the Company plans to pay an amount calculated by multiplying the predetermined base amount by a factor between 0% and 200% computed based on the Company's performance results, etc., where the payment would be within the previously stated limit of 387 million yen per fiscal year in the case that the maximum factor of 200% is applied. The Board of Directors will resolve detailed matters relating to the calculation of the amount of performance-based compensation such as the setting of specific numerical targets, calculation methods, the base amount by rank of each eligible director, and timing of payment, after hearing and discussing the opinion of the Nomination & Compensation Committee.

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

If Items 1 and 2 are approved as originally proposed, the number of directors who are eligible for performance-based compensation will be five (5), excluding outside directors and directors who are Audit and Supervisory Committee members.

*For details regarding the Company's fundamental policy for directors remuneration, please see the business report attached to this Notice of Convocation.

Item 5: Revision of the amount of stock compensation for directors and other particulars

The Company has obtained approval for the introduction of a stock compensation plan, Board Benefit Trust (BBT) (hereinafter the “Plan”) for the Company’s directors (excluding outside directors and directors who are Audit & Supervisory Committee members; hereinafter, the same shall apply in this Item) at the 163rd Ordinary General Meeting of Shareholders held on June 22, 2016, the 168th Ordinary General Meeting of Shareholders held on June 23, 2021, and the 169th Ordinary General Meeting of Shareholders held on June 22, 2022 (hereinafter, the approval at the 169th Ordinary General Meeting of Shareholders held on June 22, 2022 is called the “Original Resolution”), and it remains effective until the present.

The Company has been promoting sustainability management in order to realize the Group Corporate Philosophy of a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives. This Item is to request approval for the revision of the amount and content of stock compensation, etc. for directors in accordance with the introduction of ESG-related indicators as a non-financial metric pertaining to the Plan, so that the Company can actively pursue solutions to various ESG issues, including taking on the challenge of realizing carbon neutrality.

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

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

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

*For details regarding the Company’s fundamental policy for directors remuneration, please see the business report attached to this Notice of Convocation.

Outline of the Plan**(1) Outline of the Plan**

The Plan is a stock compensation plan under which money contributed by the Company is used as funds to acquire the Company’s shares through a trust (hereinafter the “Trust”). For directors and executive officers who are eligible for the Plan as set forth in the following section (2), the Company’s shares and the cash equivalent to the amount converted from the market price of the Company’s shares (hereinafter the “Company’s Shares and Money”) are provided through the Trust in accordance with director stock benefit rules established by the Company. In addition, the

directors and executive officers eligible for the Plan shall receive Company's Shares and Money in principle every three years on a fixed date during the trust period.

(2) Persons Eligible for the Plan

The Company's internal directors (independent directors and directors who are Audit & Supervisory Committee members are not eligible for the Plan) and executive officers

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

The Company has introduced the Plan targeting the three fiscal years from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2019 (hereinafter either the period of the three fiscal years concerned or each three-fiscal year period begins after the three-year fiscal period is called the "Covered Period.") and each Covered Period thereafter. With regard to each Covered Period, the Company contributed up to 1,100 million yen (of which the portions for the Company's internal directors are 570 million yen until the Covered Period ended March 31, 2022 and 360 million yen for the Covered Period beginning in the fiscal year ended March 31, 2023) to the Trust as funds to acquire the necessary shares in order to provide benefits to the Company's directors and executive officers eligible for the Plan based on this Plan, thereby establishing the Trust, the beneficiaries of which are the directors and executive officers eligible for the Plan who meet the beneficiary requirements. The Company's shares acquired by the Trust using money contributed by the Company as funds (excluding the Company's shares equivalent to the number of points already granted to the directors and executive officers eligible for the Plan at the end of the Covered Period for which benefits have not been completed) and money that remain in the trust property shall remain allocated as a source of benefits under the Plan, even after the revision of the Plan by approval of this Item.

In accordance with the introduction of ESG-related indicators as a non-financial metrics pertaining to the Plan, the Company shall make an additional contribution as funds for the acquisition by the Trust of the aforementioned stock to the Trust with an upper limit of 1.25 billion yen (of which 400 million yen is for the Company's directors) for each Covered Period, beginning from the fiscal year ended March 31, 2023 until the Plan ends. However, in making an additional contribution, in cases where there are the Company's shares (excluding the Company's shares equivalent to the number of points already granted to the directors and executive officers eligible for the Plan at the end of the Covered Period for which benefits have not been completed) and money remaining in the trust property (hereinafter "Remaining Shares and Money") as of the last day of the Covered Period immediately preceding the Covered Period during which said additional contribution is to be made, the Remaining Shares and Money shall be allocated to the source of the benefits under the Plan for the following Covered Period. The upper limit of the amount that the Company may make an additional contribution during the applicable Covered Period shall be the amount obtained by deducting the amount of the Remaining Shares and Money (the book value of the Company's shares as of the last day of the Covered Period immediately preceding the Covered Period during which said additional contribution is to be made) from the upper limit approved in this Item.

As a reference, on the assumption of acquiring shares of the Company at 1,986 yen, the closing price as of April 1, 2024, the number of shares to be acquired for the Covered Period from the fiscal year ended March 31, 2023 will be 630,000 shares, which will be acquired using up to 1.25 billion yen of funds to be contributed to the Trust as funds for the acquisition of the Company's

shares to be paid to the directors and executive officers eligible for the Plan.

(4) Acquisition Method of the Company's Shares

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

(5) Details of the Company's Shares and Money Granted to the Directors and Executive Officers Eligible for the Plan

For each fiscal year, the Company shall provide the directors and executive officers eligible for the Plan with points, the number of which is determined according to their ranks, remuneration ranks, business performance, and other factors, based on the director stock benefit rules. The upper limit for the total number of points granted to the directors and executive officers eligible for the Plan per fiscal year has been set at 1,295,600 (of which 424,100 are for the Company's directors) until the fiscal year ended March 31, 2024, but it will be changed to 1,472,400 (of which 471,200 are for the Company's directors) starting from the fiscal year ending March 31, 2025 due to the introduction of ESG-related indicators as a non-financial metrics pertaining to the Plan.

Points granted to the directors and executive officers eligible for the Plan shall be converted at 1 share of common stock for 1 point when providing the Company's Shares and Money as described in (6) below. However, if, after the resolution for the approval of this Item, there are share splits, allotment of shares without contribution or a stock consolidation, etc. with respect to the Company shares, the conversion rate will be adjusted reasonably in accordance with the ratio of shares and other factors that have been applied.

The number of points given to the directors and executive officers eligible for the Plan, which will be used as the standard in providing the Company Shares and Money in accordance with (6) below, shall be the total number of points granted to the directors and executive officers eligible for the Plan until the beneficiary requirements are fulfilled.

(6) Timing of Providing the Company's Shares and Money to the Directors and Executive Officers Eligible for the Plan

In cases where the directors and executive officers eligible for the Plan meet the beneficiary requirements under the director stock benefit rules, the directors and executive officers eligible for the Plan concerned shall receive the Company's Shares and Money according to the granted points equivalent to the accumulated number of shares from the Trust every three years on a fixed date during the trust period in principle, subject to the prescribed beneficiary determination procedures. However, in cases where the directors and executive officers eligible for the Plan resign, they shall receive the Company's Shares and Money from the Trust, regardless of the fixed date, after a period of time necessary for the benefit procedures after retirement, subject to the prescribed beneficiary determination procedures.

In addition, in cases where the directors and executive officers eligible for the Plan meet the beneficiary requirements under the director stock benefit rules, they shall receive money in place of a certain portion of the Company's stock benefit converted at the market price. In order to provide this monetary benefit, the Trust may sell the Company's shares.

(Reference) Changes from the Original Resolution in this Item

	Old (Contents approved by the Original Resolution)	New (Contents for which approval is requested this time)
Maximum amount of to be contributed by the Company to fund the acquisition of the Company's shares for each Covered Period	1,100 million yen (of which 360 million yen for the Company's directors)	1,250 million yen (of which 400 million yen for the Company's directors)
Maximum total number of points to be granted to the directors and executive officers eligible for the Plan for each fiscal year	1,295,600 points (of which 424,100 points for the Company's directors)	1,472,400 points (of which 471,200 points for the Company's directors)

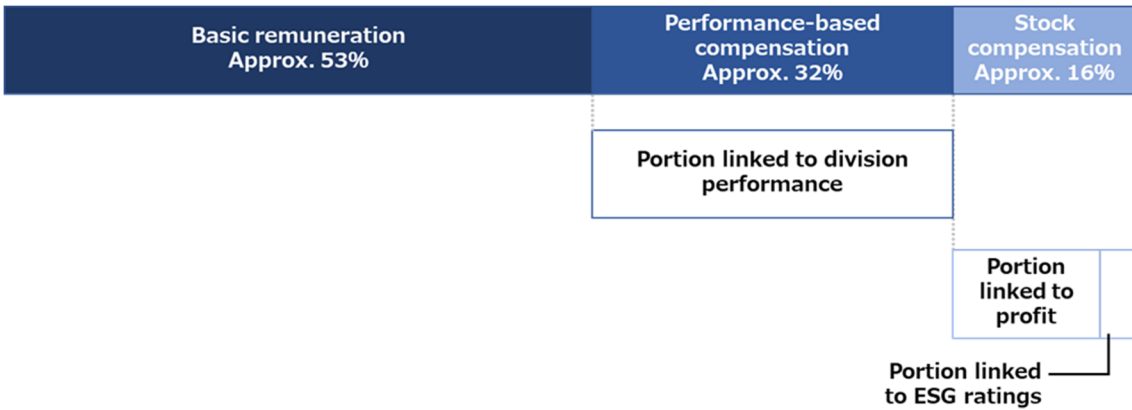
Reference: The Company’s remuneration for directors and executive officers in the case that Items 4 and 5 are approved as originally proposed.

● Classification of Remuneration

Category		Description
Basic remuneration		Fixed amount will be paid in cash based on the remuneration rank determined according to rank and assigned duties.
Performance-based compensation	Portion linked to division performance	The payment amount will be determined by multiplying the standard pay amount for each rank and remuneration rank by a coefficient ranging from 0 to 200% based on the performance management indicators* for the company and each business division. Payment will be made in one lump sum after the fiscal year has ended. *The maximum payment coefficient (200%) will be reached when the Company achieves ROIC of 8% as stated in the Medium-Term Management Plan.
	Portion linked to individual evaluation	The payment amount will be determined by multiplying the basic remuneration for each rank and remuneration rank by a coefficient ranging from -5 to 5%, which is determined by comprehensively taking into account individual performance and the status of ESG-related initiatives. Payment will be made in one lump sum after the fiscal year has ended.
Stock compensation	<p>The total of following points will be granted each year. The Company’s shares will be provided on a fixed date every three years according to the cumulative number of points granted.</p> <ul style="list-style-type: none"> ● Portion linked to profit of the term <p>The number of points granted in a single year is determined by multiplying the base points for each rank and remuneration rank by a coefficient ranging from 0 to 80% according to profit attributable to owners of parent and the status of dividend payment.</p> <ul style="list-style-type: none"> ● Portion linked to ESG ratings 	

	The number of points granted in a single year is determined by multiplying the base points for each rank and remuneration rank by a coefficient ranging from 0 to 40% based on ESG-related indicators, such as CDP Climate Change Scores, FTSE Russel’s ESG Scores, and MSCI ESG Ratings.
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● Percentage of each compensation category



Notes:

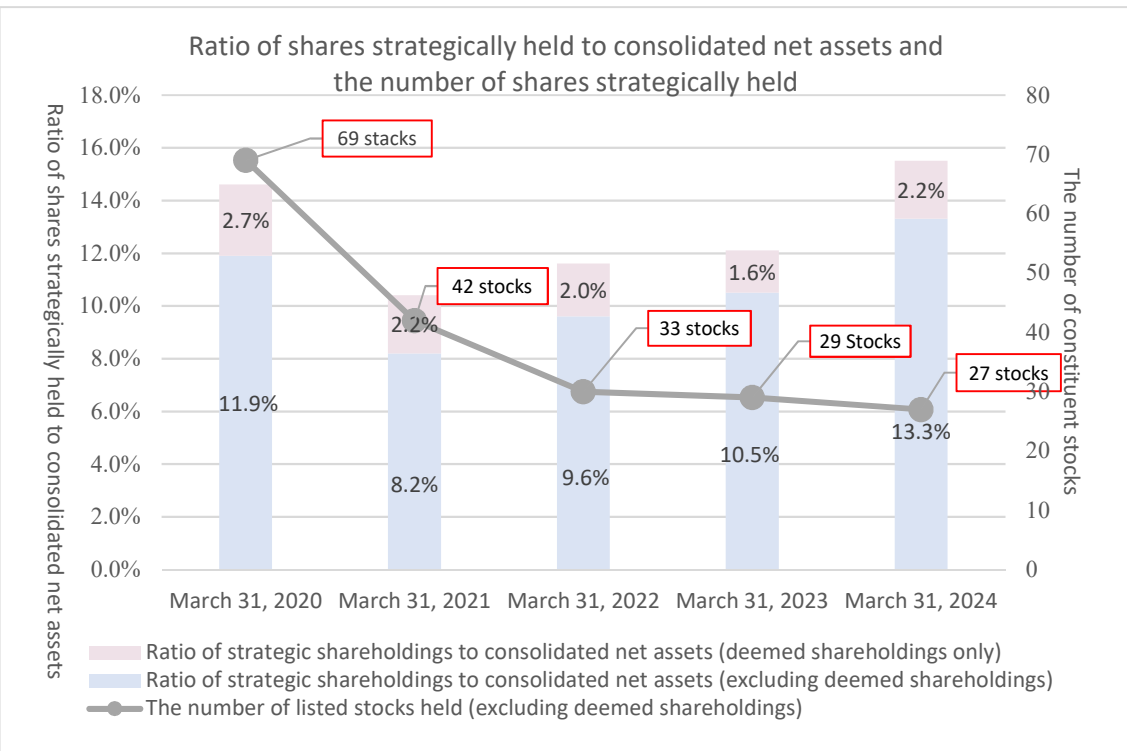
- The percentages in the above graph represent the case where performance-based compensation and stock compensation are paid at 100%.
- In addition to the above figures, performance-based compensation that reflects individual evaluations will be paid in the range of –5 to 5% of basic remuneration.

Reference: Strategic Shareholdings

Our Basic Policy on Strategic Holdings of Shares states that we will engage in strategic shareholdings, if it is deemed necessary for alliances and other arrangements that contribute to the growth of our Group, after considering capital efficiency, economic rationality and other factors; however, such holdings will be kept to a minimum and reduced in stages. In line with the policy, the Company conducts verification on the necessity of strategic holdings of listed companies' shares every year, and those holdings that are judged to have diminished significance are reduced through sale or other means.

Consequently, as the chart below shows, as of the end of March 2024, despite an increase in the ratio of strategic shareholdings to consolidated net assets compared to the end of March 2023, due to increases in the prices of stocks held, **the number of listed stocks held (excluding deemed holdings) decreased to 27.**

* For the entire Basic Policy on Strategic Holding of Shares, please refer to the Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd. on the Company website.



Reference: Knowledge, Experience, and Skills That are Particularly Expected to be Demonstrated to Improve the Functions of the Board of Directors (Skills Matrix)

The following is a summary of the knowledge, experience, and skills that the Board of Directors expects the candidates to demonstrate in particular in order to address the Group's medium- to long-term important issues (materiality) and to implement the Kobelco Group Medium-Term Management Plan (Fiscal 2024-2026) that was formulated and announced in May 2024, for the purpose of enhancing the functions of the Board of Directors. These areas of experience, knowledge, and skills will be reviewed as needed in response to changes in the business environment, the formulation of new management plans, and other changes in circumstances.

Of the knowledge, experience, and skills possessed by the candidates for directors to be elected at the Ordinary General Meeting of Shareholders and directors who will continue to serve as the Audit & Supervisory Committee members, the areas of knowledge, experience, and skills that we particularly expect each person to demonstrate are as follows.

	Name		Gender	Term of office as Director of the Company	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Committee meetings	Comprehensive areas related to overall management		Areas related to solving social issues and creating new value			Areas related to further strengthening business foundation		Insights into other industry sectors		
							Business management and Business administration	ESG	Sales strategy and Marketing	Technology development, Intellectual property, Production technology, DX	Global business	Finance/Accounting	Organization and Human resources		Legal/risk management	
Directors	Yoshihiko Katsukawa	Internal	Executive	Male	6	19/19 (100%)	-	●	●		●	●				
	Hajime Nagara	Internal		Male	4	19/19 (100%)	-	●	●				●	●		
	Koichi Sakamoto	Internal		Male	1	14/14 (100%)	-	●	●		●					
	Shinji Miyaoka	Internal		Male	1	14/14 (100%)	-	●	●	●	●	●				
	Kazuhiko Kimoto	Internal		Male	-	-	-	●	●	●		●				
	Yumiko Ito	Outside/Independent Director		Female	5	19/19 (100%)	-		●			●			●	●
	Shinsuke Kitagawa	Outside/Independent Director		Male	2	19/19 (100%)	-		●			●			●	●
Directors who are Audit & Supervisory Committee members	Yoshie Tsukamoto	Outside/Independent Director	Non-executive	Female	-	-	-	●		●	●				●	
	Gunyu Matsumoto	Internal		Male	1	14/14 (100%)	12/12 (100%)	●				●	●			
	Yuichiro Goto	Internal		Male	-	-	-		●	●	●					
	Masaaki Kono	Outside/Independent Director		Male	4	19/19 (100%)	17/17 (100%)	●	●			●			●	
	Kunio Miura	Outside/Independent Director		Male	4	19/19 (100%)	17/17 (100%)		●					●	●	
	Nobuko Sekiguchi	Outside/Independent Director		Female	2	19/19 (100%)	17/17 (100%)		●			●	●			●

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

*Directors Koichi Sakamoto, Shinji Miyaoka, and Gunyu Matsumoto took office as Director on June 21, 2023. Since then, the Board of Directors and the Audit & Supervisory Committee have met 14 and 12 times, respectively.

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

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

Reference: The Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors

The members of the Board of Directors discussed and approved the appointment of each candidate proposed in Items 1, 2 and 3 based on the consultation with and reports from the Nomination & Compensation Committee about whether or not he or she meets the requirements described in the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors.

The Company's Principles on Appointment of Candidates for Directors (excluding Directors who are Audit & Supervisory Committee members)

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

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

The Company's Principles on Appointment of Candidates for Directors who are Audit & Supervisory Committee members

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

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

Directors;

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

The Company's Standards for Independent Directors

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

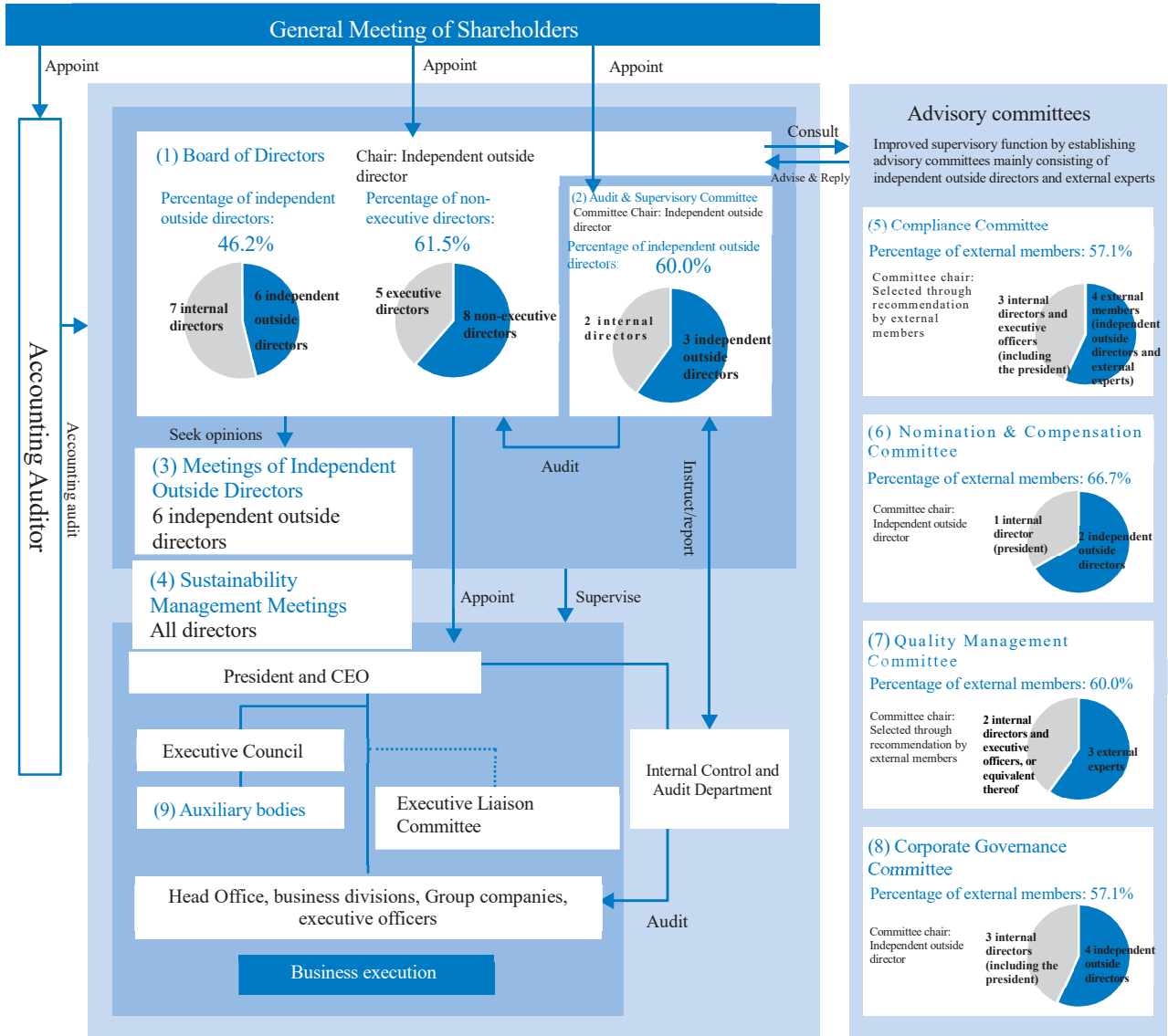
- A) A person who currently executes or has executed businesses of the Group, which includes the Company and its subsidiaries (i.e., executive directors, executive officers (consisting of *shikkoyaku* and *shikkoyakuin*) and other employees; hereinafter the same shall apply).
- B) A person who has a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

equal to or more than 2% of the party's annual consolidated net sales, and this condition is applicable to an individual who belongs to the party (but excluding an individual independently performing his or her duties without receiving any remuneration from the party).

- H) Certified public accountants who are Accounting Auditors of the entity or those belong to the audit corporation that is an Accounting Auditor of the Company.
- I) A representative person or the equivalent thereof of a company who receives a donation or aid (which exceeds the larger of 10 million yen, 100 thousand U.S. dollars or 30% of the total average annual cost of the company in a year) from the Company.
- J) A person who executes businesses of the companies that mutually dispatches independent directors/corporate auditors. (The person who executes the business of the Group is an independent director/corporate auditor and the person who executes the business of such a company is the independent director of the Company.)
- K) A person who has a close relative who falls under any of the categories C through J above. The person who executes a business of the Company is limited to directors and executive officers and, the person who belongs to a professional advisory firm such as a law firm is limited to a member or a partner of the firm.
- L) A person who has a close relative who falls under any of the following categories a) through c).
 - a) A person who is currently or has been over the past one year a non-executive director of a subsidiary of the Company.
 - b) A person who is currently or has been over the past one year an accounting advisor of a subsidiary of the Company. (If the accounting advisor is a company, it is limited to those with a certified public accountant or a certified public tax accountant.)
 - c) A person who has been over the past one year a non-executive director of the Company.

Reference: The Company's Corporate Governance System

(The system below is subject to the approval of Items 1 and 2)



(1) Board of Directors

Item	Description	Aim
Number of members (including directors who are Audit & Supervisory Committee members)	Thirteen (13) (Including five (5) directors who are Audit & Supervisory Committee members)	<ul style="list-style-type: none"> ● Ensuring substantial discussion at meetings of the Board of Directors ● Enhancing the supervisory function while increasing diversity
Number of outside directors	Six (6) members (46.2%) (Including three (3) directors who are Audit & Supervisory Committee members)	<ul style="list-style-type: none"> ● Reflecting a fair and neutral viewpoint independent of the Company and the viewpoint of stakeholders including minority shareholders
Percentage of independent outside directors	One third or more	<ul style="list-style-type: none"> ● Enhancing fairness and transparency of the Board of Directors ● Advancing discussions on growth strategies as a company
Chair of the Board of Directors	In principle, selected from among independent outside directors	
Composition of the Board of Directors	Executive directors include the president and directors who oversee specific key companywide functions	<ul style="list-style-type: none"> ● Strengthening the monitoring function of the Board of Directors
	Eight (8) non-executive directors (five (5) directors who are Audit & Supervisory Committee members and three (3) independent directors) form a majority of the Board of Directors	

(2) Audit & Supervisory Committee

Item	Description	Aim
Number of members	Five (5) (including three (3) independent Audit & Supervisory Committee members)	<ul style="list-style-type: none"> ● Ensuring transparency and fairness ● Strengthening the auditing function
Composition of Audit & Supervisory Committee members	Independent Audit & Supervisory Committee members invited from diverse fields, including legal, financial, and industrial sectors	
Committee chair of the Audit & Supervisory Committee	Selected from among independent outside directors, in principle	
Full-time Audit & Supervisory Committee members	Two (2) members appointed	<ul style="list-style-type: none"> ● Ensuring the smooth execution of duties by the Audit & Supervisory Committee by maintaining a good audit environment, collecting internal information, and regularly auditing the internal control system of the Company

Voluntary establishment of meetings

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

Name	Basic functions
(3) Meetings of Outside Directors	The purpose of the Meetings is to provide and share information regarding the execution of the Company's businesses other than nomination and compensation of executives (attended by executive directors of the Company as necessary to share information and exchange opinions with independent directors).
(4) Sustainability Management Meetings	The Meetings strengthens the Board of Directors' monitoring function through broad and regular sharing of understanding and exchange of opinions with executives, including those from business divisions, on our Group's major sustainability activities (companywide strategies in areas such as carbon neutrality, human resources, quality, etc.)
(5) Compliance Committee*	The Committee deliberates matters regarding compliance with laws, regulations and ethics concerning the Company's business activities.
(6) Nomination & Compensation Committee*	The Committee discusses matters related to the election of candidates or removal of directors or executive officers, including the selection to the chief executive officer (CEO), and the remuneration system for directors and executive officers.
(7) Quality Management Committee*	The Committee constantly monitors and gives advice on activities to strengthen the quality management in our Group and monitors the effectiveness of the measures to prevent recurrence of quality misconduct.
(8) Corporate Governance Committee*	The Committee deliberates on fundamental policies concerning the corporate governance of the Group, evaluations of the effectiveness of the Board of Directors, measures to improve the effectiveness of the Board of Directors, etc.

(9) Auxiliary bodies to the Executive Council

Sustainability Management Committee, Risk Management Committee, Business Portfolio Management Committee, GX Strategy Committee, Investment and Loan Committee, R&D Committee, DX Strategy Committee, Kobelco TQM Promotion Committee, and Pension Asset Management Committee

Business Report

(From April 1, 2023 to March 31, 2024)

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 2023, the Japanese economy continued to recover primarily driven by personal consumption and corporate production activities, although there were some signs of stagnation due to rising prices and weak global demand. In terms of overseas economies, while the US economy remained solid with strong employment and personal consumption, the European economy remained stagnant as a result of rising interest rates pushing the economy downward. In China, despite efforts to stimulate the economy through financial easing, domestic demand remained sluggish due to factors such as a slump in the real estate market, and the pace of economic recovery remained uncertain. Under these circumstances, our Company has steadily implemented key measures aimed at establishing a stable earnings base as set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), while continuing to work on strengthening our manufacturing capabilities and improving selling prices. As a result, fiscal 2023 consolidated net sales increased by 70.6 billion yen year on year to 2,543.1 billion yen, and operating profit increased by 100.2 billion yen year on year to 186.6 billion yen, driven by positive factors such as an improvement in steel metal spreads due to a drop in coking coal prices and progress in selling price improvements, an increase in net sales in the machinery and engineering businesses, the start of operation of the Kobe Power Plant No. 4 unit and improved effect of time lags in fuel cost adjustments, and the effect of temporary gains from changes in electricity selling prices (differences between the benchmark selling price of coal and our purchase price), despite a decrease in sales volume in the steel & aluminum business and a decline in inventory valuation gains. Ordinary profit increased by 54.0 billion yen year on year to 160.9 billion yen due to the increase in operating profit despite negative factors such as a fall of compensation income related to the engine certification problem in North America in the construction machinery business, and the recording of equity method investment losses incurred as a result of the restructuring of the automotive aluminum panel business. Profit attributable to owners of parent increased 36.9 billion yen year on year to 109.5 billion yen, as a result of recording gains on the transfer of non-current assets in a subsidiary as extraordinary income, despite the recording of impairment losses on non-current assets in the advanced materials business and other segments as well as the recording of provision for loss on a joint venture agreement resulting from the restructuring of the automotive aluminum panel business as extraordinary loss.

Kobe Steel determines dividends taking its financial condition, business performance, future capital needs and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. Based on this policy, the target of dividend payout ratio, which was set at approximately 15 to 25% of consolidated profit attributable to owners of parent, will be approximately 30% of the consolidated profit attributable to owners of parent. Based on this, the Company has resolved to pay a year-end dividend of 45 yen per share for fiscal 2023. This, together with the interim dividend paid earlier, will bring the total annual dividend to 90 yen per share.

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

Steel & Aluminum

(Steel)

Sales volume of steel products decreased year on year due to decline in sales volume affected by the refurbishment of a steel plate finishing mill, despite an increase in demand in the automotive sector. Meanwhile, the selling prices were higher than the previous fiscal year due to progress in price improvements. As a result, net sales decreased by 2.0% year on year to 891.6 billion yen. Ordinary profit decreased by 9.7 billion yen to 39.2 billion yen due to declines in sales volume and inventory valuation gains, despite the improvement in steel metal spreads along with a drop in coking coal prices and the progress in selling price improvements.

(Aluminum)

Sales volume of aluminum flat rolled products decreased year on year due to a significant decline in sales volume in the IT and semiconductor sectors, which were in the supply-demand adjustment phase, while sales volume remained at a similar level to the previous fiscal year in the automotive sector. The selling prices were higher the previous fiscal year due to the progress in price improvements.

As a result, net sales decreased by 2.2% year on year to 191.1 billion yen. Ordinary loss was 23.1 billion yen, a 16.0 billion yen decrease from the previous fiscal year, due to declines in sales volume and inventory valuation gains, as well as the recording of equity method investment losses resulting from the restructuring of the automotive aluminum panel business.

The results of the overall steel & aluminum business: Net sales decreased by 2.0% year on year to 1,082.7 billion yen, and ordinary profit decreased by 25.8 billion yen to 16.1 billion yen.

● Production Volume		(In thousands of tons)	
Category	170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)	
Crude steel	6,248	6,020	
Aluminum flat-rolled products	349	319	

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

Advanced Materials

Sales volume of advanced materials increased year on year in steel castings and forgings, which saw increased demand in the shipbuilding sector, as well as in suspensions and aluminum extrusions, which saw a recovery in demand in the automotive sector. On the other hand, sales volume of copper flat rolled products and aluminum castings and forgings decreased year on year due to a decline in demand in the IT and semiconductor sectors.

As a result, net sales increased by 7.3% year on year to 298.1 billion yen, and ordinary profit increased by 2.2 billion yen year on year to 3.2 billion yen due to an increase in sales volume and progress in selling price improvements, despite an increase in costs centered on fixed costs.

● Production Volume		(In thousands of tons)	
Category	170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)	
Aluminum extrusions	40	42	
Copper rolled products	55	53	

Welding

Sales volume of welding materials decreased year on year due to slow recovery in demand in China and Southeast Asia, and a decline in demand in the Japanese automotive and construction machinery

sectors in China, while domestic sales volume was at a similar level to the previous fiscal year. Selling prices were higher than the previous fiscal year due to progress in price improvements and other factors.

As a result, net sales increased by 5.8% year on year to 93.5 billion yen, and ordinary profit increased by 2.0 billion yen year on year to 4.9 billion yen due to progress in selling price improvements, despite a decrease in sales volume.

Machinery

Orders in the machinery business segment increased by 2.9% year on year to 273.7 billion yen, due to strong demand mainly in the petrochemical and energy sectors, with an order backlog of 251.8 billion yen.

Net sales increased by 15.3% year on year to 234.5 billion yen due to progress in existing orders and an increase in service contracts, and ordinary profit increased by 13.8 billion yen year on year to 29.6 billion yen due to improved order profitability along with increasing orders.

● Orders (Billions of yen)

Category		170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)
Orders	Domestic	99.3	96.0
	Overseas	166.6	177.7
	Total	265.9	273.7
Backlog of Orders	Domestic	48.9	69.7
	Overseas	165.7	182.0
	Total	214.7	251.8

Engineering

Orders increased by 36.0% year by year to 2,143 billion yen driven by favorable factors such as orders for large-scale overseas projects in the DRI-related business and steady orders in the waste treatment-related business, with an order backlog of 4,336 billion yen.

Net sales increased by 17.5% year on year to 170.6 billion yen, and ordinary profit increased by 8.2 billion yen to 12.4 billion yen.

● Orders (Billions of yen)

Category		170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)
Orders	Domestic	120.8	141.9
	Overseas	36.6	72.3
	Total	157.5	214.3
Backlog of Orders	Domestic	283.0	385.2
	Overseas	88.0	48.3
	Total	371.1	433.6

Construction Machinery

Unit sales of hydraulic excavators fell short of the previous fiscal year due to a decline in China where demand was sluggish and in Europe that was affected by the engine certification problem, despite an increase in North America and other regions. Unit sales of crawler cranes increased year on year, due to an increase in sales primarily in North America as progress was made in resolving the engine certification problem, despite a decrease in Europe, which was affected by the engine certification problem and production and shipping delays.

As a result, net sales increased by 5.8% year on year to 404.0 billion yen, due to the progress in selling price improvements, despite a decline in unit sales. Ordinary profit decreased by 3.2 billion yen year on year to 9.1 billion yen, mainly due to a decline in compensation income related to the engine certification problem, despite improvements in selling prices and export profitability resulting from the weaker yen.

Electric Power

Sales volume of electricity increased year on year due to the operation of the Kobe Power Plant No. 4 unit. The unit price of electricity sold decreased year on year due to fluctuations in thermal coal prices.

As a result, net sales decreased by 2.6% year on year to 315.9 billion yen, and ordinary profit increased by 61.2 billion yen year on year to 85.7 billion yen, due to the operation of the Kobe Power Plant No. 4 unit, the improved effect of time lags in fuel cost adjustments for the Kobe Power Plant No. 3 and 4 units, and the effect of temporary gains from changes in electricity selling prices for the Kobe Power Plant No. 1 to 4 units.

Other Businesses

Net sales were 10.8 billion yen, similar to the previous year, and ordinary profit was 48.0 billion yen, similar to the previous year.

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

Note 2: Consolidated net sales include adjustments of (67.1) billion yen. The sales composition ratio is calculated based on the total net sales of each business segment excluding adjustments.

Note 3: Kobelco Research Institute, Inc., which was previously classified as Other Businesses, has been moved to the Machinery segment due to a change in the responsible business segment, effective in fiscal 2023.

Definition of Ordinary Profit (Loss)*

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

(b) Issues to Be Addressed

Summary of the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023)

In the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), the Group set forth two priority issues, “establishing a stable earnings base” and “taking on the challenge of realizing carbon neutrality.” We have been working to further enhance initiatives such as strengthening profitability with a focus on materials. Our aim was to achieve earnings with a return on invested capital (ROIC) of 5% or higher in fiscal 2023 when the startup of new electric power projects was scheduled to be completed, with the assumption that it contributes to earnings.

We set five key measures for establishing a stable earnings base. These were: 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. Of these, issues remain in strategic investment projects in the materials businesses, mainly in the aluminum business, where the Group’s capability to produce earnings declined considerably due to factors such as slow demand recovery. However, by steadily advancing other measures and focusing on passing on increased costs of raw and other materials, energy, labor, and more, to selling prices, we have achieved in fiscal 2023 an ordinary profit of 160.9 billion yen and ROIC of 6.7%, reaching our target of 5% or higher and making progress as planned in establishing a stable earnings base.

Our Group is working together and taking on the challenge of realizing carbon neutrality. We see it 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. Our efforts to reduce CO₂ emissions are steadily progressing in various aspects, as exemplified by the launch of Japan's first low-CO₂ blast furnace steel product Kobenable[®] Steel, which helps reduce CO₂ emissions in the production process, while contributing to reducing CO₂ emissions through our diverse technologies, such as the Group's MIDREX[®] technology and our supply of materials and parts that contribute to automobile weight reduction and vehicle electrification.

The business environment surrounding the Group

The business environment surrounding the Group is expected to present various risks, such as growing demand for a sustainable society, including realizing carbon neutrality, rising raw materials procurement costs and supply chain restructuring to meet the growing need for local production and local consumption against the backdrop of geopolitical risks, diminishing domestic demand and labor shortages driven by Japan's declining population, and rapid transformation of digital technologies represented by generative AI. Meanwhile, new growth opportunities are also expected to arise, such as contributions to social transformation aimed at realizing carbon neutrality, and the development and implementation of new technologies in response to various changes.

The Group must therefore transform its business structure into one that can provide customers with technologies, products, and services that can provide solutions to the future needs of society, while working on the transformation of our human resources, organizations, and systems so that we can flexibly respond to changes in the business environment.

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

The medium-term management plan, announced in May, set forth two priority issues: (1) Enhancing earning power and pursuing growth and (2) 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.

During the period of the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), we worked to create a business foundation focused on establishing a stable earnings base and achieved a certain level of results. During the period of the new Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), while further reinforcing the foundation by enhancing earning power, we will invest various management resources that have been made available from the foundation in pursuing growth and taking on the challenge of realizing carbon neutrality to capture future growth opportunities. Through these efforts, we aim to secure stable earnings with an ROIC of 6% or higher throughout the new medium-term management plan period, looking to achieve an even higher ROIC of 8% when the business climate is favorable to us. Our vision for the future is to become a corporate group that achieves an ROIC of 8% or higher on a stable basis and grows sustainably.

For another priority issue of taking on the challenge of realizing carbon neutrality, which we believe will provide us with various new business opportunities such as energy transition, we will work to contribute to reducing CO₂ emissions through our Group's diverse technologies and expand existing businesses, as well as to create new business opportunities and to actively develop and promote new businesses through integration of technologies. Along with these, in order to reduce CO₂ emissions in our Group's production processes, we will develop detailed initiatives aligned to our roadmaps for the ironmaking process and electric power business by continuing to promote the development of our own unique technologies and utilizing external innovative technology, with a goal of reducing CO₂ emissions by 30-40% by 2030 compared to fiscal 2013 levels and taking steps to achieve carbon neutrality by 2050.

In addition, we have identified our various unique initiatives that transform our business structures, human resources, organizations, systems, etc., as well as initiatives that integrate our human resources, technologies, and business, etc., as seven "Xs" from AX to GX, which are collectively called Kobelco-X. With these drivers to accelerate our efforts and achieve the targets, our Group will work together to strengthen our sustainability management and strive to transform into an appealing company with increased corporate value, thereby building a business entity that drives innovation into the future.

Please refer to the press release section of our website (<https://www.kobelco.co.jp>) (in Japanese) for details of the contents of the "Kobelco Group Medium-Term Management Plan (Fiscal 2024-2026)."

Four key measures

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

As to rebuilding the operation bases for the future business environment, we will work to restructure the aluminum rolled products and aluminum advanced materials businesses, where we have yet to achieve profits from strategic investment projects previously implemented due to factors such as slow demand recovery and remaining monozukuri capability issues, including through collaboration with other companies in the automotive panel business, while focusing on efforts to improve our base earnings through volume increases, price improvements, cost reductions and other measures to achieve early profitability, as well as. In other materials businesses such as steel and welding, we will study the ways to maintain global competitiveness while addressing shrinking domestic demand due to declining population, growing demand in emerging countries, and increasing need for local production and local consumption arising from stricter raw material management regulations for carbon neutrality, etc.

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

For reducing CO₂ emissions in production processes, we will aim to ensure the continuity of our steel and electric power businesses. In the steel business, we will work on charging an increased amount of hot briquetted iron (HBI) into the blast furnace and other development items, as well as the feasibility study of a low-CO₂ iron metallurgy project, which will also be beneficial to the above HBI charging technology, in cooperation with the engineering business. In the electric power business, we will work on the co-firing of ammonia at coal-fired power plants, mapping out a detailed path to achieving our CO₂ emissions reduction targets in production processes.

For strengthening sustainability management through transformation, we carried out organizational reforms in April this year, aimed at further strengthening the oversight function of the Board of Directors and enhancing the structure for the executive team’s execution of business operations. Under the new structure, we will implement Kobelco-X, a transformation initiative that demonstrates Kobelco Group’s uniqueness, promoting our effort of enhancing earning power and pursuing growth through “ambidextrous management” that focuses on both enhancing existing businesses and exploring new business opportunities (called AX), while taking on the challenge of realizing carbon neutrality that aims to make our Group carbon neutral and contribute to a green society (called GX). AX and GX are positioned as two wheels of our business strategy, with other five Xs of BX, CX2, DX, EX, and FX functioning as driving forces for realizing the business strategy. We will continue working to reinforce the business foundation, the cornerstone of our corporate activities, aiming to strengthen our sustainability management.

Performance management indicators

The Group has set seven performance management indicators, beginning in April 2019. Regarding materiality, which are important medium- to long-term issues for realizing the Group’s corporate philosophy, we have set new indicators and targets in April this year. Among them, we have selected those to be managed with priority to use them as performance management indicators. Our Group will continue working together to promote and strengthen our initiatives for improving corporate value, looking to non-financial indicators as well.

(2) Assets and Results of Operations

Assets and Results of Operations of the Group

Category		168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)	170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)
Net sales	(Millions of yen)	1,705,566	2,082,582	2,472,508	2,543,142
[Overseas sales of the above]		573,685	722,559	783,480	733,899
Operating profit (loss)	(Millions of yen)	30,398	87,622	86,365	186,628
Ordinary profit (loss)	(Millions of yen)	16,188	93,233	106,837	160,923
Profit (loss) attributable to owners of the parent	(Millions of yen)	23,234	60,083	72,566	109,552
Profit (loss) per share	(yen)	64.05	160.23	183.80	277.38
Total assets	(Millions of yen)	2,582,873	2,728,745	2,874,751	2,919,774
Net assets	(Millions of yen)	769,375	872,346	977,653	1,127,346
Net assets per share	(yen)	1,958.57	2,066.48	2,314.31	2,675.13

(3) Major Businesses (As of March 31, 2024)

The major businesses undertaken by the Group are described below.

Category		Major Products and Businesses
Steel & Aluminum	Wire rods & bars	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 rolled products	Aluminum can stock, aluminum sheets for automotive 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 rolling stock, 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, special alloys and other new materials (target materials, etc.), material analysis and testing, inspection equipment for FPD/semiconductor
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, and work vessels
Electric Power		Electric power supply
Other		High-pressured gas cylinder manufacturing, superconducting products, and general trading company

(4) Major Offices and Plants (As of March 31, 2024)

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

Note 1: Overseas offices represent regional headquarters.

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

(5) Major Subsidiaries and Affiliated Companies
(Subsidiaries)

Company Name [Location of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
Nippon Koshuha Steel Co., Ltd. [Tokyo]	12,721 million yen	51.83	Manufacture and sale of special steel
Kobelco Wire Company, Ltd. [Amagasaki, Hyogo] *1	8,062 million yen	43.63	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
Kobelco E&M Co., Ltd. [Kobe]	150 million yen	100.00	Design, manufacture, installation, piping and maintenance of plants and equipment
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. [China] *1	884,000 thousand yuan	100.00	Manufacture and sale of aluminum sheets for automotive panels
Kobelco Precision Technology Sdn. Bhd. [Malaysia]	19,000 thousand Malaysian ringgit	100.00	Manufacture and sale of aluminum disk material for HDDs
Kobelco Millcon Steel Co., Ltd. [Thailand]	2,830 million Thai baht	75.00	Manufacture and sale of special steel and ordinary steel wire
Kobe Aluminum Automotive Products (China) Co., Ltd. [China]	239,681 thousand yuan	85.00	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.
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
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

Company Name [Location of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
Kobelco Advanced Lube-System Asia Co., Ltd. [Korea]	7,909 million won	96.36	Assembly of nonstandard compressors, manufacture of auxiliary parts for nonstandard compressors, plastic processing machinery, etc.
Kobelco Compressors America, Inc. [United States] *1	5 thousand U.S. dollars	100.00	Manufacture and sale of compressor systems for process gas, refrigeration compressor systems and parts, etc.
Kobelco Eco-Solutions Co., Ltd. [Kobe]	6,020 million yen	100.00	Design, manufacture, construction, and maintenance of environmental plants Design, manufacture and maintenance of industrial machinery and equipment
Kobelco Eco-Maintenance Co., Ltd. [Kobe] *1	80 million yen	100.00	Operation of water treatment facilities and waste treatment facilities etc.
Midrex Technologies, Inc. [United States] *1	1 thousand U.S. dollars	100.00	Design and sale of MIDREX® Process (direct-reduction ironmaking process) plants
Kobelco Construction Machinery Co., Ltd. [Tokyo]	16,000 million yen	100.00	Manufacture 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
Toyo Sugiue 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	Manufacture, sale, and service of construction machinery
Chengdu Kobelco Construction Machinery Financial Leasing Ltd. [China] *1	374,199 thousand yuan	88.95	Leasing business
Kobelco Construction Machinery Southeast Asia Co., Ltd. [Thailand] *1	2,279 million Thai baht	100.00	Manufacture and sale of construction machinery
Kobelco Construction Equipment India Pvt. Ltd. [India] *1	4,512 million Indian rupees	100.00	Manufacture, sale, and service of construction machinery
Kobelco Construction Machinery Europe B.V. [Netherlands] *1	8,800 thousand euro	100.00	Sale and service of construction machinery
Kobelco International (S) Co., Pte. Ltd. [Singapore] *1	1,058 million yen	100.00	Sale and service of construction machinery
Pt. Daya Kobelco Construction Machinery Indonesia [Indonesia] *1	1,312,592 million Indonesia rupiah	100.00	Sale and service of construction machinery
Kobelco Construction Machinery U.S.A. Inc. [United States] *1	2 thousand U.S. dollars	100.00	Sale and service of construction machinery
Kobelco Power Kobe Inc. [Kobe]	3,000 million yen	100.00	Wholesale power supply
Kobelco Power Moka Inc. [Moka, Tochigi]	600 million yen	100.00	Wholesale power supply
Kobelco Power Kobe No. 2, Inc. [Kobe]	300 million yen	100.00	Wholesale power supply
Kobelco (China) Holding Co., Ltd. [China]	1,775,939 thousand yuan	100.00	A holding company in China
Kobe Steel USA Holdings Inc. [United States]	205 thousand U.S. dollars	100.00	Holding shares of companies in the United States

(Affiliated Companies)

Company Name [Locations of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
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-tensile strength steel
Ulsan Aluminum, Ltd. [Korea]	657,661 million won	50.00	Manufacture of aluminum sheet base material
PRO-TEC Coating Company, LLC [United States] *1	123,000 thousand U.S. dollars	50.00	Manufacture and sale of galvanized steel sheet and cold-rolled, high-tensile strength steel
Japan Aeroforge, Ltd. [Kurashiki, Okayama]	1,850 million yen	40.54	Manufacture and sale of large forgings
Hokuto Co., Ltd. (Hachinohe, Aomori) *1	30 million yen	34.00	Manufacture, sale, repair and leasing of civil engineering, construction, work, mining, transportation, electrical machinery, etc.
Shinsho Corporation [Osaka] *1 *2	5,650 million yen	36.17	Import/export and trading of iron & steel and nonferrous metal products and machinery, etc.
Shinsei Kobelco Leasing Co., Ltd. [Kobe]	3,243 million yen	20.00	Leasing and installment sale of construction machinery, industrial equipment, office equipment, and other moveable property
TC Kobelco Real Estate Co., Ltd. [Kobe]	3,037 million yen	25.00	Real estate sale and leasing, and insurance agency business

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

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

Note 3: During fiscal 2023, Kobelco Advanced Lube-System Asia Co., Ltd. was newly added.

Note 4: During fiscal 2023, the Company acquired additional shares of Kobe Aluminum Automotive Products (China) Co., Ltd., increasing the Group's ratio of voting rights in it from 60.00% to 85.00%.

Note 5: The construction machinery manufacturing and sales functions of Hangzhou Kobelco Construction Machinery Co., Ltd., which was listed in fiscal year 2022, have been consolidated into Kobelco Construction Machinery (China) Co., Ltd. Since Hangzhou Kobelco Construction Machinery Co., Ltd. is not currently engaged in business activities, it was removed from the list in fiscal 2023.

Note 6: During fiscal 2023, Ulsan Aluminum, Ltd. increased its capital to 657,661 million won due to a capital increase.

Note 7: Toyo Sugiue Co., Ltd. conducted an absorption-type merger of Sasainakamura and Y's Yoshihara and changed its trade name to Kobelco Construction Machinery Total Support Co., Ltd. as of April 1, 2024.

(6) Capital Investments

Total capital investment in fiscal 2023 on a construction (inspection and acceptance) basis is 105.2 billion yen.

(7) Financing Activities

During fiscal 2023, the Group issued 20.0 billion yen in unsecured bonds for part of repayment of borrowings. 50.0 billion yen of Zero Coupon Convertible Bonds were issued to use for part of investments related to carbon neutrality, primarily in the steel business and the electric power business, and for part of repayment of borrowings.

In addition, on April 25, 2024, 20.0 billion yen in unsecured bonds were issued for part of repayment of borrowings.

(8) Major Lenders and Amount of Borrowings (As of March 31, 2024)

Main Lenders	Balance of Loans (Millions of yen)
Mizuho Bank, Ltd.	123,905
MUFG Bank, Ltd.	89,991
Development Bank of Japan Inc.	84,508
Sumitomo Mitsui Banking Corporation	75,604

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

(9) Employees (As of March 31, 2024)

(a) Employees of the Group (Persons)

Category	Number of Employees
Steel & Aluminum	12,145
Advanced Materials	4,595
Welding	2,390
Machinery	6,113
Engineering	3,920
Construction Machinery	6,849
Electric Power	303
Other or companywide	1,735
Total	38,050

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

(b) Employees of the Company

Number of Employees	11,534 persons
Increase from the Previous Fiscal Year-End	166 persons
Average Age	39.7 years old
Average Years of Service	15.4 years

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

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

2. Shares of the Company (As of March 31, 2024)

(1) Total number of shares authorized to be issued	600,000,000 shares
(2) The aggregate number of issued shares	396,345,963 shares
(3) Total number of shareholders	243,379
(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)	61,384	15.50	–	–
Custody Bank of Japan, Ltd. (Trust Account)	15,291	3.86	–	–
Nippon Steel Corporation	10,735	2.71	6,744	0.71
JPMorgan Securities Japan Co., Ltd.	5,308	1.34	–	–
Nippon Life Insurance Company	5,059	1.28	–	–
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	4,834	1.22	–	–
STATE STREET BANK WEST CLIENT - TREATY 505234	4,648	1.17	–	–
SHIMABUN Corporation	4,420	1.12	–	–
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	4,392	1.11	–	–
Kobelco Employee Stock Ownership Plan	4,322	1.09	–	–

Note 1: The Company holds 274,087 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 fiscal 2023 is 8,997 shares (total acquisition price is 14,681,160 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 147 shares (total disposal price is 296,086 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 2023, through the Board Benefit Trust, is as follows. Shares are provided on a fixed date every three years during the trust period and at the time of leaving the director's position (except where the said person continues to serve as executive officer), and there was no due date for the share benefits in fiscal 2023. Accordingly, shares have been delivered only to directors who have resigned. In addition, outside directors and directors who are Audit and Supervisory Committee members are not eligible for medium- to long-term incentive compensation considering their responsibilities. Please refer to "3. Directors, Audit & Supervisory Committee Members and Executive Officers" for the Company's remuneration system for Directors and Executive Officers.

	Number of shares	Number of recipients
Directors (excluding outside directors and directors who are Audit & Supervisory Committee members)	20,000	2

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

(1) Directors (As of March 31, 2024)

Positions	Name	Duties & Significant concurrent positions
President (Representative Director)	Mitsugu Yamaguchi	
Executive Vice President (Representative Director)	Yoshihiko Katsukawa	Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office).
Executive Vice President (Representative Director)	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, Executive Officer	Koichi Sakamoto	Oversees the Environment and Safety Department, the Quality Management Department, and the Intellectual Property Department. Oversees the Technical Development Group. Oversees companywide safety and health. Oversees companywide environmental protection and disaster prevention. Oversees companywide quality. Oversees companywide TQM activities
Director, Executive Officer	Shinji Miyaoka	Oversees the Business Development Department and the IT Planning Department. Oversees companywide information systems
Director	Hiroyuki Bamba	Chairman of the Company's Board of Directors
Director	Yumiko Ito	Representative of Ito Law Office, Outside Director of Nippon Express Holdings, Inc.
Director	Shinsuke Kitagawa	Outside Audit & Supervisory Board Member of YUTAKA TRUSTY SECURITIES CO., LTD. President of The Japan Commercial Arbitration Association (JCAA)
Director (Audit & Supervisory Committee Member, full time)	Hiroshi Ishikawa	
Director (Audit & Supervisory Committee Member, full time)	Gunyu Matsumoto	
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 of Sumitomo Seika Chemicals Company Limited.
Director (Audit & Supervisory Committee Member)	Nobuko Sekiguchi	Outside Director of DUSKIN CO., LTD., Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION

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

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

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

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

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

Note 5: There are no special relationships that require disclosure in the ongoing business relationships between the Company and DUSKIN CO., LTD.

Note 6: There are no special relationships that require disclosure between the Company and entities in which outside directors concurrently served.

Note 7: The directors who left the director's position during fiscal 2023 are as follows:

Positions	Name	Date of leaving
Director	Fusaki Koshiishi	June 21, 2023
Director	Koichiro Shibata	June 21, 2023

Note 8: Duties/positions or significant concurrent positions of directors whose duties/positions or significant concurrent positions changed effective April 1, 2024 are as follows.

Positions	Name	Duties & significant concurrent positions
President (Representative Director)	Yoshihiko Katsukawa	
Executive Vice President (Representative Director)	Hajime Nagara	Oversees the Internal Control and Audit Department, the Environment and Safety Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance. Oversees companywide safety and health. Oversees companywide environmental protection and disaster prevention.
Director, Executive Officer	Koichi Sakamoto	Oversees the Quality Management Department, Technology Strategy & Planning Department, and the Intellectual Property Department. Oversees the Technical Development Group. Oversees companywide quality. Oversees companywide TQM activities. Oversees companywide technical development.
Director	Mitsugu Yamaguchi	

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, 2024 are as follows.

Positions	Name	Duties
Executive Vice President	Masamichi Takeuchi	Head of the Machinery Business, General Manager of the Management Division in the Machinery Business
	Shoji Miyazaki	Head of the Steel & Aluminum Business
Executive Officer	Hitoshi Arimura	General Manager of Moka Works in the Steel & Aluminum Business
	Kazuo Iritani	General Manager of the Engineering Division in the Machinery Business, Deputy General Manager of the Management Division in the Machinery Business
	Yasushi Okano	Responsible for the Environment and Safety Department, the Legal Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, and Takasago Works (departments under its direct supervision). Responsible for companywide safety and health. Responsible for companywide environmental protection and disaster prevention
	Hideki Okumura	Responsible for the Project Engineering Center and the CWD Project Center in the Engineering Business
	Yoichi Kageki	General Manager of the New Business Development Division in the Machinery Business, Deputy General Manager of the Management Division in the Machinery Business
	Takeharu Kato	Responsible for the Steel Casting & Forging Unit, Aluminum Casting & Forging Unit, and the Titanium Unit in the Advanced Materials Business
	Ryosaku Kadowaki	Head of the Advanced Materials Business
	Yoichi Kamiyauchi	Responsible for the SQE System Management Department, New Business Promotion Section, Nuclear Project Department, and Infrastructure Project Department in the Engineering Business
	Takahiko Kizawa	General Manager of the Business Development Department in the Steel & Aluminum Business
	Toshihide Kinoshita	Responsible for the IT Management Department and Resource Recycling Department in the Steel & Aluminum Business. Responsible for the special assignments from the Head of the Steel & Aluminum Business. General Manager of the Technology Planning Department in the Steel & Aluminum Business
	Kazuhiko Kimoto	Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office). Responsible for the special assignments from the president and CEO. Support for the director overseeing the General Administration and CSR Department in IR activities.
	Yuichiro Goto	Assistant to the President and CEO
	Shogo Sarumaru	General Manager of the Production Division in the Machinery Business. Deputy General Manager of the Management Division in the Machinery Business. Assists the head of the Machinery Business in new business planning
	Kazuyuki Suenaga	Head of the Welding Business

Positions	Name	Duties
Executive Officer	Yasufumi Takada	Responsible for the Aluminum Extrusion & Suspension Unit and Copper Rolled Products Unit in the Advanced Materials Business. General Manager of the Steel Powder Unit in the Advanced Materials Business
	Masaki Tanigawa	General Manager of the Aluminum Flat Rolled Products Unit in the Steel & Aluminum Business
	Hajime Nakanishi	Responsible for the Automotive Materials Planning Section, the Automotive Sheet Sales Department, and Nagoya Steel & Aluminum Sheet Sales Department in the Steel & Aluminum Business. General Manager of the Steel Sheet Products Unit in the Steel & Aluminum Business. Responsible for companywide automotive projects
	Shoji Nakamura	General Manager of Kakogawa Works in the Steel & Aluminum Business
	Keitaro Nakamori	Responsible for the Internal Control and Audit Department, the General Administration and CSR Department, the Rugby Center, and domestic branch offices and sales offices. Responsible for companywide compliance
	Akihiro Nishiguchi	Responsible for the Technology Management Department, Quality Assurance Department, Takasago Management Department (Plant Safety & Environmental Control Section), and Takasago Quality Assurance Department in the Advanced Materials Business. Responsible for Chofu Works (the Quality Assurance Department and the Safety & Environment Management Section of the General Administration Department) and Daian Works (the Quality Assurance Section, the Casting & Forging Research & Development Section, and the Safety & Environment Management Section of the General Administration Department) in the Advanced Materials Business
	Satoshi Nishino	Head of the Technical Development Group
	Sumikazu Hoda	Responsible for the Planning & Management Department and the Raw Materials Procurement Department in the Steel & Aluminum Business
	Yuji Mihara	General Manager of the Wire Rod & Bar Products Unit in the Steel & Aluminum Business. General Manager of the Steel Plate Products Unit in the Steel & Aluminum Business
	Yoshihiro Miyake	Responsible for the Automotive Sheet Products Technical Marketing Department and the Research & Development Laboratory in the Steel & Aluminum Business. Responsible for overall automotive sheet products in the Steel & Aluminum Business. Assists the unit heads in overall steel product technologies in the Steel & Aluminum Business
	Masahiro Motoyuki	Head of the Engineering Business. Responsible for the companywide construction business
	Daizo Morita	Responsible for overseas locations (under the Head Office). General Manager of the Corporate Planning Department
	Toshiyuki Yamaji	General Manager of the Finance and Accounting Department
Kunihiko Yoshitake	Head of the Electric Power Business	

(2) Overview of the Agreement Limiting Liability

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

(3) Overview of the Compensation Agreement

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

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

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

The Company has entered into a directors and executive officers liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act with directors (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 by top management, 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.

(5) Total Amount of Remuneration for Directors

Category	Number of Payees (Persons)	Amount (Millions of yen)	Breakdown of total amount by type of remuneration (Millions of yen)			Remarks
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation	
Directors (excluding Audit & Supervisory Committee members) (of which, outside directors)	10 (3)	475 (40)	289 (40)	117 (-)	67 (-)	Number of Payees and Amount include two internal directors (excluding Audit & Supervisory Committee members) that resigned in fiscal 2023.
Directors (Audit & Supervisory Committee members) (of which, outside directors)	5 (3)	102 (44)	102 (44)	- (-)	- (-)	
Total	15	577	391	117	67	

Note 1: Regarding the total amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members), the 169th Ordinary General Meeting of Shareholders held on June 22, 2022 passed a resolution that the maximum amount of basic remuneration shall be within a total of 460 million yen per fiscal year and that the maximum amount of performance-based compensation shall be within a total of 240 million yen per fiscal year. As of the conclusion of said General Meeting of Shareholders, the number of directors (excluding directors who were Audit & Supervisory Committee members) eligible for basic remuneration was eight (8) (of which, three (3) were outside directors), and

the number of directors (excluding directors who were Audit & Supervisory Committee members) eligible for performance-based compensation was five (5). In addition, the 169th Ordinary General Meeting of Shareholders held on June 22, 2022 passed a resolution that the maximum amount to be contributed as funds for acquiring the Company's shares to the Board Benefit Trust (BBT), which has been introduced as a medium- to long-term incentive compensation for directors (excluding outside directors and directors who are Audit & Supervisory Committee members), shall be within 360 million yen for a three-fiscal year period and the number of points granted per fiscal year shall be within 424,100 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). In addition, regarding the total amount of remuneration for directors who are Audit and Supervisory Committee members, the 163rd Ordinary General Meeting of Shareholders held on June 22, 2016 passed a resolution that the maximum amount of basic remuneration shall be within a total of 132 million yen per fiscal year. As of the conclusion of said General Meeting of Shareholders, the number of directors who were Audit and Supervisory Committee members eligible for basic remuneration was five (5) (of which, three (3) were outside directors).

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

Note 3: 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 4: 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 2023 have been determined based on the said internal regulations, and the Board of Directors deems that this is in line with the Company's policy on determination.

Note 5: As of April 1, 2024, the Company partially revised the remuneration system for directors and executive officers within the maximum amount of remuneration resolved at the 169th Ordinary General Meeting of Shareholders held on June 22, 2022. Such remuneration system was deliberated by the Nomination & Compensation Committee and resolved at a meeting of the Board of Directors held on January 31, 2024. The Company's Basic Policy on Remuneration for Directors and Executive Officers after revision is as follows.

Basic Policy on Remuneration for Directors and Executive Officers

- 1) Basic Approach to Remuneration for Directors and Executive Officers
 - A) The system aims to secure talented human resources who can contribute to the Company's sustainable development, and appropriately compensate for such efforts.
 - B) The system aims to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
 - C) In offering the incentive for accomplishing consolidated business result targets, the system must be devised with due consideration of the characteristics of each business so that directors and executive officers can fully carry out their roles.
 - D) In ensuring the objectivity and transparency of judgments regarding remuneration decisions, the Nomination & Compensation Committee deliberates on the state of the remuneration system and the necessity of its reevaluation.
- 2) Remuneration Framework
 - A) Based on the resolution at the Ordinary General Meeting of Shareholders, the Board of Directors establishes the Remuneration Regulations for Directors and Executive Officers, Detailed Rules on Remuneration Regulations for Directors and Executive Officers, Performance-Based Compensation Regulations for Directors and Executive Officers, and Stock Benefit Regulations for Directors and Executive Officers, which include the remuneration calculation methods for individual director/executive officer.
 - B) Remuneration for the Company's directors and executive officers consists of basic remuneration (fixed compensation) based on the remuneration rank determined according to rank and assigned duties, performance-based compensation consisting of the portion linked to division performance and the portion linked to individual evaluation for each fiscal year, and medium- to long-term incentive compensation based on stock compensation with the aim of sharing interest in corporate value enhancement with shareholders. Taking into consideration their duties, outside directors and directors who are Audit & Supervisory Committee members are not eligible for performance-based compensation and medium- to long-term incentive compensation. The remuneration rank is determined by the president taking account of the level of responsibility of the assigned duties and reported to the Nomination & Compensation Committee and the Board of Directors.
 - C) Of performance-based compensation, the standard pay amount for the portion linked to division performance will be set at the level of 40–60% of basic remuneration for each rank and remuneration rank, the amount for the portion linked to individual evaluation will be set at the level of -5% to 5% of basic remuneration for each rank and remuneration rank, and the value of medium- to long-term incentive compensation provided per fiscal year will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank.
 - D) Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders
 - Remuneration for directors (excluding directors who are Audit & Supervisory Committee members)

The limit of basic remuneration	Within a total of 460 million yen per fiscal year
The limit of performance-based compensation	Within a total of 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
 - Note: If Items 4 and 5, which are submitted to this Ordinary General Meeting of Shareholders, are approved, the limit on the payment corresponding to the maximum amount of performance-based compensation will be within 387 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 471,200 points per fiscal year.
 - Remuneration for directors who are also Audit & Supervisory Committee members (basic remuneration only) Within a total of 132 million yen per fiscal year |

Reference: Composition of Remuneration for Directors and Executive Officers

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

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

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

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

3) Performance-Based Compensation

A) In terms of the portion linked to division performance of performance-based compensation, a performance target will be set based on business management 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 officer.

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

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

Note: ROIC is used as an evaluation indicator to promote the efficiency of management resources with an awareness of capital cost and strengthening of the business foundation. In the calculation, the maximum payment coefficient (200%) will be reached when the Company achieves ROIC of 8% as stated in the Medium-Term Management Plan.

4) Medium- to Long-Term Incentive Compensation

A) For medium- to long-term incentive compensation, a system known as Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit uses a base point number calculated based on the standard pay amount for each rank and remuneration rank, and the number of points determined by multiplying the base point number by 0–120% according to profit attributable to owners of parent, the state of

dividend payment for each fiscal year, and performance against ESG-related indicators will be granted. On a fixed date during each trust period of three years, the Company's shares will be provided according to the number of points granted.

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

- B) The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-based Compensation Regulations for Directors and Executive Officers.
- C) As funds for acquiring shares through the trust, in principle, 1.1 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 date of the previous trust period, they will be used as funds for the subsequent trust periods, and an amount derived by deducting the amount of the remaining Company shares, etc. from 1.1 billion yen will be contributed.

Note: If Item No. 5, which is submitted to this Ordinary General Meeting of Shareholders, is approved, 1,250 million yen will be contributed every three years as funds for acquiring shares.

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

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

6) Method to Determine Remuneration Standards

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

7) Method to Determine and Examine Remuneration Policy

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

Reference:**Base value and actual value of indicators for each compensation**

Compensation item	Performance-based compensation	Medium- to long-term incentive compensation
Indicator	ROIC	Profit attributable to owners of parent
Base value for fiscal 2023	5.0%	79.4 billion yen
Actual value for fiscal 2023	6.7%	109.5 billion yen

Note: The base value in the calculation of performance-based compensation (portion linked to division performance) for fiscal 2023 is set at an ROIC of 5%, based on the targets set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023).

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

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

Meeting period	Deliberations and resolutions
September, November and December 2023, January 2024	Revision of the remuneration system for directors and executive officers (review of performance-based compensation ratio, review of remuneration for outside directors, introduction of ESG-related indicators, submission of the proposal on revision to the maximum amount of remuneration for directors and executive officers to the General Meeting of Shareholders, review of the Basic Policy on Remuneration for Directors and Executive Officers)
May 2024	Additional contributions to the Board Benefit Trust (BBT) Amount of performance-based compensation and amount of medium- to long-term incentive compensation for fiscal 2023

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

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

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

The standard pay amount for each rank and remuneration rank is set forth in the 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 respective prospective recipients based on their 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 \times 1.0] regardless of the following formula.

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

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

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

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

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

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

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

(6) Major Activities of Outside Directors During Fiscal 2023

		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	Hiroyuki Bamba	19/19 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 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	Yumiko Ito	19/19 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 centered on legal affairs in a different business field from ours in the world of industry. At Meetings of Independent Directors, she 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 Corporate Governance Committee, she contributed to the enhancement of the monitoring function of the management of the Company.
Director	Shinsuke Kitagawa	19/19 meetings held (100%)	—	Provided advice and suggestions concerning corporate management based on deep insight for the world of industry overall based on his abundant experience in economic and industrial policies, primarily in natural resources domain, and experiences in different business fields from ours. 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 function of the management of the Company as a member of the Corporate Governance Committee.

	Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
Director (Audit & Supervisory Committee Member) Masaaki Kono	19/19 meetings held (100%)	17/17 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.
Director (Audit & Supervisory Committee Member) Kunio Miura	19/19 meetings held (100%)	17/17 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.

	Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
Director (Audit & Supervisory Committee Member) Nobuko Sekiguchi	19/19 meetings held (100%)	17/17 meetings held (100%)	Provided advice and suggestions concerning corporate management based on deep insight underpinned by her abundant experience in finance, accounting and business management in different business fields from ours in the world of industry and extensive knowledge as outside officers at listed companies. She also actively shared her thoughts on matters related to compliance. At Meetings of Independent Directors, she 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, she actively visited and audited business locations.

4. Accounting Auditor

(1) Name of Accounting Auditor
KPMG AZSA LLC

(2) Remuneration and Other Amounts Paid to Accounting Auditor

	Category	Amount (Millions of yen)
(a)	Remuneration and other amounts paid to Accounting Auditor by the Company	177
(b)	Total amount of money and other financial interests paid by the Company and its subsidiaries	559

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

Note 2: The Audit & Supervisory Committee determined that the amount of remuneration and other amounts paid to the Accounting Auditor was appropriate and gave its consent under Article 399, Paragraph 1 of the Companies Act as a result of the review of the details of the audit plan for fiscal 2023 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 the said auditor for other reasons, the Audit & Supervisory Committee shall determine the details of a proposal for the dismissal or non-reappointment of the said auditor, and based on this, the Board of Directors shall submit it as an agenda item to the General Meeting of Shareholders.

5. The Company's Structures and Policies

Policy on Decisions Concerning Dividends of Surplus, etc.

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

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

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

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

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

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

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

Consolidated Balance Sheets

(As of March 31, 2024)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	1,465,737	Current liabilities	989,010
Cash and deposits	278,844	Notes and accounts payable - trade	477,198
Notes receivable - trade	29,485	Short-term borrowings	165,943
Accounts receivable - trade	343,663	Accounts payable - other	65,119
Contract assets	37,077	Income taxes payable	43,133
Merchandise and finished goods	273,677	Contract liabilities	67,502
Work in process	160,420	Provision for bonuses	26,544
Raw materials and supplies	276,552	Provision for product warranties	18,209
Other	70,183	Provision for loss on construction contracts	5,994
Allowance for doubtful accounts	(4,165)	Provision for dismantlement related expenses	1,989
Non-current assets	1,454,036	Other	117,373
Property, plant and equipment	1,034,413	Non-current liabilities	803,417
Buildings and structures	282,093	Bonds payable	115,000
Machinery, equipment and vehicles	558,045	Long-term borrowings	542,486
Tools, furniture and fixtures	15,055	Lease liabilities	40,045
Land	136,138	Deferred tax liabilities	3,674
Construction in progress	43,080	Deferred tax liabilities for land revaluation	3,253
Intangible assets	39,276	Retirement benefit liability	65,615
Software	25,273	Provision for loss on joint venture agreement	9,245
Other	14,003	Other	24,097
Investments and other assets	380,346	Total liabilities	1,792,427
Investment securities	245,023	Net assets	
Long-term loans receivable	3,223	Shareholders' equity	914,360
Deferred tax assets	36,282	Share capital	250,930
Retirement benefit asset	22,263	Capital surplus	116,325
Other	94,905	Retained earnings	548,951
Allowance for doubtful accounts	(21,351)	Treasury shares	(1,847)
		Accumulated other comprehensive income	142,202
		Valuation difference on available-for-sale securities	70,610
		Deferred gains or losses on hedges	(6,911)
		Revaluation reserve for land	4,707
		Foreign currency translation adjustment	45,950
		Remeasurements of defined benefit plans	27,845
		Non-controlling interests	70,784
		Total net assets	1,127,346
Total assets	2,919,774	Total liabilities and net assets	2,919,774

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

Consolidated Statements of Income

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

Item	Amount	
Net sales		2,543,142
Cost of sales		2,107,149
Gross profit		435,992
Selling, general and administrative expenses		249,364
Operating profit		186,628
Non-operating income		
Interest and dividend income	7,479	
Other	23,058	30,538
Non-operating expenses		
Interest expenses	14,640	
Other	41,603	56,243
Ordinary profit		160,923
Extraordinary income		
Gain on sale of non-current assets	29,379	29,379
Extraordinary losses		
Impairment losses	18,783	
Provision for loss on joint venture agreement	9,245	28,029
Profit before income taxes		162,274
Income taxes - current	54,791	
Income taxes - deferred	(9,000)	45,790
Profit		116,483
Profit (loss) attributable to non-controlling interests		6,931
Profit attributable to owners of parent		109,552

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

Non-Consolidated Balance Sheets

(As of March 31, 2024)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	812,148	Current liabilities	586,631
Cash and deposits	43,431	Accounts payable - trade	299,677
Notes receivable - trade	499	Short-term borrowings	112,880
Accounts receivable - trade	144,934	Lease liabilities	5,029
Contract assets	2,722	Accounts payable - other	40,218
Merchandise and finished goods	135,357	Accrued expenses	29,888
Work in process	118,676	Income taxes payable	5,035
Raw materials and supplies	207,517	Contract liabilities	38,155
Advance payments - trade	5,512	Deposits received	8,711
Prepaid expenses	3,380	Unearned revenue	244
Short-term loans receivable	90,766	Provision for bonuses	11,876
Accounts receivable - other	42,475	Provision for product warranties	1,518
Other	16,926	Provision for loss on construction contracts	4,280
Allowance for doubtful accounts	(54)	Provision for dismantlement related expenses	1,989
Non-current assets	1,004,119	Asset retirement obligations	8
Property, plant and equipment	510,891	Other	27,118
Buildings	91,355	Non-current liabilities	526,994
Structures	40,077	Bonds payable	115,000
Machinery and equipment	275,382	Long-term borrowings	318,702
Vehicles	771	Lease liabilities	24,918
Tools, furniture and fixtures	6,806	Deferred tax liabilities	2,661
Land	63,443	Provision for retirement benefits	51,146
Construction in progress	33,054	Provision for loss on joint venture agreement	9,245
Intangible assets	12,592	Asset retirement obligations	681
Software	11,600	Other	4,637
Right of using facilities	166	Total liabilities	1,113,626
Other	825	Net assets	
Investments and other assets	480,635	Shareholders' equity	642,052
Investment securities	149,425	Share capital	250,930
Shares of subsidiaries and associates and investments in capital	221,191	Capital surplus	122,697
Long-term loans receivable	93,185	Legal capital surplus	122,697
Prepaid pension cost	12,761	Retained earnings	269,370
Other	11,435	Other retained earnings	269,370
Allowance for doubtful accounts	(7,363)	Reserve for advanced depreciation of non-current assets	1,700
		Retained earnings brought forward	267,670
		Treasury shares	(945)
		Valuation and translation adjustments	60,589
		Valuation difference on available-for-sale securities	62,192
		Deferred gains or losses on hedges	(1,603)
Total assets	1,816,267	Total net assets	702,641
		Total liabilities and net assets	1,816,267

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

Non-Consolidated Statements of Income

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

Item	Amount	
Net sales		1,326,810
Cost of sales		1,179,137
Gross profit		147,672
Selling, general and administrative expenses		90,138
Operating profit		57,534
Non-operating income		
Interest and dividend income	45,098	
Other	22,313	67,412
Non-operating expenses		
Interest expenses	7,036	
Other	30,602	37,638
Ordinary profit		87,307
Extraordinary losses		
Provision for loss on joint venture agreement	9,245	
Impairment losses	6,523	15,769
Profit before income taxes		71,538
Income taxes - current	8,496	
Income taxes - deferred	(2,489)	6,006
Profit		65,531

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

Reference: Status of Consolidated Cash Flow (From April 1, 2023 to March 31, 2024)

Item	Amount
	(Millions of yen)
Cash flows from operating activities	205,284
Cash flows from investing activities	(53,724)
Cash flows from financing activities	(81,213)
Effect of exchange rate change on cash and cash equivalents	4,846
Net increase in cash and cash equivalents	75,192
Cash and cash equivalents at beginning of period	203,394
Increase in cash and cash equivalents resulting from change in scope of consolidation	141
Cash and cash equivalents at end of period	278,728

Assets and Results of Operations of the Company

Category		168th Business Term (Fiscal year 2020)	169th Business Term (Fiscal year 2021)	170th Business Term (Fiscal year 2022)	171st Business Term (Fiscal year 2023)
Net sales	(Millions of yen)	924,648	1,299,177	1,403,979	1,326,810
Operating profit (loss)	(Millions of yen)	(13,210)	47,552	43,606	57,534
Ordinary profit (loss)	(Millions of yen)	(7,634)	54,470	60,538	87,307
Profit (loss)	(Millions of yen)	7,888	45,396	55,125	65,531
Profit (loss) per share	(yen)	21.70	120.84	139.35	165.59
Total assets	(Millions of yen)	1,817,450	1,857,452	1,855,291	1,816,267
Net assets	(Millions of yen)	518,245	588,515	633,169	702,641
Net assets per share	(yen)	1,426.27	1,488.62	1,600.16	1,775.53

Stock acquisition rights, etc. of the Company

Status of stock acquisition rights held by the Company's directors and executive officers on the last day of the fiscal year under review that were delivered as consideration for execution of their duties

Not applicable.

Status of stock acquisition rights delivered to employees, etc. during the fiscal year under review as consideration for execution of their duties

Not applicable.

Status of other stock acquisition rights, etc.

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

Category	Bonds with Stock Acquisition Rights due 2028	Bonds with Stock Acquisition Rights due 2030
Number of stock acquisition rights	Sum of 2,500 and the number of units, which is the total amount of the face value of the bonds regarding replacement bond certificates with stock acquisition rights divided by 10 million yen	Sum of 2,500 and the number of units, which is the total amount of the face value of the bonds regarding replacement bond certificates with stock acquisition rights divided by 10 million yen
Class and number of shares that are the target for stock acquisition rights	Common stock (100 shares per unit) are targeted. The number of target shares is the number obtained by dividing the total amount of the face value of the bonds by the conversion price. Fractions of less than one share resulting from exercise will be rounded down, and no cash adjustments will be made.	Common stock (100 shares per unit) are targeted. The number of target shares is the number obtained by dividing the total amount of the face value of the bonds by the conversion price. Fractions of less than one share resulting from exercise will be rounded down, and no cash adjustments will be made.
Conversion price	2,456 yen; Adjustments will be made under certain conditions. (Note)	2,349.5 yen; Adjustments will be made under certain conditions. (Note)
Period for exercise of stock acquisition rights	From December 28, 2023 until November 30, 2028 (local time at the place where the bonds are deposited for exercise of the stock acquisition rights). However, the stock acquisition rights may not be exercised for a certain period of time.	From December 28, 2023 until November 29, 2030 (local time at the place where the bonds are deposited for exercise of the stock acquisition rights). However, the stock acquisition rights may not be exercised for a certain period of time.
Balance of bonds with stock acquisition rights	25.0 billion yen	25.0 billion yen

Note: In accordance with the resolution of the Board of Directors on May 16, 2024 to pay a year-end dividend of 45 yen per share for the fiscal year under review, the conversion prices of the Bonds with Stock Acquisition Rights due 2028 and the Bonds with Stock Acquisition Rights due 2030 were adjusted to 2,401.6 yen and 2,297.4 yen, respectively, pursuant to the conversion price adjustment clauses of the respective bonds.

Structures for Ensuring the Propriety of Business Operations

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

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

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

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

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

(b) Establishment of structures for ensuring proper financial reporting

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

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

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

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

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

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

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

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

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

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

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

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

In order to enhance the effectiveness of the deliberations at the Executive Council, the Company shall establish various committees as auxiliary bodies to the Executive Council to

address important matters related to companywide strategies such as sustainability management, risk management, business portfolio management, 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) Structures for ensuring the proper operation of the Group, consisting of the Company and its subsidiaries

The Company shall set Group Company Management Regulations and oblige its subsidiaries to consult with the supervisory division and the head office division of the Company and report important matters when they make important decisions. The Company shall also require 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 Group Standards that set forth the minimum rules to be established by Group companies. All subsidiaries of the Company shall establish their 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 oversee the management of these subsidiaries.

In addition, the Company shall require its subsidiaries to share the Group Corporate Philosophy, 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 an Audit & Supervisory Committee Members' Office to support the duties of the Audit & Supervisory Committee and assign dedicated staff. Personnel changes, performance appraisal, and other issues relating to the employees of the Audit & Supervisory Committee Members' Office shall require prior discussions with the Audit & Supervisory Committee 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 Members' Office and cooperate to ensure the effectiveness of the audits by the Audit & Supervisory Committee.

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

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

Under the Compliance Regulations, the Company shall prohibit retaliation to whistleblowers who inform through the internal reporting system and to employees who make reports to the Audit & Supervisory Committee and ensure that this 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 an Audit & Supervisory Committee member requests payment for expenses arising from the execution of duties based on the Companies Act, the Company shall pay for such expenses or debts, except when the Company confirms that the execution of such duties is not necessary. For the expenses necessary for the Audit & Supervisory Committee to execute its duties, the Company shall budget a certain amount in advance every year for expenses that the Audit & Supervisory Committee deems necessary for its duties.

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

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

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

Note: The above describes the systems implemented in fiscal 2023. At the Board of Directors meeting held on February 28 this year, the Company resolved to revise the policies for their implementation commencing in fiscal 2024, based on organizational reforms effective April 1. 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 171st Ordinary General Meeting of Shareholders.

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

The Company is taking measures to develop the Structure for Ensuring the Propriety of Business Operations, and ensure its proper operation, in line with its basic policy on this structure. A summary of the operational status of the structure in fiscal 2023 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 also using 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 117 reports, including those from domestic and overseas Group companies, and responded to them appropriately. The status of response to the cases were reported to the Compliance Committee.

- **Implementation of compliance awareness surveys**

The Company, its domestic Group companies, and some of overseas Group companies conducted compliance awareness surveys, and based on the survey results, it planned compliance promotion activities for fiscal 2024.

(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 subsequent fiscal years after top management has verified them. This system has been proactively deployed at all Group companies. In addition, the Risk Management Committee, which has been established as an auxiliary body to the Executive Council, works to improve the effectiveness of risk management by means such as developing and evaluating basic policies on overall risk management, developing specific policies on important risk management issues, evaluating risk control measures implementation plans for top-priority and significant risks, and developing and evaluating companywide risk management plans.

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

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

The Executive Council met 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. The Committee also exchanged opinions with the corporate auditors of Group companies on audit policies, plans, and issues.

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

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

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

(a) Description of the Basic Policy

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

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

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

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

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

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

The Company will strive to enhance its corporate value through providing solutions to the needs of society, by making the best use of the talents of its employees and its technologies, based on the three core business areas of 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.”

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

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

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

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

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

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

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

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

Consolidated Statements of Changes in Net Assets

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2023	250,930	116,430	472,757	(1,879)	838,238
Changes during period					
Dividends of surplus			(27,725)		(27,725)
Profit attributable to owners of parent			109,552		109,552
Purchase of treasury shares				(14)	(14)
Disposal of treasury shares			(0)	48	48
Change in ownership interest of parent due to transactions with non-controlling interests		(104)			(104)
Change of scope of consolidation and equity method			(4)		(4)
Change in treasury shares arising from change in equity in entities accounted for using equity method				(2)	(2)
Reversal of revaluation reserve for land			(5,628)		(5,628)
Net changes in items other than shareholders' equity					
Total changes during period	-	(104)	76,193	32	76,121
Balance as of March 31, 2024	250,930	116,325	548,951	(1,847)	914,360

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2023	34,877	(7,082)	(3,400)	32,562	18,760	75,717	63,696	977,653
Changes during period								
Dividends of surplus								(27,725)
Profit attributable to owners of parent								109,552
Purchase of treasury shares								(14)
Disposal of treasury shares								48
Change in ownership interest of parent due to transactions with non-controlling interests								(104)
Change of scope of consolidation and equity method								(4)
Change in treasury shares arising from change in equity in entities accounted for using equity method								(2)
Reversal of revaluation reserve for land								(5,628)
Net changes in items other than shareholders' equity	35,732	171	8,107	13,387	9,084	66,484	7,087	73,572
Total changes during period	35,732	171	8,107	13,387	9,084	66,484	7,087	149,693
Balance as of March 31, 2024	70,610	(6,911)	4,707	45,950	27,845	142,202	70,784	1,127,346

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Matters Concerning the Scope of Consolidation

Kobe Steel, Ltd. (the “Company”) has 202 subsidiaries, of which 173 subsidiaries are included in the scope of consolidation (the “Kobe Steel Group”). Names of major consolidated subsidiaries are as follows.

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

For fiscal year 2023, three companies, including Sanwa Tekko Co., Ltd., are newly consolidated, and Kobelco Slag Products, Ltd. is excluded from the scope of consolidation due to absorption-type merger.

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

2. Matters Concerning the Application of the Equity Method

Of the 29 non-consolidated subsidiaries and 45 affiliates, 32 companies are accounted for by the equity method. Names of major companies accounted for by the equity method are as follows.

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

For fiscal year 2023, three companies, including Sanwa Tekko Co., Ltd., are excluded from the scope of the companies accounted for by the equity method due to additional acquisition of their shares, etc.

29 non-consolidated subsidiaries (Kobelco E&M Vietnam Co., Ltd. and others) and 13 affiliates (J&T Welding Supply Co., Ltd. and others) are not accounted for by the equity method. The aggregated amounts of their profit (corresponding to amount of equity interest), retained earnings (corresponding to amount of equity interest) and other indicators are insignificant compared with those of the consolidated companies and those that are accounted for by the equity method. Accordingly, they are not accounted for by the equity method.

3. Matters Concerning Accounting Policies

(1) Basis and method for valuation of significant assets

A. Basis and method for valuation of securities

Available-for-sale securities

- i) Securities other than shares, etc. that do not have a market price
Market value method (with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets and cost of securities sold is primarily determined using the moving average method).
- ii) Shares, etc. that do not have a market price
Cost method, determined mainly using the moving average method.

B. Basis for valuation of derivatives

Market value method

C. Basis and method for valuation of inventories

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

(2) Depreciation and amortization method for significant depreciable assets

a) Property, plant and equipment

- i) Owned non-current assets
Primarily by the straight-line method.
- ii) Leased assets
 - Under finance leases that transfer ownership of the leased assets
By the same method as the owned non-current assets.
 - Under finance leases that do not transfer ownership of the leased assets
By the straight-line method over the respective lease term (equal to estimated useful lives) with no residual value.

b) Intangible assets

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

(3) Basis for recognition of significant allowances and provisions

a) Allowance for doubtful accounts

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

b) Provision for bonuses

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

c) Provision for product warranties

To provide for after-sales and after-construction and delivery warranty cost payments, mainly for steel castings and forgings as well as titanium products in the Advanced Materials Business, Machinery Business, Engineering Business and Construction Machinery Business, provision is made at an estimated amount as of the end of the fiscal year 2023 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount as of the fiscal year 2023 for certain individual cases.

d) Provision for loss on construction contracts

To provide for future losses on construction contracts, mainly for steel castings and forgings in the Advanced Materials Business, Machinery Business and Engineering Business, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal year 2023.

e) Provision for dismantlement related expenses

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at the Kobe Wire Rod & Bar Plant, provision is made at an estimated amount at the end of the fiscal year 2023.

f) Provision for loss on joint venture agreement

Agreement has been reached with Baowu Aluminum Technology Co., Ltd. on the feasibility study with a view to establishing a joint venture for shifting the Group's operations to completing all aspects from procurement of base material to the manufacture and sale of aluminum panels within China. Accordingly, the volume of base material purchased from Ulsan Aluminum, Ltd. is likely to decrease, but the Group is obliged, under the joint venture agreement with Novelis Korea Ltd., to bear fixed costs equivalent to a certain supply capacity regardless of the purchase volume of the base material. As burden in excess of the amount commensurate with the purchase volume is expected, provision is made at an estimated amount as of the end of the fiscal year 2023.

(4) Accounting method for retirement benefits

To provide for payments of retirement benefits to employees, the amount of retirement benefit obligations net of the amount of plan is established assets based on the amount expected at the end of the fiscal year 2023.

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

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

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

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

(5) Basis for recognition of revenue and expenses

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

Step 1: Identify a contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when or as the performance obligations are satisfied

Description of main performance obligations in the Group's major businesses with respect to revenues arising from contracts with its customers, and the normal timing of satisfying such performance obligations (normal timing of revenue recognition) are as follows.

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

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

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

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

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

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

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

- (7) Principal method for hedge accounting

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

- B. Hedging instruments and hedged items
- a) Hedging instruments Foreign currency exchange contracts, interest rate swap contracts and commodity forward contracts
- b) Hedged items Assets and liabilities exposed to losses from market fluctuations related to foreign exchange rates, interest rates and trading of bare metal such as aluminum (including those expected from forecasted transactions).
- C. Hedging policy and method for assessing the hedge effectiveness
- The Group uses hedge transactions to reduce the risks from market fluctuations and do not enter into hedge transactions for speculative purposes.
- The Company assesses the hedge effectiveness in accordance with its internal rules.
- The consolidated subsidiaries assess the hedge effectiveness in accordance with similar internal rules through the Company's responsible division or the subsidiary's own responsible division.
- (8) Method for amortization of goodwill
- Goodwill is amortized using the straight-line method (or immediately charged to income if immaterial) over the practically estimated effective periods where estimable during the period in which it arises, or otherwise, over five years.
- (9) Method for processing deferred assets
- Bond issuance costs are wholly processed as cost at the time of expenditure.
- (10) Application of the Group Tax-Sharing System
- The group tax-sharing system is applied.

Notes on Changes in Presentation Methods

Consolidated Balance Sheets

“Provision for loss on guarantees” and “Provision for customer compensation expenses” which were separately presented under “Current liabilities” in fiscal year 2022 have been included in “Other” from fiscal year 2023 due to insignificance in their amount.

“Provision for environmental measures” which was separately presented under “Non-current liabilities” in fiscal year 2022 has been included in “Other” from fiscal year 2023 due to insignificance in their amount.

Notes Regarding Accounting Estimates

1. Impairment of non-current assets

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

The Group records impairment losses of 18,783 million yen for the fiscal year under review, and the breakdown is as per the description in “Notes to Consolidated Statements of Income,” under “3. Impairment Losses.”

The book value of non-current assets at the end of the fiscal year under review was 1,073,689 million yen (1,034,413 million yen for property, plant and equipment and 39,276 million yen for intangible assets), including multiple asset groups for which the Group did

not recognize an impairment loss despite there being signs of impairment. The main asset groups to which this applies were as follows.

<Aluminum flat rolled products>

Non-current assets for business use in the Company's aluminum flat rolled products business is determined to indicate signs of impairment, as operating profit proved to be negative continuously due mainly to a decrease in demand for disk material to be used at data centers along with a delay in passing on the increase in procurement costs to sales price. Business plans for the future have been prepared reflecting key assumptions such as recovery of demand for disk material, increase in sales volume of beverage can materials as well as automotive panel materials due to sales expansion, and passing on cost increase to sales price. The undiscounted total amount of future cash flows estimated based on business plans formulated under these assumptions exceeded the book value of the non-current assets of 41,861 million yen (39,994 million yen for property, plant and equipment and 1,867 million yen for intangible assets), and therefore the Group did not recognize an impairment loss.

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

2. Valuation of goodwill in companies accounted for by the equity method

In the event that the amount equivalent to goodwill included in investment securities in the companies accounted for by the equity method is determined to indicate signs of impairment, necessity for recognizing impairment loss is determined based on the estimation of recoverability, where impairment loss is recognized if recoverable value falls short of the book value of the investment securities including the amount equivalent to goodwill.

The Group recorded impairment losses in the form of share of loss of entities accounted for using equity method at 14,698 million yen in fiscal year 2023, whose detail is as follows.

<Ulsan Aluminum, Ltd.>

In September 2017, the Company acquired shares in Ulsan Aluminum, Ltd. from Novelis Korea Ltd. to ensure stable procurement of base material used for manufacturing automotive aluminum panel materials at Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd., whereby Ulsan Aluminum, Ltd. became a company accounted for by the equity method of the Company. The amount equivalent to goodwill that arose from the aforementioned transaction was recorded by including in investment securities.

In fiscal year 2023, the Company reached an agreement with Baowu Aluminum Technology Co., Ltd. on the feasibility study with a view to establishing a joint venture between the two for shifting the Company's operations to completing all aspects from procurement of base material to the manufacture and sale of aluminum panels within China. Accordingly, one of the original objectives of Ulsan Aluminum, Ltd., namely stable procurement of base material to be supplied to China, would be lost. Thus, the aforementioned amount equivalent to goodwill is deemed to indicate signs of impairment. As a result of the impairment test, the recoverable value was found to fall short of the book value of 39,587 million yen including the amount equivalent to goodwill, whereby impairment losses of 14,698 million yen were recognized as share of loss of entities accounted for using equity method.

Determination of the recoverable value will, going forward, be based on future cash flows based on business plans that assume expansion in demand of aluminum flat rolled products, and the estimates of sales volume and sales unit price will be incorporated as major

assumptions. In the event that the estimated recoverable value falls short of such expectation due to the actual trend of demand for aluminum flat rolled products, additional impairment losses may arise in fiscal year 2024.

Additional Information

Introduction of the Board Benefit Trust (BBT) for Directors and Other Executives

The Company introduced a new stock compensation plan, a “Board Benefit Trust (BBT),” to more clearly link the compensation of Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee Members) and Executive Officers to the Company’s performance and the value of its stock, and in order to encourage the Directors to contribute to improve medium- to long-term business performance and enhance corporate value. The accounting method regarding the BBT agreement complies with the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts (Practical Issues Task Force (PITF) No. 30, March 26, 2015).

1) Overview of transactions

This plan is a stock compensation plan under which money contributed by the Company is used as funds to acquire the Company’s shares through a trust. With regard to Directors and Executive Officers (hereinafter “Directors and Other Executives”), in accordance with the director stock benefit rules established by the Company, the Company’s shares (hereinafter the “Company’s Shares and Money”) and the cash equivalent to the amount converted from the market price of the Company’s Shares are provided through the trust. In addition, Directors and Other Executives shall receive the Company’s Shares and Money in principle every three years on a fixed date during the trust period.

2) Kobe Steel stock remaining in the Trust

The Company’s stock remaining in the trust is posted as treasury shares in a part of net assets based on the book value (excludes amounts for incidental expenses). The corresponding treasury shares’ book value at the end of the fiscal year under review was 301 million yen for 336,000 shares.

Notes to Consolidated Balance Sheets

1. Assets Pledged as Collateral and Collateralized Debt

(1) Assets pledged as collateral

Property, plant and equipment	238,703 million yen
Cash and deposits	90,960
<u>Other</u>	<u>38,987</u>
Total	368,651

(2) Collateralized debt

Long-term borrowings	214,447 million yen
<u>Short-term borrowings</u>	<u>29,639</u>
Total	244,086

2. Accumulated Depreciation of Property, Plant and Equipment 2,747,114 million yen

3. Guarantee Liabilities

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

Japan Aeroforge, Ltd.	1,323 million yen
Iitate Bio Partners Company Limited	666
<u>Others (6 companies and others)</u>	<u>300</u>
Total	2,290

Kobelco Construction Machinery (China) Co., Ltd., which is a consolidated subsidiary of the Company, sells construction machinery to customers through sales agents or leasing companies. Sales agents pledge guarantees to buy construction machinery, pledged as collateral at the amounts of the balance on bank loans or future minimum lease payments. Kobelco Construction Machinery (China) Co., Ltd. pledges reinsurance for this guarantee. The balances of the reinsurance were 2,854 million yen at the end of fiscal year 2023.

(2) Trade notes receivable endorsed	4,192 million yen
(3) Repurchase obligation accompanying securitization of receivables	5,880 million yen

Notes to Consolidated Statements of Income

1. Revenue from contracts with customers

With respect to net sales, the amount of other revenues than revenue from contracts with customers is not material. Accordingly, revenue from contracts with customers and that recognized from other sources are not separately stated. The amount of revenue from contracts with customers is stated in “Notes on Revenue Recognition,” under “1. Disaggregation of revenue from contracts with customers.”

2. Gain on sale of non-current assets

Gain on sale of non-current assets of 29,379 million yen arose mainly from the transfer of land by subsidiaries of the Company in its Steel & Aluminum Business, namely Koshuha Precision Co., Ltd. and Kobelco Logistics, Ltd.

3. Impairment losses

The Group recognizes impairment losses on the following asset groups (18,783 million yen). The breakdown is buildings and structures of 5,414 million yen, machinery, equipment and vehicles of 11,070 million yen, Tools, furniture and fixtures of 719 million yen, Land of 259 million yen, Construction in progress of 516 million yen, Software of 522 million, and other in intangible assets of 280 million yen.

Use	Location and number of properties	Type and amount (Million yen)
Assets for manufacturing aluminum suspensions (United States)	Kentucky, United States 1 property	Machinery and equipment, etc. 6,708
Assets for manufacturing aluminum extrusions (Japan)	Shimonoseki, Yamaguchi 1 property	Machinery and equipment, etc. 6,516
Assets for manufacturing aluminum extrusions (United States)	Kentucky, United States 1 property	Machinery and equipment, etc. 4,838
Other assets for business use, etc.	Takasago, Hyogo and others 14 properties in total	Other in intangible assets, etc. 721

In the Group’s determination of impairment losses, the assets for business use are, in principle, grouped basically by business office while taking into account management accounting classification and cash generating unit on the basis of which revenues and expenses are continuously measured. Idle assets are grouped for each individual property.

The background for recognizing impairment losses for each main asset group and the method for determining the recoverable value are as follows.

(1) Assets for manufacturing aluminum suspensions (United States)

The book value of 13,745 million yen was reduced to the recoverable value due to lower profitability as a result of productivity that kept falling short of expected levels, and the amount of such reduction is recognized as an impairment loss (6,708 million yen) in extraordinary losses. Furthermore, the recoverable value was measured based on the net sales value, which is calculated using the appraisal value.

(2) Assets for manufacturing aluminum extrusions (Japan)

The book value of 7,433 million yen was reduced to the recoverable value due to lower profitability as a result of stagnant orders primarily for automobiles, and the amount of such reduction is recognized as an impairment loss (6,516 million yen) in extraordinary

losses. Furthermore, the recoverable value was measured based on the value in use with future cash flows discounted at 6%.

(3) Assets for manufacturing aluminum extrusions (United States)

The book value of 10,469 million yen was reduced to the recoverable value due to lower profitability as a result of stagnant orders for automobiles, and the amount of such reduction is recognized as an impairment loss (4,838 million yen) in extraordinary losses. Furthermore, the recoverable value was measured based on the net sales value, which is calculated using the appraisal value.

4. Provision for loss on joint venture agreement

The Group is engaged in transactions involving purchase of base material from Ulsan Aluminum, Ltd., its joint venture with Novelis Korea Ltd., as well as the manufacture and sale of aluminum panels at Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. In fiscal year 2023, the Group reached an agreement with Baowu Aluminum Technology Co., Ltd. on the feasibility study with a view to establishing a joint venture between the two for shifting the Group's operations to completing all aspects from procurement of base material to the manufacture and sale of aluminum panels within China. Accordingly, the volume of base material purchased from Ulsan Aluminum, Ltd. is likely to decrease, but the Group is obliged, under the joint venture agreement with Novelis Korea Ltd., to bear fixed costs equivalent to a certain supply capacity regardless of the purchase volume of the base material. As burden in excess of the amount commensurate with the purchase volume is expected, "provision for loss on joint venture agreement" is made at an estimated amount of such excess.

Notes to Consolidated Statements of Changes in Net Assets

1. Type and Total Number of Shares Issued at the End of Fiscal Year 2023
Common stock 396,345,963 shares

2. Matters Concerning Dividends

(1) Dividends paid

Resolution	Type of stock	Total dividends	Dividends per share	Record date	Effective date	Source of dividends
May 17, 2023 Board of Directors' meeting	Common stock	9,902 million yen	25.0 yen	March 31, 2023	June 1, 2023	Retained earnings
November 9, 2023 Board of Directors' meeting	Common stock	17,823 million yen	45.0 yen	September 30, 2023	December 1, 2023	Retained earnings

(2) Dividends with the record date in fiscal year 2023 and the effective date in fiscal year 2024

At a meeting of the Board of Directors to be held on May 16, 2024, the Company intends to submit an agenda item concerning the payment of dividends on common stock as follows.

- 1) Total dividends 17,823 million yen
- 2) Dividends per share 45.0 yen
- 3) Record date March 31, 2024
- 4) Effective date May 31, 2024

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

Notes on Financial Instruments

1. Matters Concerning Status of Financial Instruments

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

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

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

2. Matters concerning fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheet, fair value and the difference as of March 31, 2024 are as follows.

(Millions of yen)

	Carrying amount *3	Fair value *3	Difference
(1) Investment securities *4			
a) Securities of subsidiaries and affiliates	7,646	8,861	1,214
b) Available-for-sale securities	144,565	144,565	–
(2) Short-term borrowings	(165,943)	(166,109)	(165)
(3) Bonds payable	(115,000)	(121,000)	(6,000)
(4) Long-term borrowings	(542,486)	(545,271)	(2,785)
(5) Lease liabilities (non-current liabilities)	(40,045)	(39,185)	859
(6) Derivative transactions *5			
a) Hedge accounting not applied	(5,774)	(5,774)	–
b) Hedge accounting applied	(9,834)	(9,834)	–

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

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

*3 Liabilities are presented with parentheses.

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

(Millions of yen)

Classification	Carrying amount in consolidated balance sheets
Unlisted shares, etc.	92,811

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

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

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

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

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

Level 3 fair value: Fair value measured using unobservable inputs

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

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

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities				
b) Available-for-sale securities	144,565	–	–	144,565
(6) Derivative transactions				
a) Hedge accounting not applied	–	(5,774)	–	(5,774)
b) Hedge accounting applied	–	(9,834)	–	(9,834)

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

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities				
a) Securities of subsidiaries and affiliates	8,861	–	–	8,861
(2) Short-term borrowings	–	(166,109)	–	(166,109)
(3) Bonds payable	–	(121,000)	–	(121,000)
(4) Long-term borrowings	–	(545,271)	–	(545,271)
(5) Lease liabilities (non-current liabilities)	–	(39,185)	–	(39,185)

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

(1) Investment securities

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

(2) Short-term borrowings, (4) Long-term borrowings, and (5) Lease liabilities (non-current liabilities)

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

(3) Bonds payable

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

(6) Derivative transactions

For foreign currency exchange contracts, the fair values are determined based on the discounted present value method using observable inputs including forward foreign exchange rates. For interest rate swaps and currency swaps, the fair values are determined based on quotes obtained from counterparty financial institutions with which contracts calculated primarily based on the discounted present value method using observable inputs including interest rates and foreign exchange rates have been entered into. For commodity forward contracts, the fair values are determined based on the discounted present value method using observable inputs including commodity futures prices, and they are classified as Level 2.

For certain forward exchange contracts for which the “assigning” method is applied, the fair values are included in the fair values of the hedged accounts receivable - trade and accounts payable - trade.

For interest rate swaps for which the “exceptional” method is applied, the fair values are included in the fair values of the hedged long-term borrowings (see (4) above).

Notes on Revenue Recognition

1. Disaggregation of revenue from contracts with customers

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

(1) Breakdown by region

(Millions of yen)

	Reportable segments						
	Steel & Aluminum			Advanced Materials	Welding	Machinery	Engineering
	Steel	Aluminum sheet	Total				
Japan	726,254	132,001	858,256	175,553	53,135	110,312	118,731
China	28,917	39,842	68,760	18,568	8,302	43,758	9,068
Other	102,867	15,790	118,658	89,193	31,253	68,623	40,933
Net sales to external customers	858,039	187,635	1,045,675	283,315	92,691	222,694	168,732

	Reportable segments			Other (Note 1)	Total	Adjustment	Carrying amount in consolidated statements of income
	Construction machinery	Electric power	Total				
Japan	168,359	315,950	1,800,298	7,805	1,808,103	1,139	1,809,243
China	7,277	–	155,736	72	155,809	33	155,842
Other	228,315	–	576,977	1,032	578,009	47	578,057
Net sales to external customers	403,952	315,950	2,533,011	8,910	2,541,922	1,220	2,543,142

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

(Millions of yen)

	Reportable segments						
	Steel & Aluminum			Advanced Materials	Welding	Machinery	Engineering
	Steel	Aluminum sheet	Total				
Goods or services transferred at a point in time	844,476	187,635	1,032,111	283,315	92,691	201,431	56,650
Goods or services transferred over a certain period of time	13,563	–	13,563	–	–	21,262	112,082
Net sales to external customers	858,039	187,635	1,045,675	283,315	92,691	222,694	168,732

	Reportable segments			Other (Note 1)	Total	Adjustment	Carrying amount in consolidated statements of income
	Construction machinery	Electric power	Total				
Goods or services transferred at a point in time	394,982	315,950	2,377,132	8,428	2,385,561	1,190	2,386,751
Goods or services transferred over a certain period of time	8,969	–	155,878	481	156,360	30	156,390
Net sales to external customers	403,952	315,950	2,533,011	8,910	2,541,922	1,220	2,543,142

Note 1: The “Other” segment is a business segment not included in the reportable segments and includes business entities under the Head Office.

Note 2: Net sales to external customers primarily consist of revenue recognized from contracts with customers, and revenue recognized from other sources is included in revenue from contracts with customers.

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

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

(1) Contract asset and contract liability balances

(Millions of yen)

	Amount
Receivables from contracts with customers (beginning balance)	402,497
Receivables from contracts with customers (ending balance)	373,148
Contract assets (beginning balance)	26,074
Contract assets (ending balance)	37,077
Contract liabilities (beginning balance)	58,828
Contract liabilities (ending balance)	67,502

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

Contract liabilities primarily relate to advances received from customers. Revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 36,860 million yen. The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied in the previous fiscal year is not material.

(2) Transaction price allocated to the remaining performance obligations

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

(Millions of yen)

	Amount
Within one year	323,715
Over one year	383,934
Total	707,650

Notes on Per Share Information

Net assets per share	2,675.13 yen
Profit per share	277.38 yen

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

The number of such shares at the end of the period excluded from the calculation of net assets per share for this fiscal year was 336,000 shares, while the average number of shares during the period excluded from the calculation of profit per share for this fiscal year was 353,000 shares.

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

Non-Consolidated Statements of Changes in Net Assets

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus		Retained earnings				Treasury shares	Total shareholder s' equity
		Legal capital surplus	Total capital surpluses	Other retained earnings			Total retained earnings		
				Reserve for special depreciation	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward			
Balance as of April 1, 2023	250,930	122,697	122,697	41	1,641	229,881	231,564	(979)	604,211
Changes during period									
Reversal of reserve for special depreciation				(41)		41	–		–
Provision of reserve for tax purpose reduction entry of non-current assets					197	(197)	–		–
Reversal of reserve for tax purpose reduction entry of non-current assets					(139)	139	–		–
Dividends of surplus						(27,725)	(27,725)		(27,725)
Profit						65,531	65,531		65,531
Purchase of treasury shares								(14)	(14)
Disposal of treasury shares						(0)	(0)	48	48
Net changes in items other than shareholders' equity									
Total changes during period	–	–	–	(41)	58	37,788	37,806	34	37,840
Balance as of March 31, 2024	250,930	122,697	122,697	–	1,700	267,670	269,370	(945)	642,052

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2023	29,363	(406)	28,957	633,169
Changes during period				
Reversal of reserve for special depreciation				–
Provision of reserve for tax purpose reduction entry of non-current assets				–
Reversal of reserve for tax purpose reduction entry of non-current assets				–
Dividends of surplus				(27,725)
Profit				65,531
Purchase of treasury shares				(14)
Disposal of treasury shares				48
Net changes in items other than shareholders' equity	32,828	(1,197)	31,631	31,631
Total changes during period	32,828	(1,197)	31,631	69,472
Balance as of March 31, 2024	62,192	(1,603)	60,589	702,641

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Matters concerning Significant Accounting Policies

1. Basis and Method for Valuation of Securities

- (1) Securities of subsidiaries and affiliates Cost method, determined using the moving average method.
- (2) Available-for-sale securities
 - Securities other than shares, etc. that do not have a market price Market value method (with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets and cost of securities sold is determined using the moving average method).
 - Shares, etc. that do not have a market price Cost method, determined using the moving average method.

2. Basis for Valuation of Derivatives

Market value method

3. Basis and Method for Valuation of Inventories

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

4. Depreciation and Amortization Method for Non-current Assets

(1) Property, plant and equipment

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

(2) Intangible assets

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

(3) Long-term prepaid expenses

By the straight-line method.

5. Basis for Recognition of Allowances and Provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for product warranties

To provide for after-sales and after-construction and delivery warranty cost payments, for steel castings and forgings as well as titanium products in the Advanced Materials Business, Machinery Business, and Engineering Business, provision is made at an estimated amount as of the end of the fiscal year 2023 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount as of the end of the fiscal year 2023 for certain individual cases.

(4) Provision for loss on construction contracts

To provide for future losses on construction contracts, for steel castings and forgings in the Advanced Materials Business, Machinery Business and Engineering Business, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal year 2023.

(5) Provision for dismantlement related expenses

For expenses expected to arise from dismantlement of equipment in relation to construction of the power station at the Kobe Wire Rod & Bar Plant, provision is made at an estimated amount at the end of the fiscal year 2023.

(6) Provision for retirement benefits

To provide for payments of retirement benefits to employees, provision is made based on the retirement benefit obligation and the estimated amount of plan assets at the end of the fiscal year 2023.

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

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

(7) Provision for loss on joint venture agreement

Agreement has been reached with Baowu Aluminum Technology Co., Ltd. on the feasibility study with a view to establishing a joint venture for shifting the Company's operations to completing all aspects from procurement of base material to the manufacture and sale of aluminum panels within China. Accordingly, the volume of base material purchased from Ulsan Aluminum, Ltd. is likely to decrease, but the Company is obliged, under the joint venture agreement with Novelis Korea Ltd., to bear fixed costs equivalent to a certain supply capacity regardless of the purchase volume of the base material. As burden in excess of the amount commensurate with the purchase volume is expected, provision is made at an estimated amount as of the end of the fiscal year 2023.

6. Basis for Recognition of Revenue and Expenses

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

Step 1: Identify a contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when or as the performance obligations are satisfied

Description of main performance obligations in the Company's major businesses with respect to revenues arising from contracts with its customers, and the normal timing of satisfying such performance obligations (normal timing of revenue recognition) are as follows.

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

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

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

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

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

8. Method for Hedge Accounting

- (1) Method for hedge accounting Deferred hedge method is applied.
Assigning method is applied to monetary receivables and payables denominated in foreign currencies that are specifically covered by foreign currency exchange contracts and qualify for such assigning.
Exceptional method is applied to interest rate swaps and currency swaps that meet specific matching criteria and qualify for such accounting.
- (2) Hedging instruments and hedged items
- | | |
|---------------------|--|
| Hedging instruments | Foreign currency exchange contracts, interest rate swap contracts, currency swaps, and commodity forward contracts |
| Hedged items | Assets and liabilities exposed to losses from market fluctuations related to foreign exchange rates, interest rates, currencies, and trading of bare metal such as aluminum (including those expected from forecasted transactions). |
- (3) Hedging policy and method for assessing the hedge effectiveness
The Company uses hedge transactions to reduce the risks from market fluctuations and does not enter into hedge transactions for speculative purposes.
The Company assesses the hedge effectiveness in accordance with its internal rules.

9. Accounting for Retirement Benefits

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

10. Method for processing deferred assets

Bond issuance costs are wholly processed as cost at the time of expenditure.

11. Application of the Group Tax-Sharing System

The group tax-sharing system is applied.

Notes on Changes in Presentation Methods

Non-Consolidated Balance Sheets

“Provision for environmental measures” and “Provision for customer compensation expenses” which were separately presented under “Current liabilities” in fiscal year 2022 have been included in “Other” from fiscal year 2023 due to insignificance in their amount.

“Provision for environmental measures” which was separately presented under “Non-current liabilities” in fiscal year 2022 has been included in “Other” from fiscal year 2023 due to insignificance in their amount.

Notes Regarding Accounting Estimates

Impairment of non-current assets

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

The Company records impairment losses of 6,523 million yen for the fiscal year under review, and the breakdown is as per the description in “Notes to Non-Consolidated Statements of Income,” under “3. Impairment Losses.”

The book value of non-current assets at the end of the fiscal year under review was 523,484 million yen (510,891 million yen for property, plant and equipment and 12,592 million yen for intangible assets), including multiple asset groups for which the Company did not recognize an impairment loss despite there being signs of impairment. The main asset groups to which this applies are as provided in “Notes Regarding Accounting Estimates,” under “1. Impairment of non-current assets.”

Additional Information

Introduction of the Board Benefit Trust (BBT) for Directors and Other Executives

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

Notes to Non-consolidated Balance Sheet

1. Assets Pledged as Collateral and Collateralized Debt

(1) Assets pledged as collateral

Securities of subsidiaries and affiliates	11,110 million yen	*1 *2
Other	50,212	*1 *2

(2) Collateralized debt

Borrowings of subsidiaries and affiliates from financial institutions	243,070 million yen	*1 *2
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*1 Of the assets pledged as collateral, 26,062 million yen is the mortgages established for borrowings of 41,960 million yen from financial institutions to Kobelco Power Moka Inc., which is one of the primary operators of the wholesale power supply business.

*2 Of the assets pledged as collateral, 35,242 million yen is the mortgages established for borrowings of 200,939 million yen from financial institutions to Kobelco Power Kobe No. 2, Inc., which is one of the primary operators of the wholesale power supply business.

2. Accumulated Depreciation of Property, Plant and Equipment 2,093,515 million yen

3. Guarantee Liabilities

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

Quintus Technologies AB	4,344 million yen	
Kobelco Wuxi Compressor Co., Ltd.	2,190	
Kobelco Millcon Steel Co., Ltd.	1,641	*
Japan Aeroforge, Ltd.	1,323	
Kobelco South East Asia Ltd.	1,110	
Others (9 companies and others)	3,324	*
Total	13,933	

*Of which, 1,258 million yen is covered by reassurances from other companies.

(2) Repurchase obligation accompanying securitization of receivables 1,884 million yen

4. Monetary Receivables and Payables to Subsidiaries and Affiliates

Short-term monetary receivables	177,399 million yen
Long-term monetary receivables	95,714
Short-term monetary payables	93,408
Long-term monetary payables	259

Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries and Affiliates

Operating transactions

Net sales	389,200 million yen
Purchases	799,019
Non-operating transactions	189,170

2. Provision for loss on joint venture agreement

The Company is engaged in transactions involving purchase of base material from Ulsan Aluminum, Ltd., its joint venture with Novelis Korea Ltd., as well as the manufacture and sale of aluminum panels at Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd.

In fiscal year 2023, the Company reached an agreement with Baowu Aluminum Technology Co., Ltd. on the feasibility study with a view to establishing a joint venture between the two for shifting the Company's operations to completing all aspects from procurement of base material to the manufacture and sale of aluminum panels within China. Accordingly, the volume of base material purchased from Ulsan Aluminum, Ltd. is likely to decrease, but the Company is obliged, under the joint venture agreement with Novelis Korea Ltd., to bear fixed costs equivalent to a certain supply capacity regardless of the purchase volume of the base material. As burden in excess of the amount commensurate with the purchase volume is expected, "Provision for loss on joint venture agreement" is made at an estimated amount of such excess.

3. Impairment losses

The Company recognizes impairment losses on the following asset groups (6,523 million yen). The breakdown is buildings of 1,446 million yen, structures of 582 million yen, machinery and equipment of 2,939 million yen, vehicles of 30 million yen, tools, furniture and fixtures of 629 million yen, construction in progress of 473 million yen, software of 421 million, and other in intangible assets of 0 million yen.

Use	Location and number of properties	Type and amount (Million yen)
Assets for manufacturing aluminum extrusions	Shimonoseki, Yamaguchi 1 property	Machinery and equipment, etc. 6,516
Idle assets	Fujisawa, Kanagawa 1 property	Machinery and equipment 7

In the Company's determination of impairment losses, the assets for business use are, in principle, grouped basically by business office while taking into account management accounting classification and cash generating unit on the basis of which revenues and expenses are continuously measured. Idle assets are grouped for each individual property. The background for recognizing impairment losses for each main asset group and the method for determining the recoverable value are as follows.

Assets for manufacturing aluminum extrusions

The book value of 7,433 million yen was reduced to the recoverable value due to lower profitability as a result of stagnant orders primarily for automobiles, and the amount of such reduction is recognized as an impairment loss (6,516 million yen) in extraordinary losses. Furthermore, the recoverable value was measured based on the value in use with future cash flows discounted at 6%.

Notes to Non-consolidated Statements of Changes in Net Assets

Type and number of treasury shares at the end of fiscal year 2023

Common stock 609,987 shares

Note: 335,900 shares of Kobe Steel owned by Custody Bank of Japan, Ltd. (Trust Account E) related to the Board Benefit Trust (BBT) are included in treasury shares listed above.

Notes on Tax Effect Accounting

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

Further, the Company adopts the Group Tax Sharing System. In accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Guidance No. 42, August 12, 2021), the Company places the accounting treatment and disclosure of income taxes, local income taxes and tax effect accounting.

Notes on Transactions with Related Parties

Category	Company name	Ownership of voting rights etc. (Ownership percentage)	Relationships with related parties	Description of transactions	Transaction amounts (million yen)	Account	Fiscal year-end balance (million yen)
Subsidiaries	Kobelco Power Moka Inc.	100.00% directly	Contracted operation and management of power stations Loan of funds Interlocking directors, etc.	Recovery of funds	–	Long-term loans receivable	24,480
				Interest income	489	Other current assets	490
	Kobelco Power Kobe Inc.	100.00% directly	Contracted operation and management of power stations Interlocking directors, etc.	Agent purchase of coal, etc.	80,183	Accounts receivable - other	6,808
	Kobelco Power Kobe No. 2, Inc.	100.00% directly	Contracted operation and management of power stations Loan of funds Interlocking directors, etc.	Agent purchase of coal, etc.	79,961	Accounts receivable - other	6,878
				Recovery of funds	13,795	Long-term loans receivable	25,235
				Interest income	1,030	Other investments	5
	Kobe Steel International (USA) Inc.	100.00% indirectly	Loan of funds Interlocking directors, etc.	Recovery of funds	2,708	Long-term loans receivable Short-term loans receivable	25,744 3,030
				Interest income	1,558	Other current assets	228
Affiliates	Shinsho Corporation	13.42% directly and 1.05% indirectly (21.70%)	Sales of certain finished goods of the Company Purchase of raw materials Interlocking directors, etc.	Purchase of raw materials for iron and steel, other raw materials and materials for equipment	612,264	Accounts payable - trade	28,287
				Supply of coal, etc.	109,296	Accounts receivable - other	9,308
	Kansai Coke and Chemicals Company, Limited.	24.00% directly	Supply of coal, etc. Purchase of coke, etc. Interlocking directors, etc.	Purchase of coke, etc.	123,992	Accounts payable - trade	20,493

Note 1: The terms and conditions and policies for their determination:

The terms and conditions applicable to the above transactions are determined through price negotiations on an arm's length basis and with reference to normal market prices.

Interest rates on loans are reasonably determined in consideration of market interest rates.

The transaction amounts are shown on a net basis.

Note 2: Consumption taxes are not included in the amount of the transactions, but are included in the amount of fiscal year-end balances.

Note 3: The figure contained in parentheses is excluded from above number and represents the percentage of ownership with which the Company has received consent for exercise of voting rights.

Notes on Per Share Information

Net assets per share	1,775.53 yen
Profit per share	165.59 yen

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

The number of such shares at the end of the period excluded from the calculation of net assets per share for this fiscal year was 336,000 shares, while the average number of shares during the period excluded from the calculation of profit per share for this fiscal year was 353,000 shares.

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