

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

(Stock Exchange No.: 5406)

June 2, 2025

**NOTICE OF
THE 172ND ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

Kobe Steel, Ltd. (“the Company”) would hereby like to inform you that the 172nd 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/meeting/> (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., Wednesday, June 18, 2025, Japan Standard Time (JST).

➤ **Voting in writing (by mail)**

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

➤ **Voting via the Internet**

Please read the “Guide to Exercising Voting Rights” and input your approval or disapproval for 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., Thursday, June 19, 2025 (JST) (The venue is scheduled to be open at 9:00 a.m.)

2. Venue:

Banquet hall Ohwada, 1F South Wing, KOBE PORTOPIA HOTEL
10-1, 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 172nd business term (from April 1, 2024 to March 31, 2025)
 2. The results of audits by Accounting Auditors and the Audit & Supervisory Committee concerning the consolidated financial statements for the 172nd 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 one (1) director who is an Audit & Supervisory Committee member
- Item 3: Election of one (1) director who is a substitute Audit & Supervisory Committee member

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 presented as the Company's status of assets, results of operations, matters concerning stock acquisition rights, etc., structures for ensuring the propriety of business operations, operational status of the structure for ensuring the propriety of business operations, 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 Company's status of assets, results of operations, matters concerning stock acquisition rights, etc., structures for ensuring the propriety of business operations, operational status of the structure for ensuring the propriety of business operations, and 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 non-consolidated financial statements were audited as part of the consolidated financial statements and the non-consolidated financial statements by Accounting Auditors and the Audit & Supervisory Committee in the course of the preparation of their audit reports.

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

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

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 for 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. Wednesday, June 18, 2025 (JST)

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



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

Deadline for the exercise of voting rights: To be registered no later than 5:30 p.m. Wednesday, June 18, 2025 (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: Thursday, June 19, 2025, 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 for 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) 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:

3,925,779

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 172nd 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 concerns about the procedures for selecting candidates, and that the candidates were selected in accordance with the Principles on the 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: Principles on the 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, Nomination & Compensation Committee Member, Compliance 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)	Reappointment Internal	-	Director, Executive Officer Corporate Governance Committee Member
6	Yumiko Ito (female)	Reappointment Outside	✓	Director, Chair of the Board of Directors Nomination & Compensation Committee (Committee Chair) Corporate Governance Committee Member
7	Shinsuke Kitagawa (male)	Reappointment Outside	✓	Director, Corporate Governance Committee Member (Committee Chair)
8	Yoshie Tsukamoto (female)	Reappointment Outside	✓	Director, Corporate Governance Committee Member

Reappointment: Candidates for directors to be reappointed

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. 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 appointed 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.

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 the Company’s shares owned: 44,600 shares			
Attendance at Board of Directors meetings during fiscal 2024: 16/16 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 Principles on the 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 the Company’s shares owned: 43,300 shares			
Attendance at Board of Directors meetings during fiscal 2024: 16/16 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 Principles on the 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, 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 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 control and disaster prevention.			

No. 3	Koichi Sakamoto (Date of birth: April 30, 1964)		
Reappointment/ Internal Director			
Number of the Company's shares owned: 17,900 shares			
Attendance at Board of Directors meetings during fiscal 2024: 16/16 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 Principles on the 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.			

No. 4	Shinji Miyaoka (Date of birth: July 21, 1969)	
Reappointment/ Internal Director		
Number of the Company’s shares owned: 3,100 shares		
Attendance at Board of Directors meetings during fiscal 2024: 16/16 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 Principles on the 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 areas such as 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, the IT Planning Department, the Civil Engineering & Construction Technology Department, and the Machinery & Materials Procurement Department. Oversees companywide information systems. Responsible for the special assignments from the president and CEO. Assists the director overseeing the General Administration and CSR Department in marketing planning.		

No. 5	Kazuhiko Kimoto (Date of birth: September 15, 1965)	
Reappointment/ Internal Director		
Number of the Company’s shares owned: 27,800 shares		
Attendance at Board of Directors meetings during fiscal 2024: 12/12 meetings held (100%)		
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 Principles on the Appointment of Candidates for Directors. In addition, the Company deems 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	
June 2024:	Director, Executive Officer (incumbent)	
Duties and significant concurrent positions		
Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office). Responsible for the special assignments from the president and CEO. Assists the director overseeing the General Administration and CSR Department in IR activities.		

- Kazuhiko Kimoto was appointed as a director on June 19, 2024. Since then, the Board of Directors has met 12 times.

No. 6	Yumiko Ito (Date of birth: March 13, 1959)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of the Company's shares owned: 9,100 shares		
Attendance at Board of Directors meetings during fiscal 2024: 16/16 meetings held (100%)		
Term of office as Outside Director of the Company:6 years		

Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1984:	Legislation Staff (Sanji), 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 Principles on the 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, the Meetings of Independent Directors, and Sustainability Management Meetings, and has contributed to improving the monitoring functions of the Board on the corporate management of the Company as Chair of the Board of Directors and as Chair of the Nomination & Compensation Committee. As a member of the Corporate Governance Committee as well, she 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 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 172nd 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 the Company's shares owned: 5,400 shares			
Attendance at Board of Directors meetings during fiscal 2024: 16/16 meetings held (100%)			
Term of office as Outside Director of the Company:3 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 sectors outside our business domains, the Company deems that he is well qualified to be an independent director of the Company in light of the Principles on the 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, the Meetings of Independent Directors, and Sustainability Management Meetings, and he 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 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		
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 (Komon) 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	Operations outsourced from the Company: Payment by the Company is less than 1 million yen.
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 172nd 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)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of the Company’s shares owned: 400 shares		
Attendance at Board of Directors meetings during fiscal 2024: 12/12 meetings held (100%)		
Term of office as Outside Director of the Company: 1 year		
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 sectors outside our business domains 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 Principles on the Appointment of Candidates for Directors and Standards for Independent Directors. Yoshie Tsukamoto has actively provided advice and recommendations on management at meetings of the Board of Directors, the Meetings of Independent Directors, and Sustainability Management Meetings, and at the Corporate Governance Committee meetings as well, she 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 Yoshie Tsukamoto to continue to 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)	
June 2024:	Director of the Company (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.
- The Company has registered Yoshie Tsukamoto as an independent director at the financial instruments exchange. If Yoshie Tsukamoto is elected as a director, she will continue to be registered as an independent director.
- Yoshie Tsukamoto was appointed as a director on June 19, 2024. Since then, the Board of Directors has met 12 times.
- 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.

- The Company has entered into an agreement with Yoshie Tsukamoto 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 Yoshie Tsukamoto is elected as a director at the 172nd Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with her.

Item 2: Election of one (1) director who is an Audit & Supervisory Committee member

The terms of office of one (1) of the five (5) incumbent directors who are Audit & Supervisory Committee members will expire at the conclusion of the 172nd Ordinary General Meeting of Shareholders. Accordingly, it is proposed that one (1) director who is an 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 an Audit and Supervisory Committee member is 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: Principles on the Appointment of Candidates for Directors and Standards for Independent Directors.”)

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

Reappointment: Candidates for directors to be reappointed
Internal: Candidates for internal directors

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

Name	Internal/Outside	Independent director registered at the financial instruments exchange	Current position
Yuichiro Goto (male)	Internal	-	Audit & Supervisory Committee Member (full-time)
Masaaki Kono (male)	Outside	✓	Audit & Supervisory Committee Member (Committee Chair) Nomination & Compensation Committee Member Corporate Governance Committee Member
Kunio Miura (male)	Outside	✓	Audit & Supervisory Committee Member Compliance Committee Member (Committee Chair)
Nobuko Sekiguchi (female)	Outside	✓	Audit & Supervisory Committee Member

Internal: Internal directors
Outside: Outside directors

The career summary of the candidate is as follows. There are no special interests between the candidate and the Company.

Gunyu Matsumoto (male) (Date of birth: June 18, 1965)		
Reappointment/ Internal Director		
Number of the Company’s shares owned: 2,400 shares		
Attendance at Board of Directors meetings during fiscal 2024: 16/16 meetings held (100%)		
Attendance at Audit & Supervisory Committee meetings during fiscal 2024: 21/21 meetings held (100%)		
Career summary (positions)		Reasons for selecting the candidate
April 1989:	Joined the Company	As Gunyu Matsumoto has abundant experience and knowledge in the Finance and Accounting Department as well as in the planning and administration departments under the business divisions, the Company deems that he is well qualified to be an Audit & Supervisory Committee member of the Company in light of the Principles on the Appointment of Candidates for Directors.
April 2017:	General Manager of the Accounting Department	
April 2021:	General Manager of the Finance and Accounting Department	
April 2023:	General Manager, the Internal Control and Audit Department	
June 2023:	Director, Audit & Supervisory Committee Member (incumbent)	
Duties and significant concurrent positions		
Not applicable		

- Gunyu Matsumoto is a full-time Audit & Supervisory Committee member.
- The Company has entered into an agreement with Gunyu Matsumoto 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 Gunyu Matsumoto is elected as a director who is an Audit & Supervisory Committee member at the 172nd Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with him.

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 of the directors who are Audit & Supervisory Committee members, including Gunyu Matsumoto, to compensate expenses stipulated in Article 430-2, paragraph 1 of the Companies Act. If Gunyu Matsumoto is elected as a director who is an Audit & Supervisory Committee member, the Company will renew the terms of the agreement with him. 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 Gunyu Matsumoto is appointed as a director who is an Audit & Supervisory Committee member, he 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. 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.

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 the Company’s shares owned: 0 shares		
Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1987:	Admitted to the bar in Japan. Joined Asaoka Law Office (currently Asaoka Taki Law & Accounting Office)	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 Principles on the 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, the Meetings of Independent Directors, and Sustainability Management Meetings, 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.
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)	
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 172nd 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 172nd 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 said insurance contract, please refer to "Directors, Audit & Supervisory Committee Members and Executive Officers" in Section 3 of the Business Report.

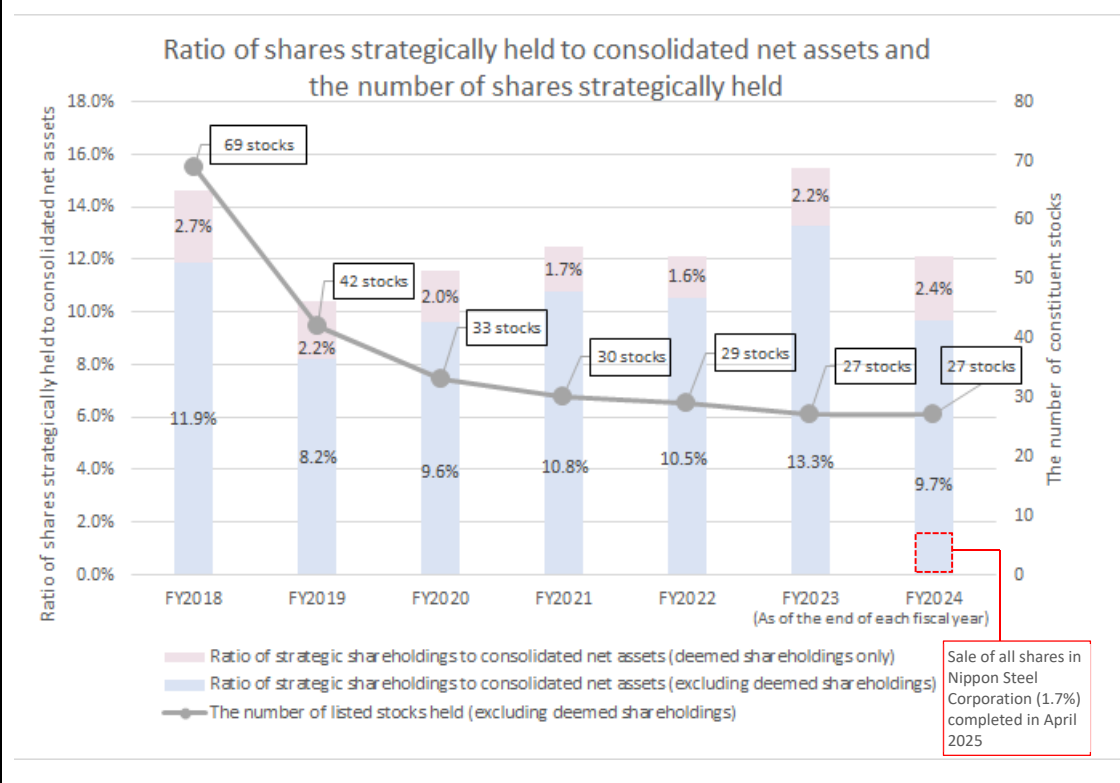
Reference: Strategic Shareholdings

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 of the end of March 2025, the ratio of shares strategically held to consolidated net assets and the number of shares strategically held are as shown in the chart below.

The Company announced on February 6, 2025 that it decided to sell its shares in Nippon Steel Corporation, and the Company sold all of its shares in the said company in April 2025 (The ratio of strategic shareholdings to consolidated net assets was 1.7 % as of March 31, 2025).

* For the full text of the 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	7	16/16 (100%)	-	●	●			●	●			
	Hajime Nagara	Internal		Male	5	16/16 (100%)	-	●	●					●	●	
	Koichi Sakamoto	Internal		Male	2	16/16 (100%)	-	●	●		●					
	Shinji Miyaoka	Internal		Male	2	16/16 (100%)	-	●		●	●	●				
	Kazuhiko Kimoto	Internal		Male	1	12/12 (100%)	-	●	●	●		●				
	Yumiko Ito	Outside/Independent Director	Non-executive	Female	6	16/16 (100%)	-		●			●			●	●
	Shinsuke Kitagawa	Outside/Independent Director		Male	3	16/16 (100%)	-		●			●			●	●
	Yoshie Tsukamoto	Outside/Independent Director		Female	1	12/12 (100%)	-	●		●	●					●
Directors who are Audit & Supervisory Committee members	Gunyu Matsumoto	Internal		Male	2	16/16 (100%)	21/21 (100%)	●					●	●		
	Yuichiro Goto	Internal		Male	1	12/12 (100%)	14/14 (100%)		●	●	●					
	Masaaki Kono	Outside/Independent Director		Male	5	16/16 (100%)	21/21 (100%)	●	●				●			●
	Kunio Miura	Outside/Independent Director		Male	5	16/16 (100%)	21/21 (100%)		●						●	●
	Nobuko Sekiguchi	Outside/Independent Director		Female	3	16/16 (100%)	21/21 (100%)		●			●	●			●

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

* Kazuhiko Kimoto, Yoshie Tsukamoto, and Yuichiro Goto took office as Director on June 19, 2024. Since then, the Board of Directors and the Audit & Supervisory Committee have met 12 and 14 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: Principles on the 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 Principles on the Appointment of Candidates for Directors and Standards for Independent Directors.

Principles on the Appointment of Candidates for Directors (excluding Directors who are Audit & Supervisory Committee members)

The Company expects candidates for Directors (excluding Directors who are Audit & Supervisory Committee members) to have the following qualities in order to carry out the roles entrusted by shareholders and will make appointments accordingly.

- 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 candidates for 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, satisfying the following criteria in addition to the qualities mentioned in 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.

Principles on the 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, and 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, satisfying the following criteria in addition to the qualities mentioned in 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

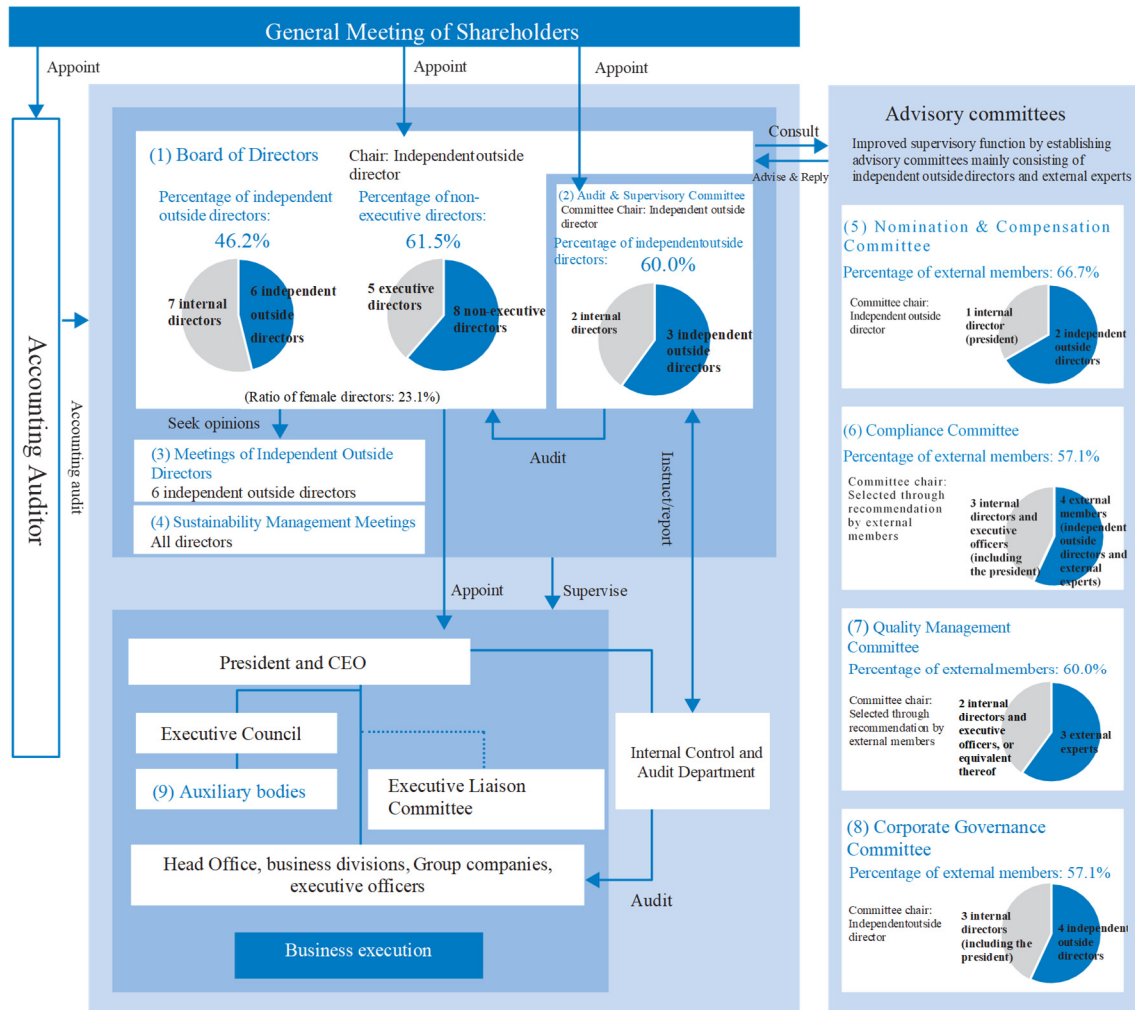
The Company's outside directors (including those who are also Audit & Supervisory Committee members) are recognized to be independent from the Company as long as any of the following requirements are not applicable. Requirement L) only applies to outside directors serving on the Audit & Supervisory Committee.

- 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 from 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 from 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: 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)	- 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)	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	- 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	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)	- 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	In principle, selected from among independent outside directors	
Full-time Audit & Supervisory Committee members	Two (2) members appointed	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) Nomination & Compensation Committee*	The Committee discusses matters related to the nomination of candidates and election/removal of directors or executive officers, including the selection to the chief executive officer (CEO), and the remuneration system for directors and executive officers.
(6) Compliance Committee*	The Committee deliberates matters regarding compliance with laws, regulations and ethics concerning the Company's business activities.
(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, 2024 to March 31, 2025)

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 2024, the Japanese economy continued to recover primarily driven by personal consumption and corporate production activities due to improvements in wages and employment conditions, despite some signs of stagnation along with rising prices and weak global demand. Overseas economies showed mixed results: While the U.S. economy remained solid, backed by strong personal consumption, in the face of rising prices and financial tightening, the European economy showed a gradual recovery particularly in the service sector, despite the continued slump in the manufacturing and construction sectors. In China, the pace of economic recovery slowed due to a continued downturn in the real estate market, sluggish personal consumption, and other factors.

Under these circumstances, our Company has been working on enhancing earning power and pursuing growth as set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), while promoting the pass-through of rising costs to selling prices and striving to curb cost increases through self-help efforts.

As a result, fiscal 2024 consolidated net sales increased by 11.8 billion yen year on year to 2,555.0 billion yen. Operating profit decreased by 27.9 billion yen year on year to 158.7 billion yen due to factors such as cost increases centered on fixed costs, reduced gains from time lags in fuel cost adjustments and reduced temporary gains from changes in electricity selling prices (differences between the benchmark selling price of coal and our purchase price) in the electric power segment, despite the progress in price pass-through of rising costs in the steel & aluminum and advanced materials segments, as well as an increase in net sales due to the progress in existing orders in the machinery and engineering segments. Ordinary profit decreased by 3.7 billion yen year on year to 157.1 billion yen due to a decrease in operating profit, despite factors such as the elimination of an equity method investment loss arising from restructuring the automotive aluminum panel business, which was recorded in fiscal 2023, and an increase in compensation income related to the engine certification problem in Europe in the construction machinery segment. Profit attributable to owners of parent increased by 10.6 billion yen year on year to 120.1 billion yen due to factors such as a decrease in tax expenses, with an extraordinary loss of 16.1 billion yen resulting from impairment losses on non-current assets in the construction machinery and other segments, despite the recording of gain on bargain purchase arising from the acquisition of Kansai Coke and Chemicals Co., Ltd., turning it into a subsidiary.

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, the Company has resolved to pay a year-end dividend of 55 yen per share for fiscal 2024. This, together with the interim dividend paid earlier, will bring the total annual dividend to 100 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 remained flat year on year due to factors such as an increase resulting from the completion of refurbishment of a steel plate finishing mill, despite a decrease in demand in the automotive sector. Selling prices were also flat year on year primarily due to a decline in raw material prices, despite the progress in price pass-through of rising costs.

As a result, net sales increased by 2.6% year on year to 914.4 billion yen. Ordinary profit decreased by 14.9 billion yen year on year to 24.3 billion yen due to factors such as cost increases centered on fixed costs and a deterioration in the sales mix due to a decrease in sales volume in the automotive sector, despite an improvement in the performance of U.S. affiliated companies.

(Aluminum) Sales volume of aluminum flat rolled products decreased year on year due to a decrease in demand in the automotive sector. Selling prices were higher than fiscal 2023 due to an increase in base metal prices.

As a result, net sales increased by 5.6% year on year to 201.7 billion yen. Ordinary loss improved by 22.4 billion yen year on year to a loss of 0.6 billion yen due to factors such as an increase in sales volume in the hard disk drive sector and the elimination of an equity method investment loss arising from restructuring the automotive aluminum panel business, which was recorded in fiscal 2023.

Overall, the steel & aluminum segment saw an increase in net sales by 3.1% year on year to 1,116.1 billion yen, and ordinary profit increased by 7.5 billion yen year on year to 23.6 billion yen.

● Production Volume (In thousands of tons)

Category	171st Business Term (Fiscal year 2023)	172nd Business Term (Fiscal year 2024)
Crude steel	6,020	6,013
Aluminum flat-rolled products	319	307

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 the copper rolled products business, which saw an increase in demand in the automotive sector. On the other hand, sales volume of titanium decreased year on year due to a decline in demand in the general industrial sector in China.

As a result, net sales increased by 6.4% year on year to 317.1 billion yen, and ordinary profit increased by 7.4 billion yen year on year to 10.7 billion yen due to progress in cost pass-through and other factors.

● Production Volume (In thousands of tons)

Category	171st Business Term (Fiscal year 2023)	172nd Business Term (Fiscal year 2024)
Aluminum extrusions	42	44
Copper rolled products	53	54

Welding

Sales volume of welding materials decreased year on year due to factors such as a decline in demand in the automotive and construction sectors, as well as a decrease in demand in Southeast Asia. Selling prices were higher than fiscal 2023 due to progress in cost pass-through and other factors.

As a result, net sales remained at a similar level to fiscal 2023 at 93.9 billion yen, and ordinary profit increased by 0.3 billion yen year on year to 5.2 billion yen due to progress in cost pass-through and other factors, despite a decrease in sales volume.

Machinery

Orders in the machinery business segment decreased by 4.1% year on year to 262.5 billion yen due to the difference from fiscal 2023, which recorded orders for large-scale projects, despite strong demand centered on the energy and chemical sectors with an order backlog of 254.4 billion yen.

Net sales increased by 13.1% year on year to 265.1 billion yen due to the progress in existing orders and an increase in service contracts, and ordinary profit increased by 2.9 billion yen year on year to 32.5 billion yen due to strong sales of machine units and services.

● Orders (Billions of yen)

Category		171st Business Term (Fiscal year 2023)	172nd Business Term (Fiscal year 2024)
Orders	Domestic	1,191	1,140
	Overseas	1,546	1,484
	Total	2,737	2,625
Backlog of Orders	Domestic	697	743
	Overseas	1,820	1,801
	Total	2,518	2,544

Engineering

Orders decreased by 23.1% to 164.7 billion yen, compared to fiscal 2023, which saw an increase in orders for several large projects in the waste treatment-related business, and order backlog was 441.9 billion yen.

Due to the progress of existing orders and other factors, net sales increased by 2.5% year on year to 174.8 billion yen, and ordinary profit increased by 3.6 billion yen year on year to 16.1 billion yen.

● Orders (Billions of yen)

Category		171st Business Term (Fiscal year 2023)	172nd Business Term (Fiscal year 2024)
Orders	Domestic	1,419	1,042
	Overseas	723	604
	Total	2,143	1,647
Backlog of Orders	Domestic	3,129	3,068
	Overseas	1,207	1,351
	Total	4,336	4,419

Construction Machinery

Unit sales of hydraulic excavators decreased year on year primarily due to sluggish demand in North America and Europe, affected by high interest rates, etc. On the other hand, unit sales of crawler cranes increased year on year due to the progress in resolving the engine certification problem, particularly in North America, among other factors.

As a result, net sales decreased by 4.0% year on year to 388.0 billion yen, while ordinary profit increased by 9.6 billion yen year on year to 18.7 billion yen due to factors such as progress in cost pass-through and compensation income related to the engine certification problem, despite cost increases centered on fixed costs.

Electric Power

Sales volume of electricity decreased year on year. The unit selling price of electricity was lower than fiscal 2023 due to fluctuations in thermal coal prices.

As a result, net sales decreased by 18.1% year on year to 258.8 billion yen, and ordinary profit decreased by 33.4 billion yen year on year to 52.3 billion yen due to factors such as reduced gains from time lags in fuel cost adjustments at the Kobe Power Plant No. 3 and 4 units and reduced temporary gains from changes in electricity selling prices at the Kobe Power Plant No. 1 to 4 units.

Other Businesses

Net sales decreased by 17.4% year on year to 8.9 billion yen, and ordinary profit decreased by 0.9 billion yen year on year to 3.8 billion yen.

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

Note 2: Consolidated net sales include adjustments of (67.9) billion yen. The sales composition ratio is calculated based on the total net sales of each business segment excluding adjustments.

Definition of Ordinary Profit (Loss)*

Ordinary profit (loss) 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

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

The Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), announced in May last year, set forth two priority issues: (1) Enhancing earning power and pursuing growth and (2) taking on the challenge of realizing carbon neutrality.

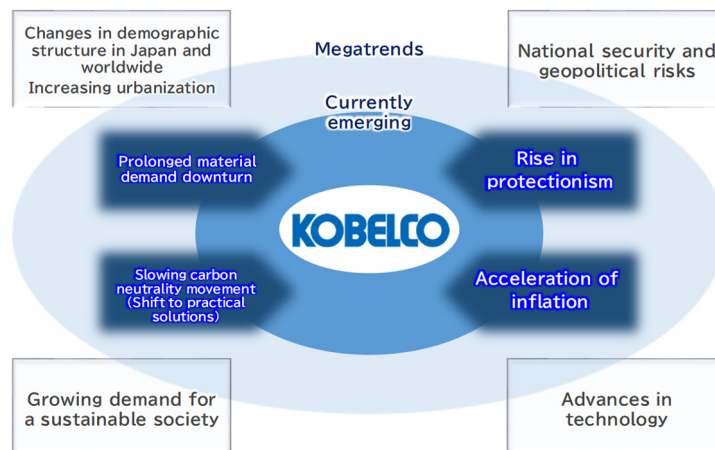
While further reinforcing the business foundation by enhancing earning power, we will invest the management resources to capture future growth opportunities. Through these efforts, we aim to secure stable earnings with an ROIC of 6% or higher, and our vision for the future is to become a corporate group that achieves an ROIC of 8% or higher and grows sustainably.

In taking on the challenge of realizing carbon neutrality, we will work to contribute to reducing CO₂ emissions through our Group’s diverse technologies and actively promote the creation of new business opportunities. With respect to our Group’s production processes, we will also strive to reduce CO₂ emissions by 30–40% by 2030 compared to fiscal 2013 levels and take steps to achieve carbon neutrality by 2050.

The Group will work on transformation initiatives, collectively called KOBELCO-X, which serve as drivers to accelerate our efforts and achieve these targets. Through these, we aim to strengthen our Groupwide sustainability management and strive to transform into an appealing company, thereby building a business entity that drives innovation into the future.

The business environment surrounding the Group

The business environment surrounding the Group at the time of formulation of the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) anticipated changes such as growing demand toward a sustainable society, rising raw materials procurement costs, and supply chain restructuring to meet the growing need for local production and local consumption, diminishing domestic demand and labor shortages driven by Japan’s declining population, and rapid transformation of digital technologies. At present, changes are occurring more rapidly than anticipated in supply chain and carbon neutrality trends, especially due to the changes in the tariff and energy policies of the United States following regime change. At the same time, while there are changes in the time frame, there are no major changes to the long-term assumptions regarding the business environment, and the Group will continue to work on the two priority issues of “enhancing earning power and pursuing growth” and “taking on the challenge of realizing carbon neutrality.”



Four key measures

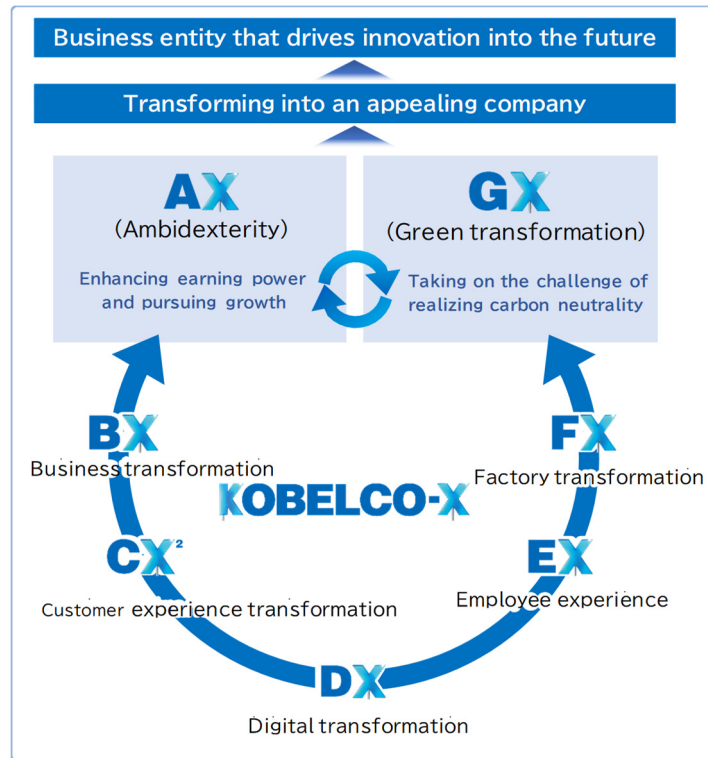
In order to achieve the goals of our priority issues—“enhancing earning power and pursuing growth” and “taking on the challenge of realizing carbon neutrality,” we will steadily implement the four key measures of (1) Rebuilding the operation bases for the future business environment, (2) Achieving growth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

As to rebuilding the operation bases for the future business environment, the Group established a joint venture to manufacture and sell aluminum panels in the automotive panel business of aluminum rolled products, where we have yet to achieve profits, with Baowu Aluminum Technology Co., Ltd., majority-owned by China Baowu Steel Group Corporation Limited, the largest steel producer in China. With this, the Group has embarked on strengthening its business competitiveness in China. In the aluminum advanced materials and construction machinery businesses, we will focus on initiatives to improve base earnings such as price improvements and cost reductions to strengthen profitability. In other materials businesses such as steel and welding, we will study ways to maintain global competitiveness while addressing shrinking domestic demand, growing demand in emerging countries, carbon neutrality, etc.

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

For reducing CO₂ emissions in production processes, the Group is strengthening its efforts to achieve even higher efficiency and lower CO₂ emissions in the electric power business. An example of this is the participation in the Long-Term Decarbonization Power Resource Auction held by the Organization for Cross-regional Coordination of Transmission Operators, Japan (OCCO) that led to the successful bid for the renovation of existing facilities allowing for 20% ammonia co-firing. In the steel business, we are mapping out a detailed path to achieving our CO₂ emissions reduction targets in production processes through measures such as charging an increased amount of hot briquetted iron (HBI) into the blast furnace.

For strengthening sustainability management through transformation, the Group will strengthen sustainability management by realizing its business strategy leveraging the KOBELCO-X initiatives from AX to GX.



Performance management indicators

Regarding materiality, which are important medium- to long-term issues for realizing its corporate philosophy, the Group has set indicators and targets in April last year. Our Group will continue to implement sustainability management including non-financial indicators and work to improve corporate value.

Please refer to our website (<https://www.kobelco.co.jp/english/>) for details of the progress of the “Kobelco Group Medium-Term Management Plan (Fiscal 2024-2026).”

Materiality	Subcategory	Indicators
Contributing to a green society ^(Note 1)	Response to climate change	(1) Reduction of CO ₂ emissions in production processes
		(2) Contribution to reduction of CO ₂ emissions and net sales of related products
		(3) Reduction of CO ₂ emissions in the electric power business
	Response to resource recycling	(4) Water recycling rate
		(5) Water pollutant (COD, TP) load in restricted areas
		(6) Disclosure based on the TNFD recommendations
Ensuring safety and security in community development and manufacturing	Supplying energy focused on S+3E ^(Note 2)	(7) Continuous stable supply of electricity
	Providing materials and machinery that meet needs	(8) Percentage of eco-friendly products in steel products
		(9) Percentage of low-CO ₂ raw materials in aluminum rolled products
		(10) Percentage of orders for environment-related machinery products (decarbonization, LNG, etc.)
		(11) Total domestic unit sales of ICT construction machinery
		(12) Percentage of welding solution products in sales

Providing solutions for the future connecting people and technology	Manufacturing and operational transformation through digitalization (DX)	(13) Employee awareness survey results on DX
	Integration and innovation of diverse intellectual assets	(14) Number of ideas for new businesses
Promoting active participation of diverse human resources	Enhancing organizational diversity	(15) Percentage of women in new graduate hires for career-track positions
		(16) Percentage of women in new graduate hires for general technical positions and their turnover
		(17) Number of female managers
	Creating a work environment where employees can play active roles	(18) Percentage of male employees taking paternity leave or special leave for childcare
		(19) Number of annual paid leave days taken
	Encouraging the growth and initiative of every employee	(20) Instilling of the Group Corporate Philosophy
		(21) Improving and expanding employee training
Pursuing governance that supports sustainable growth	Compliance and risk management	(22) Whistleblowing system usability
	Human rights	(23) Companies implementing human rights due diligence
	Safety and health	(24) Lost time injury frequency rate
	Quality assurance	(25) Percentage of business sites certified under the Quality Guidelines
	TQM	(26) Kobelco TQM practical management program completion rate

Note 1: A green society is not limited to the narrow meaning of a society that merely uses natural energy, but is defined as a society that addresses climate change and resource recycling.

Note 2: S+3E: Safety + Energy Security, Economic Efficiency, and Environment

(2) Assets and Results of Operations

Assets and Results of Operations of the Group

Category		169th Business Term (Fiscal 2021)	170th Business Term (Fiscal 2022)	171st Business Term (Fiscal 2023)	172nd Business Term (Fiscal 2024)
Net sales	(Millions of yen)	2,082,582	2,472,508	2,543,142	2,555,031
[Overseas sales of the above]		722,559	783,480	829,860	880,802
Operating profit	(Millions of yen)	87,622	86,365	186,628	158,721
Ordinary profit	(Millions of yen)	93,233	106,837	160,923	157,192
Profit attributable to owners of the parent	(Millions of yen)	60,083	72,566	109,552	120,180
Basic earnings per share	(yen)	160.23	183.80	277.38	304.64
Total assets	(Millions of yen)	2,728,745	2,874,751	2,919,774	2,891,053
Net assets	(Millions of yen)	872,346	977,653	1,127,346	1,237,059
Net assets per share	(yen)	2,066.48	2,314.31	2,675.13	2,941.14

(3) Major Businesses (As of March 31, 2025)

The major businesses undertaken by the Group are described below.

Category	Major Products and Businesses
Steel & Aluminum	Wire rods and bars (wire rods, steel bars), steel sheets (hot-rolled, cold-rolled, surface treated), steel plates, aluminum flat-rolled products, other (steel billets, foundry pig iron, pig iron for steelmaking, slag products)
Advanced Materials	Steel castings and forgings, aluminum-alloy and magnesium-alloy castings, titanium and titanium alloys, aluminum-alloy forgings and fabricated products, aluminum extrusions and fabricated products, copper rolled products, and steel powder
Welding	Welding materials (shielded metal arc welding rods, welding wires for automatic and semi-automatic welding, fluxes), welding robots, welding machines, 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
Engineering	Various plants and equipment (direct reduced iron, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc.), automated guideway transit (AGT) systems, chemical and food processing equipment
Construction Machinery	Hydraulic excavators, mini excavators, environmental recycling machines, crawler cranes, wheel cranes, remote operation system for heavy machinery, and crane construction planning support software
Electric power	Electric power supply, heat supply
Other	High-pressured gas cylinder manufacturing and general trading company

(4) Major Offices and Plants (As of March 31, 2025)

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	51.84	Manufacture and sale of special steel
Kobelco Wire Company, Ltd. [Amagasaki, Hyogo] *1	8,062 million yen	43.62	Manufacture and sale of secondary wire rod products Contracting construction work of structures
Kansai Coke and Chemicals Co., Ltd. [Amagasaki, Hyogo]	6,000 million yen	90.00	Manufacture and sale of coke and other chemical products
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
Kobe Special Steel Wire Products (Pinghu) Co., Ltd. (China)	118,770 thousand yuan	52.00	Manufacture and sale of products processed from special steel wire rods in addition to purchase and sale as well as import and export of such products
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
Kobelco Aluminum Automotive Products (Suzhou) Co., Ltd. [China]	239,681 thousand yuan	85.00	Manufacture and sale of aluminum forgings for automotive suspensions
Kobelco 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 Electronics Material (Thailand) Co., Ltd. [Thailand]	105 million Thai baht	100.00	Slitting and sale of copper strips for electronic materials
Kobelco Welding of Qingdao Co., Ltd. [China]	211,526 thousand yuan	90.00	Manufacture and sale of welding materials, sale 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 semiconductors, FPD, etc.
Shinko Wuxi Compressor Co., Ltd. [China] *1	150,000 thousand yuan	70.00	Manufacture and sale of compressors
Kobelco Compressors Manufacturing (Shanghai) Corporation [China] *1	87,796 thousand yuan	100.00	Development and manufacture of compressors and related products Sale and service of products of the Company

Company Name [Location of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
Kobelco Industrial Machinery India Pvt. Ltd. [India] *1	863 million Indian rupees	100.00	Manufacture and sale of rubber mixers and twin-screw roller head extruder
Quintus Technologies AB [Sweden] *1	10 million Swedish krona	100.00	Design, manufacture, sale, and service of isostatic pressing equipment and sheet metal forming equipment
Kobelco 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, sale, and service of construction machinery
Kobelco Construction Machinery Japan Co., Ltd. [Ichikawa, Chiba] *1	490 million yen	100.00	Sale and service of construction machinery
Kobelco Construction Machinery Total Support Co., Ltd. [Kobe] *1	350 million yen	100.00	Leasing of construction machinery and temporary materials, sale and maintenance of construction machinery, asphalt milling works, sale of 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, sale, and service 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 Australia Pty. Ltd. [Australia] *1	10,000 thousand Australian dollars	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

Company Name [Location of Head Offices]	Share Capital	Ratio of Voting Rights (%)	Major Businesses
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
Nippon Steel Kobelco Metal Products Co., Ltd. [Tokyo]	300 million yen	35.00	Manufacture and sale of products for civil engineering and construction
Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd. [China] *1	999,621 thousand yuan	50.00	Manufacture and sale of aluminum sheets for automotive panels
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. [China]	884,000 thousand yuan	— [100.00]	Manufacture and sale of aluminum sheets for automotive panels
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]	686,961 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	35.97	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: The figure inside the square brackets shows the percentage owned by close associate or consenting party (Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd.).

Note 4: During fiscal 2024, Kobe Special Steel Wire Products (Pinghu) Co., Ltd., Kobelco Electronics Material (Thailand) Co., Ltd., Kobelco Construction Machinery Australia Pty. Ltd., and Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd. were newly added.

Note 5: Kobe Aluminum Automotive Products, LLC changed its trade name to Kobelco Aluminum Automotive Products, LLC as of May 2, 2024.

Note 6: 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.

Note 7: During fiscal 2024, Ulsan Aluminum, Ltd. increased its capital to 686,961 million won due to a capital increase.

Note 8: During fiscal 2024, the Company acquired additional shares in Kansai Coke and Chemicals Co., Ltd., making it a significant subsidiary of the Company and increasing the ratio of voting rights held by the Company and its Group companies in it from 24.00% to 90.00%.

Note 9: During fiscal 2024, Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd., which used to be a subsidiary, became an affiliate of the Company due to loss of control from organizational restructuring.

Note 10: The Company acquired additional shares of Kansai Coke and Chemicals Co., Ltd., increasing the ratio of voting rights held by the Company and its Group companies in it to 100.00% as of April 30, 2025.

(6) Capital Investments

Total capital investment in fiscal 2024 on a construction (inspection and acceptance) basis is 115.8 billion yen.

(7) Financing Activities

During fiscal 2024, the Group issued 50.0 billion yen in unsecured bonds for part of repayment of borrowings.

(8) Major Lenders and Amount of Borrowings (As of March 31, 2025)

Main Lenders	Balance of Loans (Millions of yen)
Mizuho Bank, Ltd.	112,314
MUFG Bank, Ltd.	84,580
Development Bank of Japan Inc.	79,964
Sumitomo Mitsui Banking Corporation	69,590

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, 2025)

(a) Employees of the Group (Persons)

Category	Number of Employees
Steel & Aluminum	13,338
Advanced Materials	4,706
Welding	2,355
Machinery	6,224
Engineering	3,780
Construction Machinery	6,894
Electric Power	335
Other or companywide	1,662
Total	39,294

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

(b) Employees of the Company

Number of Employees	11,895 persons
Increase from the Previous Fiscal Year-End	361 persons
Average Age	39.9 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, 2025)

- (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 279,150
(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)	67,083	16.94	—	—
Custody Bank of Japan, Ltd. (Trust Account)	16,892	4.26	—	—
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	8,793	2.22	—	—
STATE STREET BANK AND TRUST COMPANY 505001	5,579	1.41	—	—
Nippon Life Insurance Company	5,059	1.28	—	—
STATE STREET BANK WEST CLIENT - TREATY 505234	4,939	1.25	—	—
SHIMABUN Corporation	4,420	1.12	—	—
Kobe Steel Employee Stock Ownership Plan	4,311	1.09	—	—
STATE STREET BANK AND TRUST COMPANY 505103	4,027	1.02	—	—
Shinko Kuroganekai Kyoeikai	3,466	0.88	—	—

Note 1: The Company holds 281,700 treasury shares. Treasury shares are excluded in the calculation of the major shareholders' ratio of shareholding in the Company.

Note 2: The number of shares acquired by the Company through the purchase of shares less than one unit during fiscal 2024 is 7,977 shares (total acquisition price is 14,416,340 yen). The number of treasury shares disposed of in response to a request for additional purchase of shares less than one unit is 364 shares (total disposal price is 592,037 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 2024, 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 2024. 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)	25,900	1

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

(1) Directors (As of March 31, 2025)

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 control and disaster prevention.
Director, Executive Officer	Koichi Sakamoto	Oversees the Quality Management Department, the 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, Executive Officer	Shinji Miyaoka	Oversees the Business Development Department and the IT Planning Department. Oversees companywide information systems.
Director, Executive Officer	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. Assists the director overseeing the General Administration and CSR Department in IR activities.
Director	Yumiko Ito	Chair of the Company's Board of Directors, 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
Director	Yoshie Tsukamoto	President, CEO and Representative Director of NTTCom Online Marketing Solutions Corporation
Director (Audit & Supervisory Committee Member, full time)	Gunyu Matsumoto	
Director (Audit & Supervisory Committee Member, full time)	Yuichiro Goto	
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.
Director (Audit & Supervisory Committee Member)	Nobuko Sekiguchi	Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION

Note 1: Six directors Yumiko Ito, Shinsuke Kitagawa, Yoshie Tsukamoto, 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 six directors Yumiko Ito, Shinsuke Kitagawa, Yoshie Tsukamoto, 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 between the Company and entities in which outside directors concurrently serve.

Note 6: The directors who left the director's position during fiscal 2024 are as follows:

Positions	Name	Date of leaving
Director	Mitsugu Yamaguchi	June 19, 2024
Director	Hiroyuki Bamba	June 19, 2024
Director (Audit & Supervisory Committee Member, full time)	Hiroshi Ishikawa	June 19, 2024

Note 7: Duties/positions or significant concurrent positions of directors whose duties/positions or significant concurrent positions changed effective April 1, 2025 are as follows.

Positions	Name	Duties & significant concurrent positions
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 Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance. Oversees companywide environmental control and disaster prevention.
Director, Executive Officer	Shinji Miyaoka	Oversees the Business Development Department, the IT Planning Department, the Civil Engineering & Construction Technology Department, and the Machinery & Materials Procurement Department. Oversees companywide information systems. Responsible for the special assignments from the president and CEO. Assists the director overseeing the General Administration and CSR Department in marketing planning.
Director (Audit & Supervisory Committee Member)	Masaaki Kono	Committee Chair of the Company's Audit & Supervisory Committee, Director of Orient Corporation

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, 2025 are as follows.

Positions	Name	Duties
Executive Vice President	Shoji Miyazaki	Head of the Steel & Aluminum Business
Executive Officer	Yasushi Amano	Responsible for overall industrial machinery in the Machinery Business, General Manager of the Production Division in the Machinery Business. Deputy General Manager of the Management Division in the Machinery Business
	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
	Yutaka Okusa	Responsible for overseas locations (under the Head Office). General Manager of the Corporate Planning Department
	Yasushi Okano	Responsible for the Planning & Management Department, the Technology Management Department (Technology Management Group), the Quality Assurance Department, the Takasago Management Department, and the Takasago Quality Assurance Department in the Advanced Materials Business. Responsible for Chofu Works (departments under its direct supervision) and Daian Works (departments under its direct supervision, excluding the Casting & Forging Research & Development Section) in the Advanced Materials 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 Aluminum Casting & Forging Unit, the Titanium Unit, and the Copper Rolled Products Unit in the Advanced Materials Business. General Manager of the Business Planning Department in the Advanced Materials Business
	Ryosaku Kadowaki	Head of the Advanced Materials Business
	Yoichi Kamiyauchi	Responsible for the SQE System Management Department, the New Business Promotion Section, the Nuclear Project Department, the CWD Project Center, and the Infrastructure Project Department in the Engineering Business.
	Takahiko Kizawa	Responsible for the Business Development Department in the Steel & Aluminum Business.
	Toshihide Kinoshita	Responsible for the Technology Planning Department, the IT Management Department and the Resource Recycling Department in the Steel & Aluminum Business. Responsible for the special assignments from the Head of the Steel & Aluminum Business.
	Shogo Sarumaru	Head of the Machinery Business, General Manager of the Management Division in the Machinery Business
	Kazuyuki Suenaga	Head of the Welding Business
	Yasufumi Takada	Responsible for the Steel Casting & Forging Unit, the Aluminum Extrusion & Suspension Unit, and 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 the Nagoya Steel & Aluminum Sheet Sales Department in the Steel & Aluminum Business. General Manager of the Steel Sheet Products Unit in the Steel & Aluminum Business. Responsible for companywide automotive projects.
	Shoji Nakamura	General Manager of Kakogawa Works in the Steel & Aluminum Business
	Keitaro Nakamori	Responsible for the Legal Department, the General Administration and CSR Department, the Rugby Center, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision)
	Satoshi Nishino	Head of the Technical Development Group

Positions	Name	Duties
Executive Officer	Sumikazu Hoda	Responsible for the Planning & Management Department and the Raw Materials Procurement Department in the Steel & Aluminum Business.
	Tsuyoshi Mataka	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 the Environment and Safety Department, the Quality Management Department, the Human Resources Department, and companywide safety and health. Responsible for companywide environmental control and disaster prevention. Responsible for companywide quality. Responsible for companywide TQM activities.
	Yoichiro Yamazaki	Responsible for the Technology Strategy & Planning Department, the Business Development Department, and the Intellectual Property Department. Responsible for companywide technical development.
	Toshiyuki Yamaji	Responsible for the Internal Control and Audit Department and the Finance and Accounting Department. Responsible for companywide compliance.
	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 directors 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 (including 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. 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 (4)	549 (46)	282 (46)	194 (-)	72 (-)	Number of Payees and Amount include one internal director (excluding Audit & Supervisory Committee members), one outside director (excluding Audit & Supervisory Committee members) and one internal director (who is Audit & Supervisory Committee member) that resigned in fiscal 2024.
Director (Audit & Supervisory Committee Member) (of which, outside directors)	6 (3)	116 (49)	116 (49)	- (-)	- (-)	
Total	16	666	398	194	72	

Note 1: Regarding the basic remuneration of 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 shall be within a total of 460 million yen per fiscal year. As of the conclusion of said General Meeting of Shareholders, the number of directors (excluding directors who were Audit and Supervisory Committee members) eligible was eight (8) (of which, three (3) were outside directors). Meanwhile, the 171st Ordinary General Meeting of Shareholders held on June 19, 2024 passed a resolution that the limit of performance-based compensation shall be within a total of 387 million yen per fiscal year. As of the conclusion at the said General Meeting of Shareholders, the number of directors (excluding directors who were Audit and Supervisory Committee members) eligible for performance-based compensation was five (5). In addition, the 171st Ordinary General Meeting of Shareholders held on June 19, 2024 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 400 million yen for a three-fiscal year period and the number of points granted per fiscal year shall be within 471,200 points. As of the conclusion at the said General Meeting of Shareholders, the number of directors (excluding outside directors and directors who are Audit & Supervisory Committee members) who are eligible for medium- to long-term incentive compensation was five (5).

Note 2: 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 at the 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 3: The Company does not pay bonuses to directors.

- Note 4: The total amount of performance-based compensation is the estimated amount of payment, and the total amount of medium- to long-term incentive compensation is the amount of expenses posted for points awarded.
- Note 5: 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 2024 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. The Company's Basic Policy on Remuneration for Directors and Executive Officers 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 387 million yen per fiscal year
Maximum points to be granted for medium- to long-term incentive compensation	Within a total of 471,200 points per fiscal year
 - Remuneration for directors who are also Audit & Supervisory Committee members (basic remuneration only) Within a total of 132 million yen per fiscal year |

Reference: Composition of Remuneration for Directors and Executive Officers

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

Rank	Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation
President, CEO and Director	Approx. 53%	Approx. 32%	Approx. 16%
Executive Vice President and Director	Approx. 56%	Approx. 28%	Approx. 17%
Director, Executive Officer	Approx. 61%	Approx. 24%	Approx. 15%
Director who is an Audit & Supervisory Committee Member	100%	—	—
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 indicators as stated in the Medium-term Management Plan. Each business division will also set a performance target based on performance management indicators for each business division. The amount to be paid is determined by multiplying the standard pay amount for each rank and remuneration rank by 0–200% according to the accomplishment of the target. The business management indicators, which serve as the basis of calculation, are established by the Board of Directors.

- 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 indicators 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 an 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, 1.25 billion yen will be contributed every three years. However, when there are remaining shares of the Company in the trust property as of the last 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 1.25 billion yen will be contributed.
- 5) The Timing of the Determination and the Payment of Remuneration Amount
- A) Basic remuneration will be paid every month from the month of appointment to the position in a monthly amount derived by dividing basic remuneration based on rank and remuneration rank by 12 months. If there is a change to the basic remuneration in the middle of the month due to a change in the assigned tasks and other reasons, the revised remuneration will be paid from the month following the change.
 - B) Of performance-based compensation, the amount for the portion linked to division performance will be determined based on the calculation formula after the end of each fiscal year and paid lump-sum by the end of the month following the month when the Ordinary General Meeting of Shareholders is convened. The portion linked to individual evaluation will be paid together with the portion linked to division performance in the amount determined based on the calculation formula according to the results of individual evaluation after the end of each fiscal year.
 - C) In terms of medium- to long-term incentive compensation, the number of points will be determined based on the calculation formula after the end of each fiscal year and granted on June 30 each year. Company shares, etc. will be provided every three years on a fixed date during the trust period.
- 6) Method to Determine Remuneration Standards
- Remuneration standards are determined based on the survey data, collected by 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	Portion linked to profit of the term	Portion linked to ESG ratings		
		Profit attributable to owners of parent	CDP Climate change scores	FTSE ESG scores	MSCI ESG ratings
Base value for fiscal 2024	8.0%	79.4 billion yen	A	3.9 or higher	AAA
Actual value for fiscal 2024	6.9%	120.1 billion yen	A-	3.8	AA

Note 1: Denotes the case where the base value becomes the maximum payment coefficient.

Note 2: Actual value of the portion linked to ESG ratings of the medium- to long-term incentive compensation is the value disclosed at the end of fiscal 2024.

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
May 2024	Submission of the proposal on revision to the maximum amount of remuneration for directors and executive officers to the General Meeting of Shareholders, additional contributions to the Board Benefit Trust (BBT), formula for performance-based compensation, review of the Basic Policy on Remuneration for Directors and Executive Officers
May 2025	Amount of performance-based compensation and amount of medium- to long-term incentive compensation for fiscal 2024

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

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

*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 indicators:

The coefficient is calculated based on the following formula using the ROIC over the given period as the evaluation indicator.

The applicable business division for the portion linked to division performance shall be determined for respective prospective recipients based on their assigned duties. In addition, in the case where the assigned duties to a director are performed in the head office divisions (including the Technical Development Group) or the electric power business division, the said director's performance-based compensation shall not include the portion of compensation linked to division performance and shall be calculated by multiplying the portion linked to Companywide performance by a factor of 1.0 [Portion linked to Companywide performance $\times$ 1.0] regardless of the following formula.

$$\begin{array}{|c|} \hline \text{Coefficient based on} \\ \text{evaluation indicators} \\ \text{(\%)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{(A) Portion linked to} \\ \text{Companywide} \\ \text{performance (\%)} \\ \hline \end{array} \times \begin{array}{|c|} \hline 0.7 \\ \hline \end{array} + \begin{array}{|c|} \hline \text{(B) Portion linked to} \\ \text{division performance} \\ \text{(\%)} \\ \hline \end{array} \times \begin{array}{|c|} \hline 0.3 \\ \hline \end{array}$$

$$\begin{array}{|c|} \hline \text{(A) Portion linked to} \\ \text{Companywide} \\ \text{performance (\%)} \\ \hline \end{array} = \left(\begin{array}{|c|} \hline 100/3 \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Companywide} \\ \text{consolidated} \\ \text{ROIC} \\ \hline \end{array} - \begin{array}{|c|} \hline 2/3 \\ \hline \end{array} \right) \times \begin{array}{|c|} \hline 100 \\ \hline \end{array}$$

$$\begin{array}{|c|} \hline \text{(B) Portion linked to} \\ \text{division performance} \\ \text{(\%)} \\ \hline \end{array} = \left(\begin{array}{|c|} \hline 100/3 \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Consolidated ROIC} \\ \text{by business division} \\ \hline \end{array} - \begin{array}{|c|} \hline 2/3 \\ \hline \end{array} \right) \times \begin{array}{|c|} \hline 100 \\ \hline \end{array}$$

* 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)

$$\begin{array}{|c|} \hline \text{Number of points to} \\ \text{be provided} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Base point number for} \\ \text{each rank and} \\ \text{remuneration rank*1} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Coefficient based on} \\ \text{evaluation} \\ \text{indicators*2} \\ \hline \end{array}$$

*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 indicators:

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

(6) Main Activities of Outside Directors During Fiscal 2024

	Board of Directors Meetings Attended (Attendance Rate)	Audit & Supervisory Committee Meetings Attended (Attendance Rate)	Summary of Advice Received at Meetings of the Board of Directors and the Audit & Supervisory Committee, and Duties Performed in Relation to Expected Roles
Director Yumiko Ito	16/16 (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 who specializes in legal affairs in sectors outside our business domains. At Meetings of Independent Directors and Sustainability Management Meetings, she received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, as Chair of the Board of Directors, Committee Chair of the Nomination & Compensation Committee, and a member of the Corporate Governance Committee, she contributed to the enhancement of the monitoring functions of the management of the Company.
Director Shinsuke Kitagawa	16/16 (100%)	—	Provided advice and suggestions concerning corporate management based on his abundant experience in economic and industrial policies, primarily in natural resources, and deep insight for the overall industrial sector obtained from experiences in sectors outside our business domains. At Meetings of Independent Directors and Sustainability Management Meetings, he received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, as Committee Chair of the Corporate Governance Committee, he contributed to the enhancement of the monitoring function of the management of the Company.
Director Yoshie Tsukamoto	12/12 (100%)	—	Provided advice and suggestions concerning corporate management based on her abundant experience in sectors outside our business domains and deep insight as a corporate executive. At Meetings of Independent Directors and Sustainability Management Meetings, she received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, she 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	16/16 (100%)	21/21 (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 and Sustainability Management Meetings, he received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint, based on active discussion on related matters among 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 business locations for audits as an Audit & Supervisory Committee member.
Director (Audit & Supervisory Committee Member)	Kunio Miura	16/16 (100%)	21/21 (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 and Sustainability Management Meetings, he received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among 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 Committee Chair of the Compliance Committee, and actively visited business locations for audits as an 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	16/16 (100%)	21/21 (100%)	Provided advice and suggestions concerning corporate management based on deep insight underpinned by her abundant experience in finance, accounting and business management in sectors outside our business domains and extensive knowledge as outside officer at listed companies. She also actively shared her thoughts on matters related to compliance. At Meetings of Independent Directors and Sustainability Management Meetings, she received information from executives and provided a wide range of advice and suggestions on business execution from an objective standpoint based on active discussion on related matters among directors, as a person responsible for monitoring the management of the Company. In addition, she actively visited business locations for audits as an Audit & Supervisory Committee member.

Note: Yoshie Tsukamoto was appointed as a director on June 19, 2024. Since then, the Board of Directors has met 12 times.

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	194
(b)	Total amount of money and other financial interests paid by the Company and its subsidiaries	585

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 2024 and the basis for calculation of remuneration, while also taking into consideration the results of audits by 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 sustainability disclosure, 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 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, among other factors, 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 at the end of the interim period and at the end of each fiscal year, which are the record dates stipulated in the Articles of Incorporation, as resolved by the Board of Directors. 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, 2025)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	1,416,256	Current liabilities	914,551
Cash and deposits	220,122	Notes and accounts payable - trade	365,655
Notes receivable - trade	22,492	Short-term borrowings	190,327
Accounts receivable - trade	346,900	Current portion of bonds payable	35,000
Contract assets	35,039	Lease liabilities	31,846
Merchandise and finished goods	265,939	Accounts payable - other	50,553
Work in process	172,738	Income taxes payable	10,630
Raw materials and supplies	283,426	Contract liabilities	75,541
Other	75,030	Provision for bonuses	27,576
Allowance for doubtful accounts	(5,435)	Provision for product warranties	20,527
	1,474,796	Provision for loss on construction contracts	6,080
Non-current assets		Provision for dismantlement related expenses	1,227
Property, plant and equipment	1,047,127	Provision for loss on joint venture agreement	138
Buildings and structures	286,849	Other	99,445
Machinery, equipment and vehicles	535,498		
Tools, furniture and fixtures	16,978	Non-current liabilities	739,441
Land	166,797	Bonds payable	130,000
Construction in progress	41,004	Long-term borrowings	479,192
Intangible assets	50,170	Lease liabilities	19,966
Software	37,572	Deferred tax liabilities	11,245
Other	12,597	Deferred tax liabilities for land revaluation	3,256
	377,498	Retirement benefit liability	58,187
Investments and other assets		Provision for dismantlement related expenses	10,119
Investment securities	214,144	Provision for loss on joint venture agreement	7,553
Long-term loans receivable	1,990	Other	19,920
		Total liabilities	1,653,993
Deferred tax assets	48,040	Net assets	
Retirement benefit asset	27,147	Shareholders' equity	1,001,727
Other	108,174	Share capital	250,930
Allowance for doubtful accounts	(21,998)	Capital surplus	119,861
		Retained earnings	632,946
		Treasury shares	(2,010)
		Accumulated other comprehensive income	160,069
		Valuation difference on available-for-sale securities	47,885
		Deferred gains or losses on hedges	(743)
		Revaluation reserve for land	4,958
		Foreign currency translation adjustment	69,485
		Remeasurements of defined benefit plans	38,483
		Non-controlling interests	75,262
		Total net assets	1,237,059
Total assets	2,891,053	Total liabilities and net assets	2,891,053

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

Consolidated Statements of Income

(From April 1, 2024 to March 31, 2025)

(Millions of yen)

Item	Amount	
Net sales		2,555,031
Cost of sales		2,131,813
Gross profit		423,218
Selling, general and administrative expenses		264,496
Operating profit		158,721
Non-operating income		
Interest and dividend income	7,785	
Other	42,437	50,223
Non-operating expenses		
Interest expenses	13,911	
Other	37,840	51,752
Ordinary profit		157,192
Extraordinary income		
Gain on bargain purchase	16,708	
Gain on sale of non-current assets	5,459	
Gain on step acquisitions	313	22,481
Extraordinary losses		
Impairment losses	27,401	
Dismantlement related expenses	11,180	38,581
Profit before income taxes		141,091
Income taxes - current	34,150	
Income taxes - deferred	(13,858)	20,292
Profit		120,799
Profit attributable to non-controlling interests		618
Profit attributable to owners of parent		120,180

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

Non-Consolidated Balance Sheets

(As of March 31, 2025)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current assets	864,854	Current liabilities	618,947
Cash and deposits	26,188	Accounts payable - trade	269,734
Notes receivable - trade	265	Short-term borrowings	138,938
Accounts receivable - trade	158,504	Current portion of bonds payable	35,000
Contract assets	3,851	Lease liabilities	25,761
Merchandise and finished goods	130,116	Accounts payable - other	32,089
Work in process	131,174	Accrued expenses	28,752
Raw materials and supplies	212,760	Income taxes payable	1,308
Advance payments - trade	6,344	Contract liabilities	38,131
Prepaid expenses	3,852	Deposits received	13,497
Short-term loans receivable	107,188	Unearned revenue	246
Accounts receivable - other	69,689	Provision for bonuses	11,926
Other	15,053	Provision for product warranties	1,290
Allowance for doubtful accounts	(136)	Provision for loss on construction contracts	3,490
Non-current assets	995,149	Provision for dismantlement related expenses	1,227
Property, plant and equipment	501,621	Provision for loss on joint venture agreement	138
Buildings	98,519	Asset retirement obligations	409
Structures	38,294	Other	17,005
Machinery and equipment	266,662	Non-current liabilities	491,537
Vehicles	728	Bonds payable	130,000
Tools, furniture and fixtures	7,770	Long-term borrowings	278,494
Land	63,401	Lease liabilities	4,128
Construction in progress	26,244	Long-term income taxes payable	30
Intangible assets	26,257	Provision for retirement benefits	54,374
Software	25,523	Provision for dismantlement related expenses	10,119
Right of using facilities	153	Provision for loss on joint venture agreement	7,553
Other	580	Asset retirement obligations	3,691
Investments and other assets	467,269	Other	3,143
Investment securities	119,628	Total liabilities	1,110,484
Shares of subsidiaries and associates and investments in capital	237,772	Net assets	
Long-term loans receivable	78,552	Shareholders' equity	709,483
Prepaid pension cost	11,479	Share capital	250,930
Deferred tax assets	15,416	Capital surplus	122,697
Other	11,386	Legal capital surplus	122,697
Allowance for doubtful accounts	(6,966)	Retained earnings	337,445
		Other retained earnings	337,445
		Reserve for advanced depreciation of non-current assets	1,520
		Retained earnings brought forward	335,924
		Treasury shares	(1,589)
		Valuation and translation adjustments	40,035
		Valuation difference on available-for-sale securities	40,944
		Deferred gains or losses on hedges	(908)
		Total net assets	749,518
Total assets	1,860,003	Total liabilities and net assets	1,860,003

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

Non-Consolidated Statements of Income

(From April 1, 2024 to March 31, 2025)

(Millions of yen)

Item	Amount	
Net sales		1,375,958
Cost of sales		1,227,927
Gross profit		148,031
Selling, general and administrative expenses		97,898
Operating profit		50,132
Non-operating income		
Interest and dividend income	87,684	
Other	14,138	101,822
Non-operating expenses		
Interest expenses	6,838	
Other	35,948	42,786
Ordinary profit		109,169
Extraordinary losses		
Dismantlement related expenses	11,180	
Impairment losses	2,641	13,822
Profit before income taxes		95,346
Income taxes - current	1,231	
Income taxes - deferred	(9,605)	(8,374)
Profit		103,721

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

[Reference] Status of Consolidated Cash Flow (From April 1, 2024 to March 31, 2025)

Item	Amount
	(Millions of yen)
Cash flows from operating activities	148,261
Cash flows from investing activities	(113,873)
Cash flows from financing activities	(96,227)
Effect of exchange rate change on cash and cash equivalents	7,844
Net increase (decrease) in cash and cash equivalents	(53,995)
Cash and cash equivalents at beginning of period	278,728
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(4,860)
Cash and cash equivalents at end of period	219,872

Assets and Results of Operations of the Company

Category		169th Business Term (Fiscal 2021)	170th Business Term (Fiscal 2022)	171st Business Term (Fiscal 2023)	172nd Business Term (Fiscal 2024)
Net sales	(Millions of yen)	1,299,177	1,403,979	1,326,810	1,375,958
Operating profit	(Millions of yen)	47,552	43,606	57,534	50,132
Ordinary profit	(Millions of yen)	54,470	60,538	87,307	109,169
Profit	(Millions of yen)	45,396	55,125	65,531	103,721
Basic earnings per share	(yen)	120.84	139.35	165.59	262.27
Total assets	(Millions of yen)	1,857,452	1,855,291	1,816,267	1,860,003
Net assets	(Millions of yen)	588,515	633,169	702,641	749,518
Net assets per share	(yen)	1,488.62	1,600.16	1,775.53	1,895.41

Matters concerning the Company's stock acquisition rights, etc.

Status of stock acquisition rights issued to and held by the Company's directors and executive officers as consideration for the execution of duties as of the end of fiscal 2024

Not applicable.

Status of stock acquisition rights issued to employees and other individuals as consideration for the execution of duties during fiscal 2024

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 shares (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 shares (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	2,339.7 yen; Adjustments will be made under certain conditions. (Note)	2,238.2 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 adopted at the meeting of the Board of Directors held on May 19, 2025 to pay a year-end dividend of 55 yen per share for fiscal 2024, the conversion prices of the Bonds with Stock Acquisition Rights due 2028 and the Bonds with Stock Acquisition Rights due 2030 were adjusted to 2,264.4 yen and 2,166.2 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 execution of duties by directors

The Company shall establish Regulations for Retention and Control of Information Concerning Execution of Duties by Directors, and properly store and manage information concerning the execution 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 execution 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. In addition, the Company shall hold Sustainability Management Meetings consisting of all directors.

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, GX strategy, investment and loan, and Kobelco TQM promotion, among others.

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 establish 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 them 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 establish Group Standards that set forth the minimum rules to be implemented by Group companies. All subsidiaries of the Company shall establish their own rules and procedures in accordance with these Standards in order to promote 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 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 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, through the sharing of the Group Corporate Philosophy.

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 the duties of the Audit & Supervisory Committee, matters regarding the independence of the Audit & Supervisory Committee from both the said directors and employees (excluding 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 members in order to ensure the independence of the employees of the Audit & Supervisory Committee Members' Office from directors (excluding directors who are Audit & Supervisory Committee members) and the effectiveness of 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 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 execution of duties, important committees, and other matters, in addition to matters designated by law. They shall also report 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, as appropriate. Additionally, they shall report the status of subsidiaries to the Audit & Supervisory Committee as needed. 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 rule 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.

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 2024 is as follows.

(a) Compliance measures

- **Meetings of the Compliance Committee**

The Compliance Committee, an advisory body to the Board of Directors, met three (3) times and its activities include reports on the results of activities in the previous fiscal year, annual plan, analysis of the causes of compliance violations, and formulation of preventive measures.

- **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, bribery and corruption prevention, and security trade control laws, etc. was regularly monitored. The internal reporting system received 118 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 2025.

(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 has 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 chief executors draft plans taking into account the contents of the discussions at the Board of Directors and other meetings as well as the results of the activities, which are incorporated in activities 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 24 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 and Sustainability Management Meetings for information sharing and exchange of opinions.

(d) Measures for ensuring the proper operation of the corporate group, consisting of the Company and its subsidiaries

The Company manages the Group companies in accordance with the Group Company Management Regulations in order to strengthen governance at Group companies and to pursue efficiency in execution of duties. The Company obliges Group companies 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 also requires them to obtain prior approval of the Board of Directors and the president of the Company upon deciding the disposal of assets that surpass a certain amount in value.

The Company has established Group Standards that set forth the minimum rules to be implemented by Group companies. All subsidiaries of the Company have formulated their own rules and procedures in accordance with these Standards to verify their compliance status.

Moreover, the Company dispatches its employees to its subsidiaries as directors and/or corporate auditors of such subsidiaries and oversees the management of these subsidiaries. It also receives reports on management status from the subsidiaries on a regular basis.

In addition, the Company has built a system to ensure compliance with laws and regulations through sharing the Group Corporate Philosophy with its subsidiaries and requiring them to carry out activities based on the Kobelco Group's Compliance Program.

(e) 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 interim 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 addressing societal challenges 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 materials, machinery, and electric power, 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, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2024	250,930	116,325	548,951	(1,847)	914,360
Changes during period					
Dividends of surplus			(35,646)		(35,646)
Profit attributable to owners of parent			120,180		120,180
Purchase of treasury shares				(800)	(800)
Disposal of treasury shares			(0)	156	156
Change in ownership interest of parent due to transactions with non-controlling interests		3,407			3,407
Change of scope of consolidation and equity method			(196)		(196)
Change in shares of parent owned by consolidated subsidiaries and accounted for using equity method		128		481	609
Reversal of revaluation reserve for land			(343)		(343)
Net changes in items other than shareholders' equity					
Total changes during period	–	3,536	83,994	(162)	87,367
Balance as of March 31, 2025	250,930	119,861	632,946	(2,010)	1,001,727

	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, 2024	70,610	(6,911)	4,707	45,950	27,845	142,202	70,784	1,127,346
Changes during period								
Dividends of surplus								(35,646)
Profit attributable to owners of parent								120,180
Purchase of treasury shares								(800)
Disposal of treasury shares								156
Change in ownership interest of parent due to transactions with non-controlling interests								3,407
Change of scope of consolidation and equity method								(196)
Change in shares of parent owned by consolidated subsidiaries and accounted for using equity method								609
Reversal of revaluation reserve for land								(343)
Net changes in items other than shareholders' equity	(22,725)	6,167	251	23,534	10,638	17,866	4,478	22,345
Total changes during period	(22,725)	6,167	251	23,534	10,638	17,866	4,478	109,713
Balance as of March 31, 2025	47,885	(743)	4,958	69,485	38,483	160,069	75,262	1,237,059

(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 196 subsidiaries, of which 169 subsidiaries are included in the scope of consolidation (the “Kobe Steel Group”). Names of major consolidated subsidiaries are as follows.

Nippon Koshuha Steel Co., Ltd., Kobelco Wire Company, Ltd., Kansai Coke and Chemicals Co., Ltd., Kobelco Logistics, Ltd., Kobelco Bolt, Ltd., Kobelco E&M Co., Ltd., Kobe Special Steel Wire Products (Pinghu) Co., Ltd., Kobelco Precision Technology Sdn. Bhd., Kobelco Millcon Steel Co., Ltd., Kobelco Aluminum Automotive Products (Suzhou) Co., Ltd., Kobelco Aluminum Automotive Products, LLC, Kobelco Aluminum Products & Extrusions Inc., Kobelco Electronics Material (Thailand) Co., Ltd., 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., Kobelco Construction Machinery Total Support 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 Australia Pty. Ltd., Kobelco Construction Machinery U.S.A, Inc., Kobelco Power Kobe Inc., Kobelco Power Moka Inc., Kobelco Power Kobe No. 2, Inc., Kobelco (China) Holding Co., Ltd., and Kobe Steel USA Holdings Inc.

For fiscal 2024, three companies, including Kansai Coke and Chemicals Co., Ltd., are newly consolidated due to additional acquisition of their shares, etc. Seven companies, including Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd., are excluded from the scope of consolidation due to loss of control from organizational restructuring.

27 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 27 non-consolidated subsidiaries and 47 affiliates, 35 companies are accounted for by the equity method. Names of major companies accounted for by the equity method are as follows.

Nippon Steel Kobelco Metal Products Co., Ltd., Kobelco Baosteel Automotive Aluminum Rolled Products (China) Co., Ltd., Kobelco Automotive Aluminum Rolled Products (China) 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 2024, five companies, including Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd., are newly included in the scope of the companies accounted for by the equity method due to changes in equity following organization restructuring. Two companies, including Kansai Coke and Chemicals Co., Ltd., are excluded from the scope of the companies accounted for by the equity method due to additional acquisition of their shares, etc.

27 non-consolidated subsidiaries (Kobelco E&M Vietnam Co., Ltd. and others) and 12 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 steel casting and forging products), Welding Business and Electric Power Business, and by the specific identification method for inventories in the Advanced Materials Business (steel casting and forging products), Machinery Business, Engineering Business and Construction Machinery Business. (The book value on the balance sheets may be written down to market value due to a 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 2024 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount as of the fiscal 2024 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 2024.
- e) Provision for dismantlement related expenses
For expenses expected to arise from dismantlement of equipment in relation to securing land inside the Kakogawa Works for production structure reforms, provision is made at an estimated amount at the end of the fiscal 2024.
- f) Provision for loss on joint venture agreement
The Company, in January 2025, established Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd., a joint venture with Baoshan Iron & Steel Co., Ltd. and Baowu Aluminum Technology Co., Ltd., with the goal of expanding the automotive aluminum panel business and responding to automakers' CO₂ reduction needs in China. The Group is pushing forward transformation of its operations into one that enables 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 2024.

(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 2024.

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 a certain number of years within the average remaining service period of the employees.

Actuarial differences are charged to income from the fiscal year following the period in which it arises mainly using the straight-line method based on a certain number of years within 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 | <p>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.</p> <p>For provision of services, the performance obligation is satisfied when services are provided, and revenue is recognized at that time.</p> <p>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.</p> |
| b) Performance obligation satisfied over a certain period of time | <p>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.</p> <p>For provision of services, revenue is recognized based on a percentage of the total amount of services transferred.</p> |

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, commodity forward contracts, and spot exchange non-deliverable forward (NDF) 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.

Notes on Changes in Presentation Methods

Consolidated Balance Sheets

“Lease liabilities,” which was included in “Other” under “Current liabilities” in fiscal 2023 has been separately presented from fiscal 2024 due to its increased significance.

Notes Regarding Accounting Estimates

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 27,401 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 1,097,298 million yen (1,047,127 million yen for property, plant and equipment and 50,170 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>

The Group has judged that there are signs of impairment of non-current assets for business use in the Company’s aluminum flat rolled products business, as operating profit remains negative due mainly to delays in sales expansion of materials for beverage can stock and automotive aluminum panels along with a delay in passing on the increase in procurement costs to selling prices. Business plans for the future have been prepared reflecting key assumptions such as increase in sales volume from expanded sales and growth of market size as well as cost reductions from promotion of business restructuring, etc. 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 38,001 million yen (34,984 million yen for property, plant and equipment and 3,017 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.

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 932 million yen for 627 thousand shares.

Notes to Consolidated Balance Sheets

1. Assets Pledged as Collateral and Collateralized Debt

(1) Assets pledged as collateral

Property, plant and equipment	239,007 million yen
Cash and deposits	51,725
Other	35,464
Total	326,198

(2) Collateralized debt

Long-term borrowings	187,908 million yen
Short-term borrowings	29,245
Total	217,153

2. Accumulated Depreciation of Property, Plant and Equipment 2,949,528 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	615
Kobec Co., Ltd.	431
Others (3 companies and others)	435
Total	2,805

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 1,010 million yen at the end of fiscal 2024.

(2) Trade notes receivable endorsed	1,520 million yen
(3) Repurchase obligation accompanying securitization of receivables	2,660 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 5,459 million yen arose mainly from the transfer of land use rights to Hangzhou Kobelco Construction Machinery Co., Ltd.

3. Impairment losses

The Group recognizes impairment losses on the following asset groups (27,401 million yen). The breakdown is buildings and structures of 6,568 million yen, machinery, equipment and vehicles of 8,415 million yen, tools, furniture and fixtures of 955 million yen, land of 4,378 million yen, construction in progress of 558 million yen, software of 6,392 million, other in intangible assets of 105 million yen, and other in investments and other assets of 25 million yen.

Use	Location and number of properties	Type and amount (Million yen)
Assets for manufacturing construction machinery (Kobelco Construction Machinery Co., Ltd.)	Saeki Ward, Hiroshima and others 1 property	Buildings and structures, etc. 16,877
Assets for manufacturing special steel products (Nippon Koshuha Steel Co., Ltd.)	Imizu, Toyama 1 property	Machinery and equipment, etc. 6,912
Assets for manufacturing steel powder	Takasago, Hyogo 1 property	Machinery and equipment, etc. 2,591
Idle assets, etc.	Sichuan Province, China and others 8 properties in total	Machinery and equipment, etc. 1,020

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 construction machinery (Kobelco Construction Machinery Co., Ltd.)

The book value of 67,756 million yen was reduced to the recoverable value due to lower profitability as a result of the delay in recovery of unit sales, which had declined due to the impact of engine certification problem, caused by a fall in demand in Japan and Europe, and other factors, and the amount of such reduction is recognized as an impairment loss (16,877 million yen) in extraordinary losses. Furthermore, the recoverable value was measured based on the net sales value, which is calculated using the appraisal value, etc.

(2) Assets for manufacturing special steel products (Nippon Koshuha Steel Co., Ltd.)

The book value of 6,912 million yen was reduced to the recoverable value due to lower profitability as a result of worsening of demand environment and other factors, and the

amount of such reduction is recognized as an impairment loss (6,912 million yen) in extraordinary losses. Furthermore, the recoverable value was measured based on the value in use and evaluated at memorandum value.

(3) Assets for manufacturing steel powder

The book value of 2,591 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 (2,591 million yen) in extraordinary losses. Furthermore, the recoverable value was measured based on the value in use and evaluated at memorandum value.

4. Dismantlement related expenses

Dismantlement related expenses of 11,180 million yen are due to the anticipated costs associated with dismantlement of equipment of No. 1 Blast Furnace (inactive facility) of Kakogawa Works. The Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) positions taking on the challenge of realizing carbon neutrality as a priority issue and is looking at ways to reduce CO₂ emissions in the steelmaking process. The Group decided to dismantle the equipment of No.1 Blast Furnace of Kakogawa Works in the current fiscal year as it needed to secure land within Kakogawa Works suitable for production structure reforms in fiscal 2025 aimed at achieving the 2030 target of a 30–40% reduction (compared to fiscal 2013) and the vision of achieving carbon neutrality in 2050.

Notes to Consolidated Statements of Changes in Net Assets

1. Type and Total Number of Shares Issued at the End of Fiscal 2024

Common shares 396,345,963 shares

2. Matters Concerning Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends	Dividends per share	Record date	Effective date	Source of dividends
May 16, 2024 Board of Directors' meeting	Common shares	17,823 million yen	45.0 yen	March 31, 2024	May 31, 2024	Retained earnings
November 7, 2024 Board of Directors' meeting	Common shares	17,823 million yen	45.0 yen	September 30, 2024	December 2, 2024	Retained earnings

(2) Dividends with the record date in fiscal 2024 and the effective date in fiscal 2025

At a meeting of the Board of Directors to be held on May 19, 2025, the Company intends to submit an agenda item concerning the payment of dividends on common shares as follows.

- 1) Total dividends 21,783 million yen
- 2) Dividends per share 55.0 yen
- 3) Record date March 31, 2025
- 4) Effective date June 3, 2025

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, 2025 are as follows.

(Millions of yen)

	Carrying amount *3	Fair value *3	Difference
(1) Investment securities *4			
a) Securities of subsidiaries and affiliates	7,966	7,127	(838)
b) Available-for-sale securities	114,502	114,502	—
(2) Short-term borrowings	(190,327)	(190,442)	(114)
(3) Current portion of bonds payable	(35,000)	(35,004)	(4)
(4) Lease liabilities (current liabilities)	(31,846)	(31,682)	163
(5) Bonds payable	(130,000)	(129,697)	302
(6) Long-term borrowings	(479,192)	(475,399)	3,792
(7) Lease liabilities (non-current liabilities)	(19,966)	(19,129)	836
(8) Derivative transactions *5			
a) Hedge accounting not applied	(1,933)	(1,933)	—
b) Hedge accounting applied	(1,201)	(1,201)	—

*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.	91,675

*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	114,502	—	—	114,502
(8) Derivative transactions				
a) Hedge accounting not applied	—	(1,933)	—	(1,933)
b) Hedge accounting applied	—	(1,201)	—	(1,201)

(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	7,127	—	—	7,127
(2) Short-term borrowings	—	(190,442)	—	(190,442)
(3) Current portion of bonds payable		(35,004)	—	(35,004)
(4) Lease liabilities (current liabilities)		(31,682)	—	(31,682)
(5) Bonds payable	—	(129,697)	—	(129,697)
(6) Long-term borrowings	—	(475,399)	—	(475,399)
(7) Lease liabilities (non-current liabilities)	—	(19,129)	—	(19,129)

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) Lease liabilities (current liabilities), (6) Long-term borrowings, and (7) 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) Current portion of bonds payable and (5) Bonds payable

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

(8) 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 (6) 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	703,065	127,478	830,544	169,203	47,079	97,887	113,711
United States	38,719	5,240	43,960	53,078	5,835	21,572	3,469
Other	138,029	65,481	203,510	82,071	40,307	132,184	55,208
Net sales to external customers	879,815	198,200	1,078,015	304,353	93,222	251,644	172,389

	Reportable segments			Other (Note 1)	Total	Adjustment	Carrying amount in consolidated statements of income
	Construction machinery	Electric power	Total				
Japan	148,784	258,807	1,666,018	7,000	1,673,018	1,210	1,674,229
United States	57,127	—	185,043	310	185,354	53	185,408
Other	181,945	—	695,228	129	695,357	37	695,394
Net sales to external customers	387,858	258,807	2,546,290	7,439	2,553,730	1,301	2,555,031

(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	860,876	198,200	1,059,076	304,353	93,222	222,718	56,366
Goods or services transferred over a certain period of time	18,938	–	18,938	–	–	28,925	116,022
Net sales to external customers	879,815	198,200	1,078,015	304,353	93,222	251,644	172,389

	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	374,252	258,807	2,368,797	6,936	2,375,734	1,268	2,377,003
Goods or services transferred over a certain period of time	13,605	–	177,493	502	177,996	32	178,028
Net sales to external customers	387,858	258,807	2,546,290	7,439	2,553,730	1,301	2,555,031

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)	373,148
Receivables from contracts with customers (ending balance)	369,393
Contract assets (beginning balance)	37,077
Contract assets (ending balance)	35,039
Contract liabilities (beginning balance)	67,502
Contract liabilities (ending balance)	75,541

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 42,245 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	327,273
Over one year	388,679
Total	715,953

Notes on Per Share Information

Net assets per share	2,941.14 yen
Profit per share	304.64 yen

Note: In calculating net assets per share and basic earnings per share, the shares held by the Board Benefit Trust (BBT), which are recorded as treasury shares in shareholders' equity, are included in the number of treasury shares that are excluded from the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

The number of excluded treasury shares at the end of fiscal 2024 in calculating net assets per share was 627 thousand shares, and the average number of excluded shares outstanding during fiscal 2024 in calculating basic earnings per share was 598 thousand shares.

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

Non-Consolidated Statements of Changes in Net Assets

(From April 1, 2024 to March 31, 2025)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Other retained earnings		Total retained earnings		
				Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward			
Balance as of April 1, 2024	250,930	122,697	122,697	1,700	267,670	269,370	(945)	642,052
Changes during period								
Reversal of reserve for tax purpose reduction entry of non-current assets				(179)	179	–		–
Dividends of surplus					(35,646)	(35,646)		(35,646)
Profit					103,721	103,721		103,721
Purchase of treasury shares							(800)	(800)
Disposal of treasury shares					(0)	(0)	156	156
Net changes in items other than shareholders' equity								
Total changes during period	–	–	–	(179)	68,254	68,074	(643)	67,430
Balance as of March 31, 2025	250,930	122,697	122,697	1,520	335,924	337,445	(1,589)	709,483

	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, 2024	62,192	(1,603)	60,589	702,641
Changes during period				
Reversal of reserve for tax purpose reduction entry of non-current assets				–
Dividends of surplus				(35,646)
Profit				103,721
Purchase of treasury shares				(800)
Disposal of treasury shares				156
Net changes in items other than shareholders' equity	(21,247)	694	(20,553)	(20,553)
Total changes during period	(21,247)	694	(20,553)	46,877
Balance as of March 31, 2025	40,944	(908)	40,035	749,518

(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 2024 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount as of the end of the fiscal 2024 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 2024.

(5) Provision for dismantlement related expenses

For expenses expected to arise from dismantlement of equipment in relation to securing land inside the Kakogawa Works for production structure reforms, provision is made at an estimated amount at the end of the fiscal 2024.

(6) Provision for loss on joint venture agreement

The Company established Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd., a joint venture with Baoshan Iron & Steel Co., Ltd. and Baowu Aluminum Technology Co., Ltd. in January 2025, with the goal of expanding the automotive aluminum panel business and responding to automakers' CO₂ reduction needs in China. The Group is pushing forward transformation of its operations into one that enables 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 2024.

(7) 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 2024.

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

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

6. Basis for Recognition of Revenue and Expenses

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

Step 1: Identify a contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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, commodity forward contracts, and spot exchange non-deliverable forward (NDF) 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.

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 2,641 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 527,879 million yen (501,621 million yen for property, plant and equipment and 26,257 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 “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	11,092 million yen	*1 *2
Other	30,934	*1 *2

(2) Collateralized debt

Borrowings of subsidiaries and affiliates from financial institutions	214,096 million yen	*1 *2
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*1 Of the assets pledged as collateral, 17,722 million yen is the mortgages established for borrowings of 35,434 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, 24,304 million yen is the mortgages established for borrowings of 178,662 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 2,140,180 million yen

3. Guarantee Liabilities

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

Quintus Technologies AB	4,760 million yen	
Kobelco Millcon Steel Co., Ltd.	4,400	*
Kobelco Wuxi Compressor Co., Ltd.	1,757	
Others (5 companies and others)	2,229	*
Total	13,148	

* Of which, 1,107 million yen is covered by reassurances from other companies.

(2) Repurchase obligation accompanying securitization of receivables 1,563 million yen

4. Monetary Receivables and Payables to Subsidiaries and Affiliates

Short-term monetary receivables	230,750 million yen
Long-term monetary receivables	80,937
Short-term monetary payables	114,869
Long-term monetary payables	4,208

Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries and Affiliates

Operating transactions

Net sales	421,549 million yen
Purchases	831,101
Non-operating transactions	169,468

2. Dismantlement related expenses

Dismantlement related expenses of 11,180 million yen are the anticipated costs associated with dismantlement of equipment of No. 1 Blast Furnace (inactive facility) of Kakogawa Works.

The Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) positions taking on the challenge of realizing carbon neutrality as a priority issue and is looking at ways to reduce CO₂ emissions in the steelmaking process. The Group decided to dismantle the equipment of No.1 Blast Furnace of Kakogawa Works in the current fiscal year as it needed to secure land within Kakogawa Works suitable for production structure reforms in fiscal 2025 aimed at achieving the 2030 target of a 30–40% reduction (compared to fiscal 2013) and the vision of achieving carbon neutrality in 2050.

3. Impairment losses

The Company recognizes impairment losses on the following asset groups (2,641 million yen). The breakdown is buildings of 863 million yen, structures of 71 million yen, machinery and equipment of 1,422 million yen, vehicles of 9 million yen, tools, furniture and fixtures of 73 million yen, construction in progress of 70 million yen, and software of 130 million.

Use	Location and number of properties	Type and amount (Million yen)
Assets for manufacturing steel powder	Takasago, Hyogo 1 property	Machinery and equipment, etc. 2,591
Idle assets	Kakogawa, Hyogo 1 property	Machinery and equipment, etc. 50

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 steel powder

The book value of 2,591 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 (2,591 million yen) in extraordinary losses. Furthermore, the recoverable value was measured based on the value in use and evaluated at memorandum value.

Notes to Non-consolidated Statements of Changes in Net Assets

Type and number of treasury shares at the end of fiscal 2024

Common shares 908,800 shares

Note: 627,100 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.

A major cause for accrual of deferred tax liabilities is valuation difference on available-for-sale securities.

Further, the Company adopts the Group Tax Sharing System, and in accordance with the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ Guidance No. 42, August 12, 2021), it 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	Kansai Coke and Chemicals Co., Ltd.	90.00% directly	Supply of coal, etc. Purchase of coke, etc. Interlocking directors, etc.	Supply of coal, etc.	106,017	Accounts receivable - other	33,105
				Purchase of coke, etc.	112,312	Accounts payable - trade	32,506
	Kobelco Power Kobe Inc.	100.00% directly	Contracted operation and management of power stations Interlocking directors, etc.	Agent purchase of coal, etc.	63,823	Accounts receivable - other	4,131
	Kobelco Power Kobe No. 2, Inc.	100.00% directly	Contracted operation and management of power stations Interlocking directors, etc.	Agent purchase of coal, etc.	65,466	Accounts receivable - other	7,760
	Kobe Steel International (USA) Inc.	100.00% indirectly	Loan of funds Interlocking directors, etc.	Recovery of funds	2,708	Short-term loans receivable	25,447
				Interest income	1,578	Other current assets	188
Affiliates	Shinsho Corporation	13.35% directly 1.04% indirectly (21.58%)	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	599,921	Accounts payable - trade	29,249

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.

Note 4: The Company acquired additional shares in its affiliate Kansai Coke and Chemicals Co., Ltd., turning it into a subsidiary on October 31, 2024. The transaction amount with Kansai Coke and Chemicals Co., Ltd. for the fiscal year under review is the sum of the amounts during the affiliate period and subsidiary period.

Notes on Per Share Information

Net assets per share	1,895.41 yen
Profit per share	262.27 yen

Note: In calculating net assets per share and basic earnings per share, the shares held by the Board Benefit Trust (BBT), which are recorded as treasury shares in shareholders' equity, are included in the number of treasury shares that are excluded from the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

The number of excluded treasury shares at the end of fiscal 2024 in calculating net assets per share was 627 thousand shares, and the average number of excluded shares outstanding during fiscal 2024 in calculating basic earnings per share was 598 thousand shares.

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