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 4, 2026

NOTICE OF THE 173RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

Kobe Steel, Ltd. ("the Company") would hereby like to inform you that the 173rd 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., Monday, June 22, 2026, 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., Tuesday, June 23, 2026 (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 173rd business term (from April 1, 2025 to March 31, 2026)
2. The results of audits by Accounting Auditors and the Audit & Supervisory Committee concerning the consolidated financial statements for the 173rd business term

Matters to be resolved:

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

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

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

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., matters concerning accounting auditor, 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 balance sheets, non-consolidated statements of income, non-consolidated statements of changes in net assets, notes to non-consolidated financial statements, and audit report of accounting auditor.

The Company's status of assets and results of operations, matters concerning stock acquisition rights, etc., matters concerning accounting auditor, 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 balance sheets, non-consolidated statements of income, 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 of any revisions to the Reference Documents for the General Meeting of Shareholders, the business report, and the consolidated and non-consolidated financial statements, the Company will post a notice of the revisions, along with the details of the matters before and after the changes, 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. Monday, June 22, 2026 (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. Monday, June 22, 2026 (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: Tuesday, June 23, 2026, at 10:00 a.m. (JST)
The venue is scheduled to be open at 9:00 a.m. (JST).

(1) If neither approval nor disapproval is indicated for any item on the voting form in exercising voting rights in writing (by mail), such item shall be deemed to have been approved.
(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.

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

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

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

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

1. The Exercise of Voting Rights website is not available from 2:30 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: 3,930,504

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 173rd 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	Kazuhiko Kimoto (male)	Reappointment Internal	-	· Director, Executive Officer · Corporate Governance Committee Member
5	Kazuo Iritani (male)	New appointment Internal	-	· Executive Officer
6	Shinsuke Kitagawa (male)	Reappointment Outside	✓	· Director · Corporate Governance Committee Member (Committee Chair)
7	Yoshie Tsukamoto (female)	Reappointment Outside	✓	· Director · Corporate Governance Committee Member
8	Akihiro Nakanishi (male)	New appointment Outside	✓	-

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

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

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 Section 3 of the Business Report, "Directors, Audit & Supervisory Committee Members and Executive Officers."

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: 72,500 shares		
Attendance at Board of Directors meetings during fiscal 2025: 16/16 meetings held (100%)		

Career summary (positions)		Reasons for selecting the candidate
April 1985:	Joined the Company	As Yoshihiko Katsukawa has extensive 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 accordance with 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: 67,200 shares		
Attendance at Board of Directors meetings during fiscal 2025: 16/16 meetings held (100%)		

Career summary (positions)		Reasons for selecting the candidate
April 1985:	Joined the Company	As Hajime Nagara has extensive 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 accordance with the Principles on the Appointment of Candidates for Directors. In addition, the Company deems that Hajime Nagara, who has broad 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: 32,300 shares		
Attendance at Board of Directors meetings during fiscal 2025: 16/16 meetings held (100%)		

Career summary (positions)		Reasons for selecting the candidate
April 1990:	Joined the Company	As Koichi Sakamoto has extensive 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 accordance with the Principles on the Appointment of Candidates for Directors. In addition, the Company deems that Koichi Sakamoto, who has broad 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	Kazuhiko Kimoto (Date of birth: September 15, 1965)	
Reappointment/ Internal Director		
Number of the Company's shares owned: 44,000 shares		
Attendance at Board of Directors meetings during fiscal 2025: 16/16 meetings held (100%)		

Career summary (positions)		Reasons for selecting the candidate
April 1988:	Joined the Company	As Kazuhiko Kimoto has extensive 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 accordance with the Principles on the Appointment of Candidates for Directors. In addition, the Company deems that Kazuhiko Kimoto, who has broad 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 management reforms in corporate planning, finance, accounting and other areas within the Group.
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 special assignments from the president and CEO. Assists the director overseeing the General Administration and CSR Department in IR activities.		

No. 5	Kazuo Iritani (Date of birth: October 13, 1968)	
New appointment/ Internal Director		
Number of the Company's shares owned: 15,300 shares		
Attendance at Board of Directors meetings during fiscal 2025: Not applicable		

Career summary (positions)		Reasons for selecting the candidate
April 1994:	Joined the Company	As Kazuo Iritani has extensive experience and knowledge in the technical field of the Company's machinery business, the Company deems that he is well qualified to be a director of the Company in accordance with the Principles on the Appointment of Candidates for Directors. In addition, the Company deems that Kazuo Iritani, who has broad experience in technology planning and business management, is well qualified as a person to supervise the creation of new business, the promotion of digital transformation, and other initiatives.
January 2021:	General Manager of the Plastics Processing Machinery Department, the Industrial Machinery Division in the Machinery Business	
April 2022:	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 special assignments from the president and CEO. Assists the director overseeing the General Administration and CSR Department in marketing planning.		

No. 6	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: 8,700 shares	
Attendance at Board of Directors meetings during fiscal 2025: 16/16 meetings held (100%)	
Term of office as Outside Director of the Company: 4 years	



Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1981:	Joined the Ministry of International Trade and Industry	As Shinsuke Kitagawa has the ability to make objective, fair and neutral judgments based on his extensive 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 the Company's business domains, the Company deems that he is well qualified to be an independent director of the Company in accordance with 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)	
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.	Left the executive position in March 2023 (three or more years have passed.)
Mitsui & Co. Global Strategic Studies Institute	Left the executive position in March 2023 (three or more years have passed.)
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 173rd Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with him.

No. 7	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: 1,100 shares		
Attendance at Board of Directors meetings during fiscal 2025: 16/16 meetings held (100%)		
Term of office as Outside Director of the Company: 2 years		

Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1986:	Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION (currently NTT, Inc.)	As Yoshie Tsukamoto has the ability to make objective, fair and neutral judgments based on her extensive experience in sectors outside the Company's 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 accordance with 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 (currently NTT DOCOMO BUSINESS, Inc.)	
October 2012:	President, CEO and Representative Director of NTTCom Online Marketing Solutions Corporation (currently NTT DOCOMO BUSINESS X, Inc.)	
June 2024:	Director of the Company (incumbent)	
June 2025:	Left the post of President, CEO and Representative Director of NTTCom Online Marketing Solutions Corporation (currently NTT DOCOMO BUSINESS X, Inc.)	
Duties and significant concurrent positions		
Not applicable		

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

NIPPON TELEGRAPH AND TELEPHONE CORPORATION (currently NTT, Inc.)	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 (currently NTT DOCOMO BUSINESS, Inc.)	Left the executive position in October 2012 (three or more years have passed.)
NTTCom Online Marketing Solutions Corporation (currently NTT DOCOMO BUSINESS X, Inc.)	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 173rd Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with her.

No. 8	Akihiro Nakanishi (Date of birth: April 20, 1962)	
New appointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of the Company's shares owned: 0 shares		
Attendance at Board of Directors meetings during fiscal 2025: Not applicable		
Term of office as Outside Director of the Company: Not applicable		

Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 1985:	Joined the Dai-Ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.)	As Akihiro Nakanishi has the ability to make objective, fair and neutral judgments based on his extensive experience in credit management and financial management at financial institutions, as well as his expertise in the financial industry, including deep insight gained as a corporate executive in these organizations, the Company deems that he is well qualified to be an independent director of the Company in accordance with the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. The Company expects Akihiro Nakanishi 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 her roles such as overseeing business executions as an independent director of the Company.
April 2009:	General Manager of Kobe Corporate Banking Branch of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)	
April 2011:	General Manager of Corporate Banking Division No.8 of Mizuho Corporate Bank, Ltd.	
April 2012:	Executive Officer, General Manager of Corporate Banking Division No.8 of Mizuho Corporate Bank, Ltd.	
April 2014:	Managing Executive Officer in charge of Corporate Banking of Mizuho Bank, Ltd.	
April 2016:	Managing Executive Officer in charge of Specific Business of Retail & Business Banking Company of Mizuho Financial Group, Inc. Managing Executive Officer and Co-Head of Retail & Business Banking Company of Mizuho Bank, Ltd.	
May 2017:	President & CEO of Mizuho Business Service Co., Ltd.	
April 2020:	Representative Director & CEO of UC CARD Co., Ltd.	
March 2024:	Left the post of Representative Director & CEO of UC CARD Co., Ltd.	
June 2024:	Audit & Supervisory Board Member of JAPAN HADES CO., LTD. (incumbent)	
Duties and significant concurrent positions		
Audit & Supervisory Board Member of JAPAN HADES CO., LTD.		

- Akihiro Nakanishi is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- If Akihiro Nakanishi is elected as a director at the 173rd Ordinary General Meeting of Shareholders, the Company will register him as an independent director at the financial instruments exchange.
- Until March 2017, Akihiro Nakanishi held executive positions at Mizuho Bank, Ltd., which is one of the Company's major business partners.
- Akihiro Nakanishi meets the Company's Standards for Independent Directors. The summary is as follows.

Mizuho Bank, Ltd. (Mizuho Corporate Bank, Ltd. was merged into Mizuho Bank, Ltd. in July 2013.)	Left the executive position in March 2017 (three or more years have passed.)
Mizuho Financial Group, Inc.	Left the executive position in March 2017 (three or more years have passed.)
Mizuho Business Service Co., Ltd.	Left the executive position in March 2020 (three or more years

	have passed.)
UC CARD Co., Ltd.	No business transactions with the Company. (UC CARD Co., Ltd. is a subsidiary of Mizuho Bank, Ltd., one of the Company's major lenders, but it is not involved in the Company's borrowing from Mizuho Bank, Ltd.)

- If Akihiro Nakanishi is elected as a director at the 173rd Ordinary General Meeting of Shareholders, the Company will enter into an agreement with him that the limit of his liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.

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

The terms of office of four (4) of the five (5) incumbent directors who are Audit & Supervisory Committee members will expire at the conclusion of the 173rd Ordinary General Meeting of Shareholders. Accordingly, it is proposed that four (4) directors who are Audit & Supervisory Committee members be elected.

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

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

No.	Name	Reappointment/ New appointment Internal/Outside	Independent director registered at the financial instruments exchange	Current position
1	Yuichiro Goto (male)	Reappointment Internal	-	Audit & Supervisory Committee Member (full-time)
2	Nobuko Sekiguchi (female)	Reappointment Outside	✓	Audit & Supervisory Committee Member
3	Hisae Kitayama (female)	New appointment Outside	✓	-
4	Tomoko Sakamoto (female)	New appointment Outside	✓	-

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

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

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

(Reference) Director who will continue to serve as an Audit & Supervisory Committee member is as follows.

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

Internal: Internal directors

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

No. 1	Yuichiro Goto (Date of birth: July 17, 1964)	
Reappointment/ Internal Director		
Number of the Company's shares owned: 33,003 shares		
Attendance at Board of Directors meetings during fiscal 2025: 16/16 meetings held (100%)		
Attendance at Audit & Supervisory Committee meetings during fiscal 2025: 20/20 meetings held (100%)		

Career summary (positions)		Reasons for selecting the candidate
April 1990:	Joined the Company	As Yuichiro Goto has extensive experience and knowledge in the field of technical development, technology planning, and project management in the Company's Technical Development Group, the Company deems that he is well qualified to be a director who is an Audit & Supervisory Committee member of the Company, in accordance with the Company's Principles on Appointment of Candidates for Directors.
April 2017:	Executive Officer	
April 2020:	Managing Executive Officer	
April 2021:	Executive Officer	
June 2024:	Director, Audit & Supervisory Committee Member (incumbent)	
Duties and significant concurrent positions		
Not applicable		

- Yuichiro Goto is a director who is a full-time Audit & Supervisory Committee member.
- The Company has entered into an agreement with Yuichiro Goto 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 Yuichiro Goto is elected as a director who is an Audit & Supervisory Committee member at the 173rd Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with him.

No. 2	Nobuko Sekiguchi (Date of birth: July 3, 1968)	
Reappointment/Outside Director/ Independent Director registered at the financial instruments exchange		
Number of the Company's shares owned: 3,100 shares		
Attendance at Board of Directors meetings during fiscal 2025: 16/16 meetings held (100%)		
Attendance at Audit & Supervisory Committee meetings during fiscal 2025: 20/20 meetings held (100%)		
Term of office as Outside Director of the Company: 4 years		

Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
November 2005:	Joined CAPCOM CO., LTD.	As Nobuko Sekiguchi has the ability to make objective, fair and neutral judgments based on her extensive experience regarding finance, accounting and business management in the different business fields from ours in the world of industry and knowledge as an outside director of another listed company, the Company deems that she is well qualified to be an independent director who is an Audit & Supervisory Committee member of the Company, in accordance with the Company's Principles on Appointment of Candidates for Directors and Standards for Independent Directors. She has actively provided advice and recommendations on management at meetings of the Board of Directors, the Meetings of Independent Directors and Sustainability Management Meetings, and, as a member of the Audit & Supervisory Committee, she has contributed to the enhancement of the monitoring functions of the management of the Company. The Company expects Nobuko Sekiguchi to continue to properly carry out her roles such as overseeing business executions as an independent director of the Company. In addition, she has considerable knowledge of finance and accounting.
April 2011:	Corporate Officer supervising Management Planning, CAPCOM CO., LTD.	
April 2016:	Managing Cooperate Officer, Head of Management Planning and Human Resources, CAPCOM CO., LTD.	
June 2019:	Outside Director of DUSKIN CO., LTD.	
June 2020:	Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION (incumbent)	
June 2022:	Director, Audit & Supervisory Committee Member of the Company (incumbent)	
June 2025:	Outside Director of DUSKIN CO., LTD. (incumbent)	
Duties and significant concurrent positions		
Outside Director (Audit and Supervisory Committee Member) of H2O RETAILING CORPORATION Outside Director of DUSKIN CO., LTD.		

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

CAPCOM CO., LTD.	Left the executive position in March 2019 (three or more years have passed.)

- The Company has entered into an agreement with Nobuko Sekiguchi that the limit of her liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations. If Nobuko Sekiguchi is elected as a director who is an Audit & Supervisory Committee member at the 173rd Ordinary General Meeting of Shareholders, the Company will renew the terms of the agreement with her.

No. 3	Hisae Kitayama (Date of birth: August 30, 1957)
New appointment/Outside Director/ Independent Director registered at the financial instruments exchange	
Number of the Company's shares owned: 0 shares	
Attendance at Board of Directors meetings during fiscal 2025: Not applicable	
Attendance at Audit & Supervisory Committee meetings during fiscal 2025: Not applicable	
Term of office as Outside Director of the Company: Not applicable	



Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
October 1982:	Joined Asahi & Co. (currently KPMG AZSA LLC)	Although Hisae Kitayama's corporate management experience is limited to roles as an outside director or outside auditor, her extensive experience in finance, accounting, and business management as a certified public accountant, as well as her deep insight as a partner at a major auditing firm and her knowledge as an outside director of another listed company, provide her with the ability to make objective, fair, and neutral judgments. On this basis, the Company deems that she is well qualified to be an independent director who is an Audit & Supervisory Committee member of the Company, in accordance with the Company's Principles on the Appointment of Candidates for Directors and Standards for Independent Directors. The Company expects Hisae Kitayama 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 her roles such as overseeing business executions as an independent director of the Company. In addition, she has considerable knowledge of finance and accounting.
March 1986:	Registered as a certified public accountant	
May 1999:	Partner of Asahi & Co. (currently KPMG AZSA LLC)	
July 2013:	Managing Executive Director of KPMG AZSA LLC	
June 2020:	Outside Director of Tsubakimoto Chain Co. (incumbent)	
July 2020:	Representative of Kitayama Public Accounting Office (incumbent)	
March 2021:	Outside Director (Audit Committee Member) of EBARA CORPORATION	
June 2022:	Outside Audit & Supervisory Board Member of Daicel Corporation (incumbent)	
March 2026:	Outside Director (Statutory Audit & Supervisory Committee Member) of Sapporo Holdings Limited (incumbent)	
Duties and significant concurrent positions		
Representative of Kitayama Public Accounting Office Outside Director of Tsubakimoto Chain Co. Outside Audit & Supervisory Board Member of Daicel Corporation Outside Director (Statutory Audit & Supervisory Committee Member) of Sapporo Holdings Limited		

- Hisae Kitayama is a candidate for outside director under the Regulations for Implementation of the Companies Act, Article 2, paragraph 3, item 7.
- If Hisae Kitayama is elected as a director who is an Audit & Supervisory Committee member, the Company will register Hisae Kitayama again as an independent director at the financial instruments exchange.
- EBARA CORPORATION, where Hisae Kitayama served as an outside director from March 2021 to March 2025, received a recommendation from the Japan Fair Trade Commission on February 20, 2025, pursuant to the Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. The issue arose without her prior knowledge, even though she consistently provided proposals and insights on legal compliance during the company's board of directors' meetings. Once she became aware of the issue, she proposed a prompt investigation and recommended strengthening internal controls and ensuring thorough compliance to prevent recurrence.
- Hisae Kitayama meets the Company's Standards for Independent Directors. The summary is as follows.

KPMG AZSA LLC	Left office in June 2020 (three or more years have passed.)
Kitayama Public Accounting Office	No business transactions with the Company.

- If Hisae Kitayama is elected as a director who is an Audit & Supervisory Committee member at the 173rd Ordinary General Meeting of Shareholders, the Company will enter into an agreement with her that the limit of her liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.

No. 4	Tomoko Sakamoto (female) (Date of birth: May 11, 1974)
New appointment/Outside Director/ Independent Director registered at the financial instruments exchange	
Number of the Company's shares owned: 0 shares	
Attendance at Board of Directors meetings during fiscal 2025: Not applicable	
Attendance at Audit & Supervisory Committee meetings during fiscal 2025: Not applicable	
Term of office as Outside Director of the Company: Not applicable	



Career summary (positions)		Reasons for selecting the candidate and overview of expected roles
April 2000:	Registered as a Japanese attorney, Joined Kitahama Partners	Although Tomoko Sakamoto's corporate management experience is limited to roles as an outside director or outside auditor, her extensive experience centered on legal affairs in corporate management as an attorney at law, as well as her knowledge as an outside director of another listed company, provide her with the ability to make objective, fair, and neutral judgments. On this basis, the Company deems that she is well qualified to be an independent director who is an Audit & Supervisory Committee Member of the Company, in accordance with the Company's Principles on the Appointment of Candidates for Directors and Standards for Independent Directors. The Company expects Tomoko Sakamoto 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 her roles such as overseeing business executions as an independent director of the Company.
October 2003:	Joined Yanagida & Nomura (currently YANAGIDA & Partners)	
November 2006:	Joined Iwata Godo	
July 2011:	Partner at Iwata Godo	
June 2015:	Outside Director of The Yachiyo Bank, Limited (currently Kiraboshi Bank, Ltd.)	
December 2018:	Outside Corporate Auditor of FCE Holdings Co., Ltd. (currently FCE Inc.)	
June 2019:	Outside Audit & Supervisory Board Member of Fuji Oil Company, Ltd.	
June 2020:	Outside Audit & Supervisory Board Member of Arata Corporation	
June 2021:	Outside Director, Member of Audit and Supervisory Committee, of Arata Corporation (incumbent)	
June 2022:	Outside Corporate Auditor of Space Shower Networks Inc. (currently Space Shower SKIYAKI Holdings Inc.)	
June 2023:	Outside Director of Fuji Oil Company, Ltd. (incumbent)	
January 2025:	Managing Partner of Iwata Godo (incumbent)	
Duties and significant concurrent positions		
Managing Partner of Iwata Godo Outside Director (Audit and Supervisory Committee Member) of Arata Corporation Outside Director of Fuji Oil Company, Ltd.		

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

Kitahama Partners	Left office in September 2003 (three or more years have passed.)
Yanagida & Nomura (currently YANAGIDA & Partners)	Left office in October 2006 (three or more years have passed.)
Iwata Godo	No business transactions with the Company.

- If Tomoko Sakamoto is elected as a director who is an Audit & Supervisory Committee member at the 173rd Ordinary General Meeting of Shareholders, the Company will enter into an agreement with her that the limit of her liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.

Item 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.

Kotomi Ejiri (Date of birth: August 12, 1974)	
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 1997:	Joined Sumitomo Marine & Fire Insurance Co., Ltd. (currently Mitsui Sumitomo Insurance Company, Limited)	Although Kotomi Ejiri's corporate management experience is limited roles as an outside director or outside auditor, her extensive experience as a lawyer and insight as an outside officer of listed companies provides her with the ability to make objective, fair and neutral judgments. On this basis, the Company deems that she is well qualified to be an independent director who is an Audit & Supervisory Committee member of the Company, in accordance with the Principles on the Appointment of Candidates for Directors and Standards for Independent Directors. The Company expects Kotomi Ejiri 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 her roles such as overseeing business executions as an independent director of the Company, if she is elected as a director who is an Audit & Supervisory Committee member.
December 2008:	Admitted to the bar in Japan	
January 2009:	Joined Keiwa Sogo Law Offices	
July 2020:	Partner at Keiwa Sogo Law Offices (incumbent)	
January 2021:	Outside Auditor of Linkers Corporation (incumbent)	
June 2022:	Outside Auditor of Meiko Electronics Co., Ltd. (incumbent)	
June 2023:	Outside Director of JSH Co., Ltd. (incumbent)	
Duties and significant concurrent positions		
Partner at Keiwa Sogo Law Offices Outside Auditor of Linkers Corporation Outside Auditor of Meiko Electronics Co., Ltd. Outside Director of JSH Co., Ltd.		

- Kotomi Ejiri is a candidate for outside director who is a substitute Audit & Supervisory Committee member.
- If this Item is approved at the 173rd Ordinary General Meeting of Shareholders and Kotomi Ejiri assumes the position as a director who is an Audit & Supervisory Committee member, the Company will register her as an independent director at the financial instruments exchange.

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

Sumitomo Marine & Fire Insurance Co., Ltd. (currently Mitsui Sumitomo Insurance Company, Limited)	Left the executive position in March 2004 (three or more years have passed.)
Keiwa Sogo Law Offices	No business transactions with the Company.

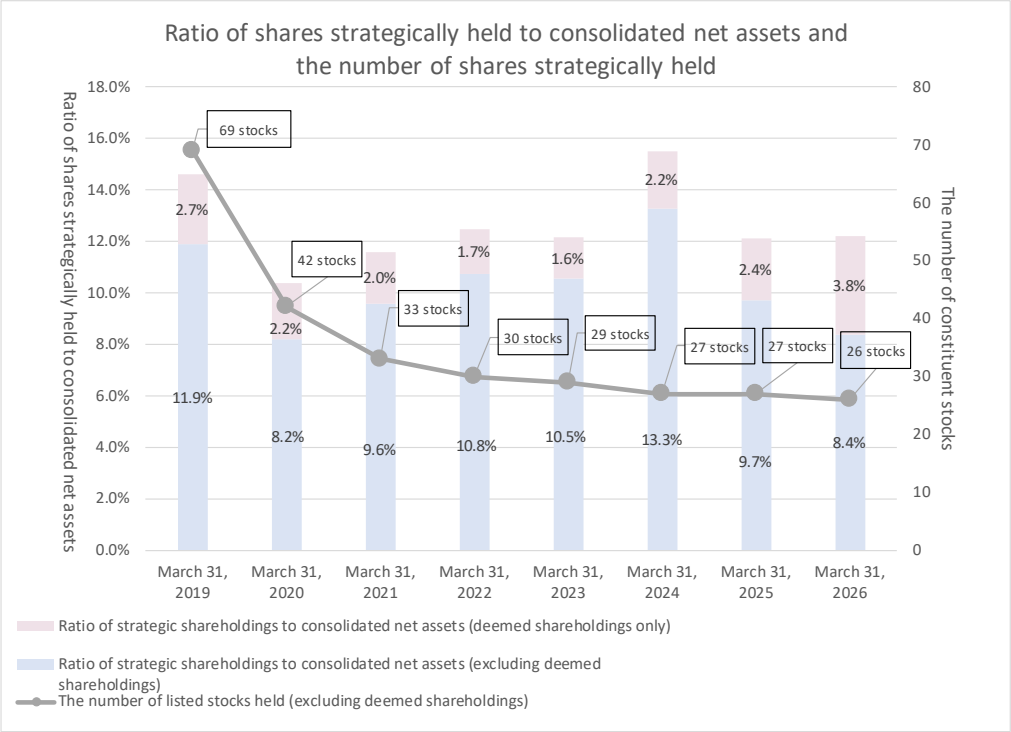
- If this Item is approved at the 173rd Ordinary General Meeting of Shareholders and Kotomi Ejiri assumes the position as a director who is an Audit & Supervisory Committee member, the Company will enter into an agreement with her that the limit of her liability for damages stipulated in Article 423, paragraph 1 of the Companies Act shall be the minimum liability amount required by laws and regulations.
- 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 Kotomi Ejiri, if she 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 Section 3 of the Business Report, "Directors, Audit & Supervisory Committee Members and Executive Officers."
- 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 Kotomi Ejiri is elected as a director who is an Audit & Supervisory Committee member, she will become the insured under the said insurance contract. For details regarding the said insurance contract, please refer to Section 3 of the Business Report, "Directors, Audit & Supervisory Committee Members and Executive Officers."

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 2026, the ratio of shares strategically held to consolidated net assets and the number of shares strategically held are as shown in the chart below.

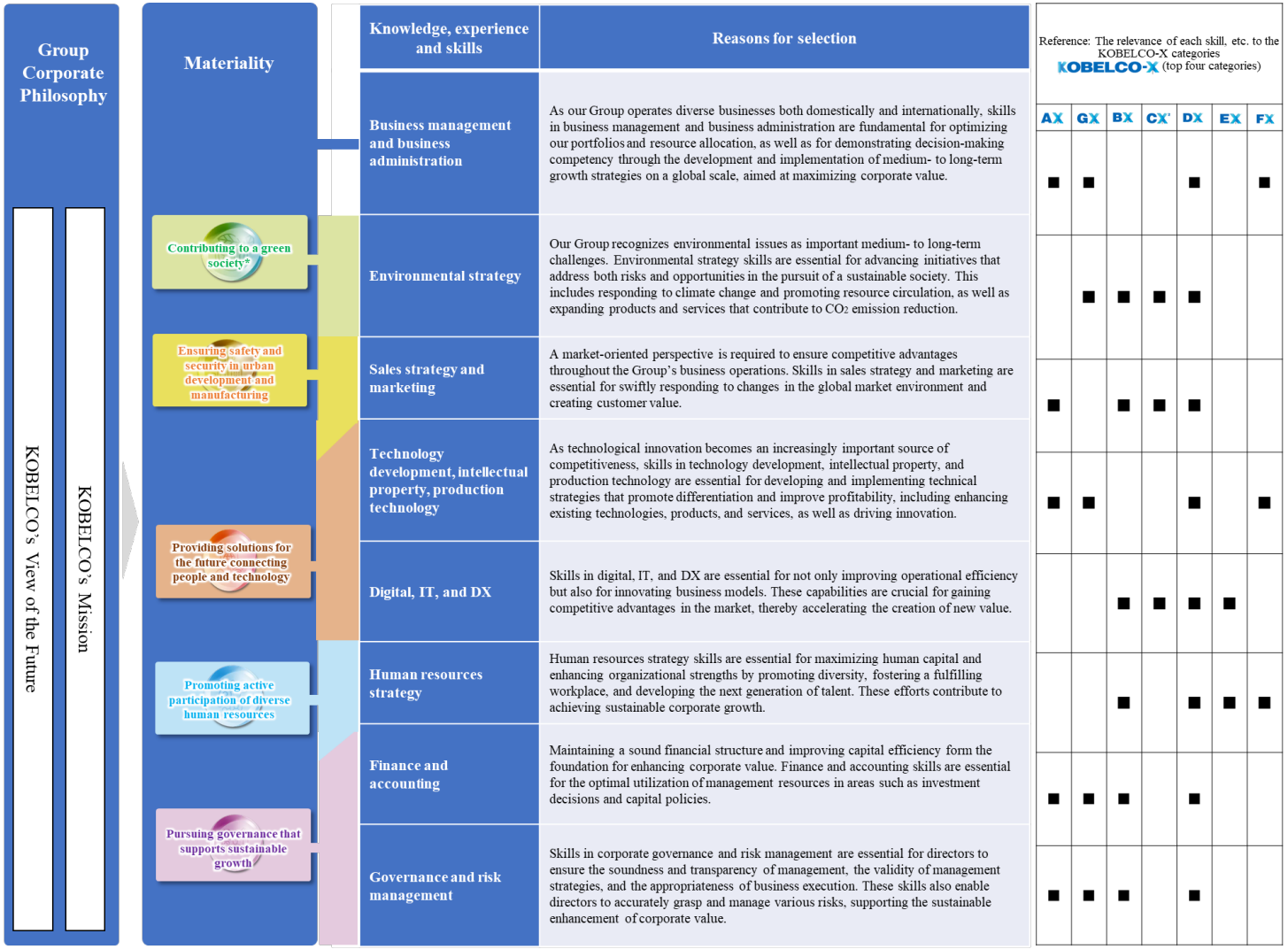
For the full text of the Basic Policy on Strategic Holding of Shares, please refer to the Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd. on the Company website.



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 directors 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 knowledge, experience, and skills are reviewed as needed in response to changes in the business environment, the formulation of new management plans, and other changes in circumstances. Recently, in light of changes in the external environment, the Company has defined the necessary knowledge, experience, and skills as outlined below, and has conducted a partial review of the skill matrix.

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. Each area has 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.



* 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.

Name				Gender	Term of office as director of the Company	Attendance at Board of Directors meetings	Attendance at Audit & Supervisory Committee meetings	Matters related to overall management	Value creation area			Business foundation area				Insights into other industry sectors
								Business management and business administration	Sales strategy and marketing	Technology development, Intellectual property, Production technology	Digital, IT and DX	Environmental strategy	Human resources strategy	Finance and accounting	Governance and risk management	
Director	Yoshihiko Katsukawa	Internal	Executive	Male	8	16/16 (100%)	-	●	●			●		●	●	
	Hajime Nagara	Internal		Male	6	16/16 (100%)	-	●				●	●		●	
	Koichi Sakamoto	Internal		Male	3	16/16 (100%)	-	●		●	●	●			●	
	Kazuhiko Kimoto	Internal		Male	2	16/16 (100%)	-	●	●		●	●		●		
	Kazuo Iritani	Internal		Male	-	-	-	●	●	●	●	●				
	Shinsuke Kitagawa	Outside/Independent Director	Non-executive	Male	4	16/16 (100%)	-			●		●	●		●	●
	Yoshie Tsukamoto	Outside/Independent Director		Female	2	16/16 (100%)	-	●	●	●	●					●
	Akihiro Nakanishi	Outside/Independent Director		Male	-	-	-	●	●					●	●	●
Directors who are Audit & Supervisory Committee members	Gunyu Matsumoto	Internal		Male	3	16/16 (100%)	20/20 (100%)	●					●	●	●	
	Yuichiro Goto	Internal		Male	2	16/16 (100%)	20/20 (100%)		●	●	●	●				
	Nobuko Sekiguchi	Outside/Independent Director		Female	4	16/16 (100%)	20/20 (100%)				●		●	●		●
	Hisae Kitayama	Outside/Independent Director		Female	-	-	-	●					●	●	●	●
	Tomoko Sakamoto	Outside/Independent Director		Female	-	-	-					●		●	●	●

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

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 outside directors to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth by reflecting fair and neutral opinions from an outside viewpoint on resolutions at the meetings of the Board of Directors. The Company requires independent directors to meet the following requirements in addition to requirements A) to D) above:
    a. To have extensive experience and deep insight to be able to make objective, fair and neutral judgment in light of their careers; and
    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, expects them to be able to back up appropriate risk-taking and support the Company's medium- to long-term growth based on information obtained through audits by utilizing their knowledge and requires them to meet the following requirements in addition to requirements A) through C) above;
    a. To have extensive experience and deep insight to be able to make objective, fair and neutral judgment in light of their careers; and
    b. To meet the Standards for Independent Directors stipulated by the Company.

The Company's Standards for Independent Directors

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

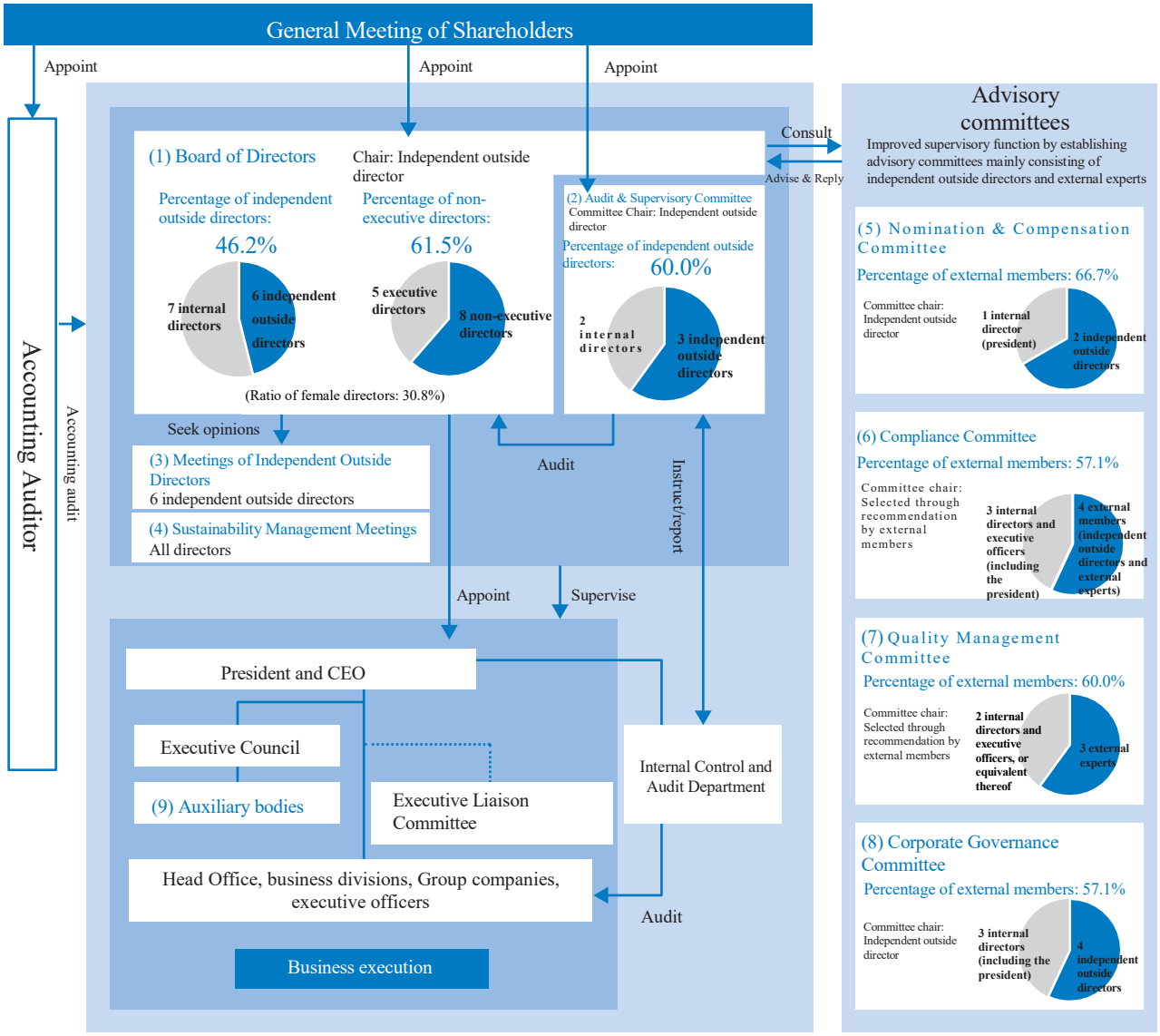
J) A person who executes businesses of the companies that mutually dispatches independent directors/corporate auditors. (The person who executes the business of the Group is an independent director/corporate auditor and the person who executes the business of such a company is the independent director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

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

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

Reference: Corporate Governance System

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



(1) Board of Directors' Meeting

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 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	● Strengthening the monitoring function 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

Voluntarily Established 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 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

Attached Documents

Business Report

(From April 1, 2025 to March 31, 2026)

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 2025, the Japanese economy continued on a gradual recovery trend, with signs of improvement in personal consumption and corporate production activities, while export-related industries were affected by U.S. trade policies. As for overseas economies, the U.S. economy remained resilient, supported mainly by steady personal consumption and capital investment, despite the impact of high prices and tight monetary policy. Europe showed a gradual recovery trend, primarily in the service sector. In China, economic recovery remained moderate, reflecting the prolonged downturn in the real estate market and sluggish growth in personal consumption.

Under these circumstances, the Company worked to enhance earning power and pursue growth, as set forth in the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), while continuing efforts to pass through rising costs and curb cost increases through self-help efforts.

As a result, fiscal 2025 consolidated net sales decreased by 118.4 billion yen year on year to 2,436.5 billion yen. Operating profit decreased by 28.8 billion yen year on year to 129.8 billion yen, due to factors such as increased costs centered on fixed costs, a reduction in gains from time lags in fuel cost adjustments in the electric power segment, a decrease in temporary gains related to electricity selling prices (resulting from differences between the benchmark selling price of coal and the purchase price), and a decline in net sales due to the extended periodic inspection of Kobe Power Plant No. 3 unit, despite an increase in net sales from the progress of existing orders in the machinery segment. Ordinary profit decreased by 35.8 billion yen year on year to 121.3 billion yen, due to the decrease in operating profit and the elimination of compensation income related to the engine certification problem in Europe in the construction machinery segment, which had been recorded in fiscal 2024. Extraordinary income and losses resulted in a loss of 0.4 billion yen, as the gains from the sale of strategic shareholdings and land were offset by the recognition of impairment losses on non-current assets in the aluminum flat rolled product business. As a result, profit attributable to owners of parent decreased by 26.4 billion yen year on year to 93.7 billion yen.

Kobe Steel determines dividends taking its financial condition, business performance, future capital needs, and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. Based on this policy, the yearend dividend for fiscal 2025 will be 40 yen per share (80 yen annually).

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

Steel & Aluminum

(Steel)Sales volume of steel products decreased year on year due to sluggish construction demand caused by labor shortages and rising construction costs. Selling prices also declined year on year, despite progress in passing through rising costs, due mainly to lower raw material prices.

As a result, net sales decreased by 10.1% year on year to 822.2 billion yen. Ordinary profit decreased by 20.4 billion yen year on year to 3.8 billion yen, due to lower sales volumes, a deterioration in metal spreads, increased costs centered on fixed costs, and a worsening of inventory valuation.

(Aluminum)Sales volume decreased year on year due to the reclassification of Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. from a consolidated subsidiary to an affiliate, while selling prices increased year on year, primarily due to higher base metal prices.

As a result, net sales decreased by 13.4% year on year to 174.6 billion yen. Ordinary loss worsened by 0.3 billion yen year on year to a loss of 0.9 billion yen, due to a reduction in inventory valuation gains, despite progress in price pass-through and cost improvements.

In the overall Steel & Aluminum segment, net sales decreased by 10.7% year on year to 996.9 billion yen, and ordinary profit decreased by 20.7 billion yen year on year to 2.8 billion yen.

● Production Volume (In thousands of tons)

Category	172nd Business Term (Fiscal 2024)	173rd Business Term (Fiscal 2025)
Crude steel	6,013	5,853
Aluminum flat-rolled products	307	268

Note: The above amount of crude steel includes the quantity produced with electric arc furnaces at Takasago Works. Due to the change of Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. from a subsidiary to an affiliate at the end of fiscal 2024, its production volume is not included in the figures for fiscal 2025.

Advanced Materials

Sales volume increased year on year in the steel casting and forgings business, supported by steady demand in the shipbuilding sector, while sales volume declined in the aluminum extrusion and suspension business due to sluggish automotive demand.

As a result, net sales increased by 5.0% year on year to 332.8 billion yen. Ordinary profit decreased by 2.0 billion yen year on year to 8.7 billion yen, due to declining sales volume mainly in the automotive sector and a reduction in inventory valuation gains, despite progress in price pass-through.

● Production Volume (In thousands of tons)

Category	172nd Business Term (Fiscal 2024)	173rd Business Term (Fiscal 2025)
Aluminum extrusions	44	42
Copper rolled products	54	55

Welding

Sales volume of welding materials remained at a similar level year on year in both domestic and overseas markets. Selling prices increased year on year due to progress in price pass-through.

As a result, net sales increased by 2.7% year on year to 96.4 billion yen, and ordinary profit increased by 0.6 billion yen year on year to 5.8 billion yen, despite higher labor and other fixed costs.

Machinery

Orders increased by 2.9% year on year to 270.1 billion yen, mainly due to strong demand for isostatic pressing (IP) equipment, and order backlog totaled 241.2 billion yen.

Net sales increased by 6.6% year on year to 282.7 billion yen. Ordinary profit increased by 14.1 billion yen year on year to 46.7 billion yen, due to higher net sales and improved profitability resulting from an increase in service contracts.

● Orders (Billions of yen)

Category		172nd Business Term (Fiscal 2024)	173rd Business Term (Fiscal 2025)
Orders	Domestic	1,140	1,292
	Overseas	1,484	1,408
	Total	2,625	2,701
Backlog of Orders	Domestic	743	831
	Overseas	1,801	1,581
	Total	2,544	2,412

Engineering

Orders decreased by 19.8% year on year to 132.1 billion yen, reflecting the absence of multiple large projects recorded in the waste treatment-related business in fiscal 2024. Order backlog totaled 386.0 billion yen.

Net sales increased by 10.9% year on year to 193.8 billion yen due to the progress of existing orders, while ordinary profit decreased by 3.4 billion yen year on year to 12.6 billion yen due to factors such as changes in project composition.

● Orders (Billions of yen)

Category		172nd Business Term (Fiscal 2024)	173rd Business Term (Fiscal 2025)
Orders	Domestic	1,042	870
	Overseas	604	450
	Total	1,647	1,321
Backlog of Orders	Domestic	3,068	2,703
	Overseas	1,351	1,157
	Total	4,419	3,860

Construction Machinery

Unit sales of hydraulic excavators increased year on year due to a recovery in demand in Europe, China, and Southeast Asia, while unit sales of crawler cranes decreased year on year due to factors such as a decline in domestic demand caused by rising prices.

As a result, net sales remained at a similar level to fiscal 2024 at 389.5 billion yen. Ordinary profit decreased by 6.4 billion yen year on year to 12.3 billion yen, due mainly to the elimination of compensation income related to the engine certification problem.

Electric Power

Sales volume decreased year on year due to the extended periodic inspection of Kobe Power Plant No. 3 unit. Electricity selling prices also declined year on year, reflecting fluctuations in thermal coal prices.

As a result, net sales decreased by 21.5% year on year to 203.2 billion yen. Ordinary profit decreased by 17.5 billion yen year on year to 34.7 billion yen, due to lower net sales, a reduction in gains from time lags in fuel cost adjustments at Kobe Power Plants No. 3 and 4 units, and a decrease in temporary gains related to electricity selling prices at the Kobe Power Plant No. 1 to 4 units.

Other Businesses

Net sales decreased by 34.0% year on year to 5.8 billion yen, while ordinary profit increased by 1.2 billion yen year on year to 5.0 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 (64.9) 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 2024, 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 CO_2 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 CO_2 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, 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. Although the outlook for the business environment remains uncertain due to rising geopolitical risks, including the escalating tension in the Middle East at present, in addition to the changes in the tariff and energy policies of the United States, 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 CO_2 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 been working to strengthen 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 CO_2 emissions in production processes, the Group is strengthening its efforts to achieve even higher efficiency and lower CO_2 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 (OCCTO) 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 CO_2 emissions reduction targets in production processes through measures such as increasing the amount of hot briquetted iron (HBI) in the blast furnace, examining the commercialization of black pellets, a type of biomass fuel, and considering the introduction of a scrap melting 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 set indicators and targets in April 2024. 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).”

(2) Assets and Results of Operations of the Group

Category		170th Business Term (Fiscal 2022)	171st Business Term (Fiscal 2023)	172nd Business Term (Fiscal 2024)	173rd Business Term (Fiscal 2025)
Net sales	(Millions of yen)	2,472,508	2,543,142	2,555,031	2,436,581
[Overseas sales of the above]		783,480	829,860	880,802	847,868
Operating profit	(Millions of yen)	86,365	186,628	158,721	129,883
Ordinary profit	(Millions of yen)	106,837	160,923	157,192	121,336
Profit attributable to owners of the parent	(Millions of yen)	72,566	109,552	120,180	93,717
Basic earnings per share	(Yen)	183.80	277.38	304.64	237.80
Total assets	(Millions of yen)	2,874,751	2,919,774	2,891,053	2,865,184
Net assets	(Millions of yen)	977,653	1,127,346	1,237,059	1,330,453
Net assets per share	(Yen)	2,314.31	2,675.13	2,941.14	3,189.56

(3) Major Businesses (As of March 31, 2026)

The major businesses undertaken by the Group are described below.

Category	Major Products and Businesses
Steel & Aluminum	Wire rods and bars, steel sheets (hot-rolled, cold-rolled, surface treated), steel plates, aluminum flat-rolled, and other products (steel billets, foundry pig iron, pig iron for steelmaking, slag products)
Advanced Materials	Steel casting and forging, aluminum-alloy and magnesium-alloy castings, titanium and titanium alloys, aluminum-alloy forgings and machined products, aluminum extrusions and machined products, copper rolled products, and steel powder
Welding	Welding materials (covered welding electrodes, wires for automatic and semi-automatic welding, fluxes), welding robots, welding machines, robotic welding systems, and welding-related testing, analysis, and consulting
Machinery	Equipment for energy and chemical sectors, equipment for nuclear power plants, tire and rubber machinery, plastic processing machinery, ultra-high-pressure presses, vacuum coating equipment, metalworking machinery, compressors, refrigeration compressors, heat pumps, plants (steel rolling, non-ferrous metals, etc.), internal combustion engines, special alloys and other new materials (target materials, etc.), and analysis and testing of materials
Engineering	Various plants (direct reduction ironmaking, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc.), automated guideway transit (AGT) system, and pharmaceutical and fine chemical equipment
Construction Machinery	Hydraulic excavators, mini excavators, environmental recycling machinery, crawler cranes, wheel cranes, remote operation system for construction machinery, and crane construction planning software
Electric Power	Electric power and heat supply
Other	High-pressured gas cylinder manufacturing

(4) Major Offices and Plants (As of March 31, 2026)

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	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
Kobelco Wire Company, Ltd. (Amagasaki, Hyogo)	8,062 million yen	43.62	Manufacture and sale of secondary wire rod products and contracting construction work of structures
Kansai Coke and Chemicals Co., Ltd. (Amagasaki, Hyogo)	6,000 million yen	100.00	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 million yuan	52.00	Manufacture and sale of products processed from special steel wire rods, as well as procurement, sale, and import/ export of these 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 products
Kobelco Aluminum Automotive Products (Suzhou) Co., Ltd. (China)	239 million yuan	85.00	Manufacture and sale of aluminum forgings for automotive suspensions
Kobelco Aluminum Automotive Products, LLC (United States)[*1]	858 thousand U.S. dollars	100.00	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 million yuan	90.00	Manufacture and sale of welding materials, sale of robotic welding systems and their 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)	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	Analysis and testing of materials, analysis of structures, and manufacture and sale of target material and inspection equipment for semiconductors, FPD, etc.
Kobelco Wuxi Compressor Co., Ltd. (China)[*1]	150 million yuan	70.00	Manufacture and sale of compressors
Kobelco Compressors Manufacturing (Shanghai) Corporation (China)[*1]	87 million yuan	100.00	Development and manufacture of compressors and related products, as well as sale and service of the Company's products
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 extruders
Quintus Technologies AB (Sweden)[*1]	10 million Swedish krona	100.00	Design, manufacture, sale, and service of isostatic pressing equipment and sheet metal forming equipment

Company Name (Location of Head Offices)	Share Capital	Ratio of Voting Rights (%)	Major Businesses
Kobelco Machinery Korea Co., Ltd. (Korea)	7,909 million won	96.36	Assembly of nonstandard compressors, as well as 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, as well as 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. (Tokyo)*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, and sale of industrial machinery
Kobelco Construction Machinery (China) Co., Ltd. (China)*1	2,522 million yuan	100.00	Manufacture, sale, and service of construction machinery
Chengdu Kobelco Construction Machinery Financial Leasing Ltd. (China)*1	374 million 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. (United States)*1	2 thousand U.S. dollars	100.00	Sale and service of construction machinery
Kobelco Power Kobe Inc. (Kobe)	3,000 million yen	100.00	Wholesale power supply
Kobelco Power Moka Inc. (Moka, Tochigi)	600 million yen	100.00	Wholesale power supply
Kobelco Power Kobe No. 2, Inc. (Kobe)	300 million yen	100.00	Wholesale power supply
Kobelco (China) Holding Co., Ltd. (China)	1,775 million 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 (Location 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 million yuan	50.00	Manufacture and sale of aluminum sheets for automotive panels
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. (China)	884 million yuan	- [100.00]	Manufacture and sale of aluminum sheets for automotive panels
Kobelco Angang Auto Steel Co., Ltd. (China)*1	700 million yuan	49.00	Manufacture and sale of cold-rolled, high-tensile strength steel
Ulsan Aluminum, Ltd. (Korea)	696,811 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	35.93	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: Companies marked with *1 in the above table include the shareholdings of their subsidiaries.
Note 2: Companies marked with *2 in the above table include shares held under a retirement benefits trust.
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: Nippon Koshuha Steel Co., Ltd., which was listed in the previous fiscal year, is not listed in fiscal 2025 because it became a wholly-owned subsidiary through a share exchange as of February 2, 2026. On the same date, the Company transferred all shares to Daido Steel Co., Ltd.
Note 5: Kobelco Logistics, Ltd. (formerly Shinko Butsuryu KK in Japanese) changed its Japanese trade name to Kobelco Logistics, Ltd. as of July 1, 2025. The English name remains unchanged.
Note 6: Kobelco Advanced Lube-System Asia Co., Ltd. changed its trade name to Kobelco Machinery Korea Co., Ltd. as of August 1, 2025.
Note 7: During fiscal 2025, Ulsan Aluminum, Ltd. increased its capital, resulting in a share capital of 696,811 million won.
Note 8: The Company acquired additional shares of Kansai Coke and Chemicals Co., Ltd., increasing the ratio of the voting rights held by the Company and its Group companies in it to 100.00% as of April 30, 2025.
Note 9: During fiscal 2025, the Company acquired additional shares of Kobelco Aluminum Automotive Products, LLC, increasing the ratio of the voting rights held by the Company and its Group companies in it to 100.00%. In addition, the share capital of Kobelco Aluminum Automotive Products, LLC increased to 858 thousand U.S. dollars. This change resulted from an absorption-type merger between Kobelco Aluminum Automotive Products, LLC and its wholly-owning parent, Kobe Aluminum (U.S.A.) Inc., and does not represent an actual inflow of external capital or a capital reduction.
Note 10: Kobe Steel USA Holdings Inc. was merged into its wholly-owned subsidiary, Kobe Steel USA Inc., through an absorption-type merger as of April 1, 2026.

(6) Capital Investments

Total capital investment in fiscal 2025 on a construction (inspection and acceptance) basis is 128.5 billion yen.

The main capital investments currently ongoing as of the end of fiscal 2025 are as follows:

Category	Facility name
Ongoing	No.1 hot-dip galvanized steel sheet production facilities and other incidental facilities of Kakogawa Works, Kobe Steel [under the steel & aluminum segment]
Ongoing (Note)	Ammonia co-firing facilities of the Kobe Power Plant, Kobelco Power Kobe Inc. [under the electric power segment]

Note: Subject to the fulfillment of necessary conditions, basic design work and preliminary construction are being implemented in stages, prior to the commencement of full-scale construction.

(7) Financing Activities

During fiscal 2025, the Group issued 15.0 billion yen in unsecured bonds for part of repayment of borrowings.

(8) Major Lenders and Amount of Borrowings (As of March 31, 2026)

Main Lenders	Balance of Loans (Millions of yen)
Mizuho Bank, Ltd.	89,080
Development Bank of Japan Inc.	74,952
MUFG Bank, Ltd.	68,670
Sumitomo Mitsui Banking Corporation	64,977

(9) Employees (As of March 31, 2026)

(a) Employees of the Group (Persons)

Category	Number of Employees
Steel & Aluminum	12,562
Advanced Materials	4,686
Welding	2,355
Machinery	6,316
Engineering	3,746
Construction Machinery	6,872
Electric Power	376
Other or companywide	1,701
Total	38,614

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

(b) Employees of the Company

Number of Employees	12,253 persons
Increase from the Previous Fiscal Year-End	358 persons
Average Age	40.1 years old
Average Years of Service	15.5 years

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

Note 2: The number of employees stated above does not include 806 seconded employees.

2. Shares of the Company (As of March 31, 2026)

(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 257,212

(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)	60,383	15.25	-	-
Custody Bank of Japan, Ltd. (Trust Account)	16,322	4.12	-	-
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	10,704	2.70	-	-
JPMorgan Securities Japan Co., Ltd.	7,035	1.78	-	-
STATE STREET BANK ANDTRUST COMPANY 505103	6,151	1.55	-	-
STATE STREET BANK AND TRUST COMPANY 505001	5,377	1.36	-	-
Nippon Life Insurance Company	5,059	1.28	-	-
JP MORGAN CHASE BANK 385781	4,936	1.25	-	-
Kobe Steel Employee Stock Ownership Plan	4,755	1.20	-	-
SHIMABUN Corporation	4,422	1.12	-	-

Note 1: The Company holds 366,596 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 2025 is 25,304 shares (total acquisition price: 50,313,052 yen). The number of treasury shares disposed of in response to a request for additional purchase of shares less than one unit is 136 shares (total disposal price: 297,936 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 2025, 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). As fiscal 2025 was the due date for the share benefits, the number of shares delivered to those who were directors between fiscal 2022 and fiscal 2024 is stated. Since the plan also covers the Company's executive officers, for those who resigned as directors and subsequently assumed the role of executive officer, or who newly assumed the role of director from executive officer, during the three fiscal years, the number of shares delivered was calculated by combining the points allocated for the period of service as director and the points allocated for the period of service as executive officer, multiplying the combined points by a certain coefficient, and then rounding the resulting number of shares. However, for convenience, the figures below show the number of shares calculated by multiplying the points allocated for the period of service as director only by a certain coefficient and then rounding the result. In addition, outside directors and directors who are Audit & Supervisory Committee members are not eligible for medium- to long-term incentive compensation considering their responsibilities. Please see the following section, "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)	70,600 shares	5

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

(1) Directors (As of March 31, 2026)

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 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, the IT Planning Department, the Civil Engineering & Construction Technology Department, and the Machinery & Materials Procurement Department • Oversees companywide information systems • Responsible for special assignments from the president and CEO • Assists the director overseeing the General Administration and CSR Department in marketing planning
Director, Executive Officer	Kazuhiko Kimoto	• Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office) • Responsible for 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	
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

Positions	Name	Duties & significant concurrent positions
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 • Outside Director, Duskin Co., Ltd.

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 engaged in banking operations for many years.
- Director Nobuko Sekiguchi 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: The Company has a business relationship with Duskin Co., Ltd., but there are no special relationships that require disclosure.

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

Note 7: Duties/positions or significant concurrent positions of directors whose duties/positions or significant concurrent positions changed effective April 1, 2026 are as follows:

Positions	Name	Duties & significant concurrent positions
Director, Executive Officer	Shinji Miyaoka	• Head of the Engineering Business • Responsible for the companywide construction business

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, 2026 are as follows:

Positions	Name	Duties
Executive Vice President	Shoji Miyazaki	• Head of the Steel & Aluminum Business
Executive Officer	Yasushi Amano	• General Manager of the Industrial Machinery Unit in the Machinery Business • General Manager of the Industrial Machinery Planning Section of the Industrial Machinery Unit 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 • Responsible for Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd.
	Kazuo Iritani	• 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 special assignments from the president and CEO • Assists the director overseeing the General Administration and CSR Department in marketing planning
	Naoki Umehara	• Responsible for the Nuclear Project Department in the Engineering Business • General Manager of the Iron Unit Center in the Engineering Business

Positions	Name	Duties
Executive Officer	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
	Daisuke Ogura	• Responsible for the Wire Rod & Bar Products Technical Marketing Department of the Wire Rod & Bar Products Unit and the Steel Plate Products Technical Marketing Department of the Steel Plate Products Unit in the Steel & Aluminum Business • Assists the general managers of the Wire Rod & Bar Products Unit and the Steel Plate Products Unit in overall technologies, overseas businesses, and specially assigned projects in the Wire Rod & Bar Products Unit and the Steel Plate Products Unit • Responsible for special assignments from the head of the Steel & Aluminum Business
	Yoichi Kageki	General Manager of the Compressor & Static Equipment Unit in the Machinery Business • Deputy General Manager of the Management Division in the Machinery Business
	Takeharu Kato	• Responsible for the Technology Management Department (excluding the Technology Management Group), the Business Planning Department, the Casting & Forging Research & Development Section of Daian Works in the Advanced Materials Business • Responsible for the Copper Rolled Products Unit in the Advanced Materials Business • Responsible for marketing in the aviation, space, defense, and semiconductor sectors in the Advanced Materials Business
	Ryosaku Kadowaki	• Head of the Advanced Materials Business
	Takahiko Kizawa	• Responsible for the Business Development Department in the Steel & Aluminum Business • General Manager of the Steel Sheet Products Unit 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 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 Business Transformation Department in the Advanced Materials Business • Responsible for the Steel Casting & Forging Unit and the Steel Powder Unit in the Advanced Materials Business • Responsible for marketing in the energy and carbon neutrality sectors in the Advanced Materials Business

Positions	Name	Duties
Executive Officer	Hajime Nakanishi	• Responsible for the Automotive Sheet Sales Department and the Nagoya Steel & Aluminum Sheet Sales Department in the Steel & Aluminum Business • Responsible for overall automotive sheet products in the Steel & Aluminum Business • General Manager of the Aluminum Flat Rolled Products Unit in the Steel & Aluminum Business
	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
	Naoki Fujimoto	• Deputy Head of the Welding Business • Responsible for the Planning & Administration Department in the Welding Business • Responsible for the Marketing Center in the Welding Business
	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
	Hisashi Mitamura	• General Manager of the Advanced Process Unit in the Machinery Business • General Manager of the Advanced Process Planning Section of the Advanced Process Unit in the Machinery Business • Deputy General Manager of the Management Division in the Machinery Business
	Gaku Mitsumatsu	• Responsible for the Aluminum Casting & Forging Unit, the Titanium Unit, and the Aluminum Extrusion & Suspension Unit in the Advanced Materials Business
	Yoshihiro Miyake	• Responsible for the Automotive Materials Planning Section and the Automotive Sheet Products Technical Marketing Department in the Steel & Aluminum Business • Responsible for the Research & Development Laboratory in the Steel & Aluminum Business • Responsible for the Steel Sheet Products Technical Marketing Section and the Osaka Steel Sheet Products Technical Marketing Section of the Steel Sheet Products Unit in the Steel & Aluminum Business • Assists the general managers of the Steel Sheet Products Unit and the Aluminum Flat Rolled Products Unit and the director responsible for overall automotive sheet products in overall technologies related to the steel sheet products, aluminum flat rolled products, and automotive sheet products, as well as in overseas projects and specially assigned projects in the Steel & Aluminum Business • Responsible for companywide automotive projects
	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

Positions	Name	Duties
Executive Officer	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
	Shohei Yoshida	• Responsible for the CWD Project Center and the Infrastructure Project Department in the Engineering Business • General Manager of the Project Engineering Center in the Engineering Business
	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)	8 (3)	501 (48)	285 (48)	133 (-)	83 (-)	
Directors (Audit & Supervisory Committee members) (of which, outside directors)	5 (3)	123 (51)	123 (51)	- (-)	- (-)	
Total	13	625	409	133	83	

Note 1: Regarding the basic remuneration of the total amount of remuneration for directors (excluding directors who are Audit & 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 the said General Meeting of Shareholders, the number of directors

(excluding directors who were Audit & 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 & 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 & 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 & 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 2025 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	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 duties 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 2025	8.0%	79.4 billion yen	A	3.9 or higher	AAA
Actual value for fiscal 2025	5.3%	93.7 billion yen	A	4.3	AAA

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 2025.

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
February and May 2026	Additional contributions to the Board Benefit Trust (BBT)
May 2026	Amount of performance-based compensation and amount of medium- to long-term incentive compensation for fiscal 2025

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

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

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

*2 Coefficient based on evaluation 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 × 1.0] regardless of the following formula.

Coefficient based on evaluation indicators (%)	=	(A) Portion linked to Companywide performance (%)	×	0.7	+	(B) Portion linked to division performance (%)	×	0.3

(A) Portion linked to Companywide performance (%)	= (	100/3	×	Companywide consolidated ROIC	–	2/3	) ×	100

(B) Portion linked to division performance (%)	= (	100/3	×	Consolidated ROIC by business division	–	2/3	) ×	100

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

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

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

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

*2 Coefficient based on evaluation indicators:
The coefficient is determined based on dividends, profit, and performance against ESG- related indicators.

(6) Main Activities of Outside Directors During Fiscal 2025

		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 extensive 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 extensive 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	16/16 (100%)	-	Provided advice and suggestions concerning corporate management based on her extensive 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%)	20/20 (100%)	Provided advice and suggestions concerning corporate management based on his extensive 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%)	20/20 (100%)	Provided advice and suggestions concerning corporate management based on his deep insight backed by his extensive 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%)	20/20 (100%)	Provided advice and suggestions concerning corporate management based on deep insight underpinned by her extensive experience in finance, accounting and business management in sectors outside our business domains and profound 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.

4. 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 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, 2026)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current assets	**1,386,473**	**Current liabilities**	**850,853**
Cash and deposits	189,233	Notes and accounts payable - trade	363,837
Notes receivable - trade	18,401	Short-term borrowings	143,700
Accounts receivable - trade	365,741	Commercial paper	26,000
Contract assets	48,541	Current portion of bonds payable	10,000
Merchandise and finished goods	256,049	Lease liabilities	6,005
Work in process	169,624	Accounts payable - other	57,655
Raw materials and supplies	264,552	Income taxes payable	11,866
Other	79,432	Contract liabilities	78,987
Allowance for doubtful accounts	(5,102)	Provision for bonuses	27,133
Non-current assets	**1,478,711**	Provision for product warranties	19,680
Property, plant and equipment	**1,020,901**	Provision for loss on construction contracts	5,795
Buildings and structures	276,047	Provision for dismantlement related expenses	1,939
Machinery, equipment and vehicles	504,752	Provision for loss on joint venture agreement	395
Tools, furniture and fixtures	18,675	Other	97,855
Land	164,364	**Non-current liabilities**	**683,877**
Construction in progress	57,060	Bonds payable	135,000
Intangible assets	**57,680**	Long-term borrowings	428,373
Software	45,887	Lease liabilities	20,838
Other	11,793	Deferred tax liabilities	19,483
Investments and other assets	**400,129**	Deferred tax liabilities for land revaluation	3,256
Investment securities	215,448	Retirement benefit liability	45,067
Long-term loans receivable	1,591	Provision for dismantlement related expenses	8,351
Deferred tax assets	39,605	Provision for loss on joint venture agreement	6,741
Retirement benefit asset	49,739	Other	16,766
Other	116,261	**Total liabilities**	**1,534,731**
Allowance for doubtful accounts	(22,517)	**Net assets**	
		Shareholders' equity	**1,062,674**
		Share capital	250,930
		Capital surplus	123,920
		Retained earnings	689,112
		Treasury shares	(1,288)
		Accumulated other comprehensive income	**198,650**
		Valuation difference on available-for-sale securities	48,959
		Deferred gains or losses on hedges	4,534
		Revaluation reserve for land	4,959
		Foreign currency translation adjustment	74,870
		Remeasurements of defined benefit plans	65,325
		Non- controlling interests	**69,128**
		Total net assets	**1,330,453**
Total assets	**2,865,184**	**Total liabilities and net assets**	**2,865,184**

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

Consolidated Statements of Income

(From April 1, 2025 to March 31, 2026)

(Millions of yen)

Item	Amount	
Net sales		2,436,581
Cost of sales		2,033,357
Gross profit		**403,224**
Selling, general and administrative expenses		273,340
Operating profit		**129,883**
Non-operating income		
Interest and dividend income	8,328	
Other	33,838	42,166
Non-operating expenses		
Interest expenses	13,404	
Other	37,308	50,713
Ordinary profit		**121,336**
Extraordinary income		
Gain on sale of investment securities	21,867	
Gain on sale of non-current assets	7,072	28,939
Extraordinary losses		
Impairment losses	24,158	
Loss on sale of shares of subsidiaries and associates	5,243	29,402
Profit before income taxes		**120,873**
Income taxes - current	22,222	
Income taxes - deferred	817	23,039
Profit		**97,833**
Profit attributable to non-controlling interests		4,115
Profit attributable to owners of parent		**93,717**

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

[Reference] Status of Consolidated Cash Flow (From April 1, 2025 to March 31, 2026)

Item	Amount
	(Millions of yen)
Cash flows from operating activities	201,683
Cash flows from investing activities	(73,659)
Cash flows from financing activities	(162,410)
Effect of exchange rate change on cash and cash equivalents	3,542
Net increase (decrease) in cash and cash equivalents	(30,844)
Cash and cash equivalents at beginning of period	219,872
Cash and cash equivalents at end of period	189,028

Assets and Results of Operations of the Company

Category		170th Business Term (Fiscal 2022)	171st Business Term (Fiscal 2023)	172nd Business Term (Fiscal 2024)	173rd Business Term (Fiscal 2025)
Net sales	(Millions of yen)	1,403,979	1,326,810	1,375,958	1,330,807
Operating profit	(Millions of yen)	43,606	57,534	50,132	25,522
Ordinary profit	(Millions of yen)	60,538	87,307	109,169	46,121
Profit	(Millions of yen)	55,125	65,531	103,721	59,002
Basic earnings per share	(Yen)	139.35	165.59	262.27	149.57
Total assets	(Millions of yen)	1,855,291	1,816,267	1,860,003	1,817,215
Net assets	(Millions of yen)	633,169	702,641	749,518	772,747
Net assets per share	(Yen)	1,600.16	1,775.53	1,895.41	1,952.15

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 2025
Not applicable.

Status of stock acquisition rights issued to employees and other individuals as consideration for the execution of duties during fiscal 2025
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	2,212.8 yen. Adjustments will be made under certain conditions.(Note)	2,116.8 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 20, 2026 to pay a year-end dividend of 40 yen per share for fiscal 2025, the conversion prices of the Bonds with Stock Acquisition Rights due 2028 and the Bonds with Stock Acquisition Rights due 2030 were adjusted to 2,173.4 yen and 2,079.1 yen, respectively, pursuant to the conversion price adjustment clauses of the respective bonds.

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	208
(b)	Total amount of money and other financial interests paid by the Company and its subsidiaries	607

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 2025 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.

Structures for Ensuring the Propriety of Business Operations

The Company's basic policy concerning the structure for ensuring the propriety of business operations (Basic Policy on Internal Control System) 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 at 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 directors and/or corporate auditors to its subsidiaries as appropriate to 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 & Supervisory Committee and the treatment of other expenses or debts arising from the execution of said duties

If an Audit & Supervisory Committee member requests payment for expenses arising from the execution of duties based on the Companies Act, the Company shall pay for such expenses or debts, except when the Company confirms that the execution of such duties is not necessary. For the expenses necessary for the Audit & Supervisory Committee to execute its duties, the Company shall budget a certain amount in advance every year for expenses that the Audit & Supervisory Committee deems necessary for its duties.

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

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

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

Note: The above structure was in effect during fiscal 2025. At the Board of Directors' meeting held on February 20, 2026, a resolution was passed to revise the policy for implementation from fiscal 2026 onward. Please refer to the Company's website (https://www.kobelco.co.jp/english/) for information on our new basic policy on internal control system.

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 2025 is as follows.

(a) Compliance measures

・ Meetings of the Compliance Committee

The Company held three (3) meetings of the Compliance Committee, an advisory body to the Board of Directors. The agenda included reports on the previous fiscal year's activities, the annual plan, analysis of the causes of compliance violations, and the development of preventive measures.

・ Implementation of the Kobelco Group's Compliance Program

Based on the Kobelco Group's Compliance Program, the Group is implementing initiatives focused on top management commitment and training. In addition, based on the same program, the Group conducted diagnoses of the status of activities related to compliance systems, competition laws, bribery and corruption prevention, and security trade control, etc. at Group companies.

・ 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 106 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 overseas Group companies conducted compliance awareness surveys and reflected the survey results in compliance activities.

(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 based on the discussions at the Board of Directors and other meetings as well as on 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 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's Financial and Business Policies (Basic Policy on Corporate Control)

(a) Description of the Basic Policy

The Company has formed unique business domains over its 120-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, 2025 to March 31, 2026)

(Millions of yen)

	Shareholders' equity				
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2025	250,930	119,861	632,946	(2,010)	1,001,727
Changes during period					
Dividends of surplus			(37,549)		(37,549)
Profit attributable to owners of parent			93,717		93,717
Increase by share exchanges		658		3,185	3,843
Purchase of treasury shares				(3,164)	(3,164)
Disposal of treasury shares		0		730	730
Change in ownership interest of parent due to transactions with non-controlling interests		3,365			3,365
Change in shares of parent owned by entities accounted for using equity method		35		70	105
Change in treasury shares arising from change in equity in entities accounted for using equity method				(99)	(99)
Reversal of revaluation reserve for land			(1)		(1)
Net changes in items other than shareholders' equity					
Total changes during period	–	4,059	56,166	721	60,947
Balance as of March 31, 2026	250,930	123,920	689,112	(1,288)	1,062,674

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance as of April 1, 2025	47,885	(743)	4,958	69,485	38,483	160,069	75,262	1,237,059
Changes during period								
Dividends of surplus								(37,549)
Profit attributable to owners of parent								93,717
Increase by share exchanges								3,843
Purchase of treasury shares								(3,164)
Disposal of treasury shares								730
Change in ownership interest of parent due to transactions with non-controlling interests								3,365
Change in shares of parent owned by entities accounted for using equity method								105
Change in treasury shares arising from change in equity in entities accounted for using equity method								(99)
Reversal of revaluation reserve for land								(1)
Net changes in items other than shareholders' equity	1,074	5,278	1	5,384	26,841	38,580	(6,134)	32,446
Total changes during period	1,074	5,278	1	5,384	26,841	38,580	(6,134)	93,393
Balance as of March 31, 2026	48,959	4,534	4,959	74,870	65,325	198,650	69,128	1,330,453

(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 188 subsidiaries, of which 163 subsidiaries are included in the scope of consolidation (the "Kobe Steel Group"). Names of major consolidated subsidiaries are as follows.

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 Machinery Korea 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 2025, two companies, including Fibex Co., are newly consolidated due to additional acquisition of their shares, etc. Eight companies, including Nippon Koshuha Steel Co., Ltd., are excluded from the scope of the companies accounted for by the equity method due to the transfer of shares, etc.

25 non-consolidated subsidiaries, including Shinkyo Kaiun 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 25 non-consolidated subsidiaries and 44 affiliates, 30 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 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 2025, five companies, including Fibex Co., are excluded from the scope of the companies accounted for by the equity method due to additional acquisition of their shares, etc.

25 non-consolidated subsidiaries (Shinkyo Kaiun Co., Ltd. and others) and 14 affiliates (J&T Welding Supply Co., Ltd. and others) are companies 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

Inventories in the steel & aluminum, advanced materials (except for steel casting and forging products), welding and electric power segments are valued primarily using the average method, while inventories in the advanced materials (steel casting and forging products), machinery, engineering, and construction machinery segments are valued primarily using the cost method based on the specific identification method. (The book value on the balance sheets is 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, primarily in the advanced materials (steel castings and forgings, as well as titanium products), machinery, engineering, and construction machinery segments, provision is made at an estimated amount as of the end of the fiscal 2025 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount as of the fiscal 2025 for certain individual cases.

d) Provision for loss on construction contracts

To provide for future losses on construction contracts, primarily in the advanced materials (steel castings and forgings), machinery, and engineering segments, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal 2025.

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 2025.

f) 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' CO_2 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 2025.

(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 assets is recognized based on the amount expected at the end of the fiscal 2025.

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

Prior service costs are charged to income mainly using the straight-line method based on the average remaining service period of the employees.
Actuarial differences are individually charged to income, primarily by allocating amounts calculated using the straight-line method over the average remaining service period of employees at the time of their occurrence, starting from the fiscal year following their occurrence.
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 businesses (steel and aluminum, advanced materials, and welding) are primarily from product sales; revenues from the machinery businesses (machinery, engineering, and construction machinery) are primarily from product sales, construction contracts, and provision of services; and revenues from the electric power business are primarily from the supply of electric power.

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

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

Revenue is measured at the amount of consideration promised in a contract with a customer, less discounts, rebates, etc. If the consideration promised in a contract with a customer includes variable consideration such as discount, the Company includes an estimate of variable consideration in the transaction price only to the extent that it is highly unlikely that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration for transaction is generally received within approximately one year after 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 Regarding Accounting Estimates

Impairment of non-current assets

Regarding assets or asset groups, if the Group judges that there are signs of impairment, such as continuous losses from operating activities, the Group compares the total amount of undiscounted future cash flows obtained from assets or asset groups with the book value, and assesses whether or not it must recognize an impairment loss. As a result, if the total amount of undiscounted future cash flows obtained from assets or asset groups is below the book value, the Group recognizes an impairment loss. When measuring an impairment loss, the recoverable value is the larger of either value in use or net sales value. The details of impairment losses recorded in the consolidated financial statements of the Group are as per the description in "Notes to Consolidated Statements of Income," under "4. Impairment losses," and the book value of non-current assets and amount of impairment losses are as follows.

(Millions of yen)

	Amount
Property, plant and equipment	1,020,901
Intangible assets	57,680
Total	1,078,582
Impairment losses	24,158

The main asset groups for which impairment losses were recognized during fiscal 2025 are as follows.

<Aluminum flat rolled products>

The Group judged that there were signs of impairment of non-current assets for business use in the Company's aluminum flat rolled products business, as operating profit remained negative due mainly to delays in sales expansion of aluminum panel materials for automobiles along with a delay in passing on the increase in procurement costs to selling prices, and recognized an impairment loss in fiscal 2025 as the total amount of undiscounted future cash flows was below the book value.

The recoverable value was calculated based on the value in use, and the value in use was calculated as the discounted present value of future cash flows. Future cash flows were estimated by considering the uncertainties of key assumptions incorporated in the business plan created by management, such as projected sales volume trends based on market forecasts, and cost reductions resulting from the promotion of business restructuring and the optimization of production systems.

The book value of non-current assets and amount of impairment losses in the asset group in question following the recognition of the impairment loss are as follows.

(Millions of yen)

	Amount
Property, plant and equipment	12,097
Intangible assets	1,205
Total	13,303
Impairment losses	20,985

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 additional impairment losses 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).

a) 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.

b) 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 201 million yen for 136 thousand shares.

Notes to Consolidated Balance Sheets

1. Assets Pledged as Collateral and Collateralized Debt

(1) Assets pledged as collateral

Property, plant and equipment	218,500 million yen
Cash and deposits	59,844
Other	23,026
Total	301,371

(2) Collateralized debt

Long-term borrowings	157,084 million yen
Short-term borrowings	29,414
Total	186,499

2. Accumulated Depreciation of Property, Plant and Equipment 2,914,306 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	564
Others (3 companies and others)	655
Total	2,542

Kobelco Construction Machinery (China) Co., Ltd., which is a consolidated subsidiary of the Company, sells construction machinery to customers through sales agents or leasing companies. Sales agents pledge guarantees to buy construction machinery, pledged as collateral at the amounts of the balance on bank loans or future minimum lease payments. Kobelco Construction Machinery (China) Co., Ltd. pledges

reassurance for this guarantee. The balances of the reassurance were 275 million yen at the end of fiscal 2025.

(2) Trade notes receivable endorsed 451 million yen

(3) Repurchase obligation accompanying securitization of receivables 2,235 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 investment securities
Gain on sale of investment securities arose mainly from the sale of strategic holdings of the Company.

3. Gain on sale of non-current assets
Gain on sale of non-current assets arose mainly from the sale of land of the Company.

4. Impairment losses
The Group recognizes impairment losses on the following asset groups (24,158 million yen). The breakdown is buildings and structures of 10,861 million yen, machinery, equipment and vehicles of 8,320 million yen, tools, furniture and fixtures of 847 million yen, land of 1,866 million yen, construction in progress of 976 million yen, software of 1,206 million, and other in intangible assets of 79 million yen.

Use	Location and number of properties	Type and amount (Million yen)
Aluminum panel manufacturing assets	Mooka-shi, Tochigi 1 property	Machinery and equipment, etc. 20,985
Other business assets, etc.	Ogaki-shi, Gifu, etc. 11 properties in total	Machinery and equipment, etc. 3,173

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.

Aluminum panel manufacturing assets
The book value of 34,288 million yen was reduced to the recoverable value due to lower profitability as a result of sluggish sales of aluminum panel materials for automobiles, and the amount of such reduction is recognized as an impairment loss (20,985 million yen) in extraordinary losses. The recoverable value is calculated based on the use value obtained by discounting future cash flows at a discount rate of 7%.

5. Loss on sale of shares of subsidiaries and associates
Due to the sale of shares of Nippon Koshuha Steel Co., Ltd.

Notes to Consolidated Statements of Changes in Net Assets

1. Type and total number of shares issued at the end of fiscal 2025
   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 19, 2025 Board of Directors' meeting	Common shares	21,783 million yen	55.0 yen	March 31, 2025	June 3, 2025	Retained earnings
November 10, 2025 Board of Directors' meeting	Common shares	15,766 million yen	40.0 yen	September 30, 2025	December 1, 2025	Retained earnings

   (2) Dividends whose record date belongs to fiscal 2025 and whose effective date is in fiscal 2026
   The Company is planning to submit the below matters regarding dividends for common shares as an agenda at the Board of Directors' meeting to be held on May 20, 2026.
   1) Total dividends 15,839 million yen
   2) Dividends per share 40.0 yen
   3) Record date March 31, 2026
   4) Effective date June 5, 2026
   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, 2026 are as follows.

(Millions of yen)

	Carrying amount in consolidated balance sheets[*3]	Fair value[*3]	Difference
(1) Investment securities[*4]			
a) Securities of subsidiaries and affiliates	8,972	8,502	(469)
b) Available-for-sale securities	108,817	108,817	–
(2) Short-term borrowings	(143,700)	(143,441)	258
(3) Current portion of bonds payable	(10,000)	(9,981)	19
(4) Bonds payable	(135,000)	(134,782)	217
(5) Long-term borrowings	(428,373)	(420,124)	8,249
(6) Derivative transactions[*5]			
a) Hedge accounting not applied	(3,150)	(3,150)	–
b) Hedge accounting applied	6,164	6,164	–

*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)

Category	Carrying amount in consolidated balance sheets
Unlisted shares, etc.	97,658

*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	108,817	–	–	108,817
(6) Derivative transactions				
a) Hedge accounting not applied	–	(3,150)	–	(3,150)
b) Hedge accounting applied	–	6,164	–	6,164

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

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
(1) Investment securities				
a) Securities of subsidiaries and affiliates	8,502	–	–	8,502
(2) Short-term borrowings	–	(143,441)	–	(143,441)
(3) Current portion of bonds payable	–	(9,981)	–	(9,981)
(4) Bonds payable	–	(134,782)	–	(134,782)
(5) Long-term borrowings	–	(420,124)	–	(420,124)

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 and (5) Long-term borrowings
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 was 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 (4) Bonds payable
The fair values are determined based on market prices (reference statistical prices and yields), etc. and are classified as Level 2.

(6) Derivative transactions
For forward exchange contracts, the fair values are determined based on the discounted present value method using observable inputs including forward 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 (5) above).

Notes on Revenue Recognition

1. Disaggregation of revenue from contracts with customers

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

(1) Breakdown by region

(Millions of yen)

	Reportable segments						
	Steel & Aluminum			Advanced Materials	Welding	Machinery	Engineering
	Steel	Aluminum sheet	Total				
Japan	643,454	130,728	774,182	179,214	46,742	107,139	126,626
United States	31,688	7,100	38,788	50,430	6,660	25,315	1,847
Other	113,540	34,958	148,498	90,573	42,206	136,559	63,048
Net sales to external customers	788,682	172,786	961,469	320,218	95,610	269,014	191,521

	Reportable segments			Other (Note 1)	Total	Adjustment	Carrying amount in consolidated statements of income
	Construction machinery	Electric power	Total				
Japan	145,724	203,201	1,582,831	4,083	1,586,915	1,797	1,588,713
United States	50,970	–	174,012	–	174,012	139	174,151
Other	192,777	–	673,663	–	673,663	52	673,716
Net sales to external customers	389,472	203,201	2,430,507	4,083	2,434,591	1,989	2,436,581

(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	774,709	172,786	947,495	320,218	95,610	236,302	50,411
Goods or services transferred over a certain period of time	13,973	–	13,973	–	–	32,712	141,110
Net sales to external customers	788,682	172,786	961,469	320,218	95,610	269,014	191,521

	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	376,564	203,201	2,229,803	3,612	2,233,416	1,940	2,235,356
Goods or services transferred over a certain period of time	12,907	–	200,704	471	201,175	49	201,224
Net sales to external customers	389,472	203,201	2,430,507	4,083	2,434,591	1,989	2,436,581

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)	369,393
Receivables from contracts with customers (ending balance)	384,142
Contract assets (beginning balance)	35,039
Contract assets (ending balance)	48,541
Contract liabilities (beginning balance)	75,541
Contract liabilities (ending balance)	78,987

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 45,236 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	295,597
Over one year	350,306
Total	645,904

Notes on Per Share Information

Net assets per share	3,189.56 yen
Profit per share	237.80 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 2025 in calculating net assets per share was 136 thousand shares, and the average number of excluded shares outstanding during fiscal 2025 in calculating basic earnings per share was 287 thousand shares.

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

Non-Consolidated Balance Sheets

(As of March 31, 2026)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current assets	**847,001**	**Current liabilities**	**573,172**
Cash and deposits	7,030	Accounts payable - trade	273,272
Notes receivable - trade	518	Short-term borrowings	108,666
Accounts receivable - trade	180,354	Commercial paper	26,000
Contract assets	3,138	Current portion of bonds payable	10,000
Merchandise and finished goods	123,523	Lease liabilities	724
Work in process	130,893	Accounts payable - other	38,637
Raw materials and supplies	202,901	Accrued expenses	35,204
Advance payments - trade	8,358	Income taxes payable	1,060
Prepaid expenses	4,050	Contract liabilities	32,993
Short-term loans receivable	100,422	Advances received	110
Accounts receivable - other	64,676	Deposits received	7,759
Other	21,280	Unearned revenue	255
Allowance for doubtful accounts	(148)	Provision for bonuses	11,190
Non-current assets	**970,213**	Provision for product warranties	1,382
Property, plant and equipment	**486,048**	Provision for loss on construction contracts	3,452
Buildings	90,285	Provision for dismantlement related expenses	1,939
Structures	37,249	Provision for loss on joint venture agreement	395
Machinery and equipment	253,090	Asset retirement obligations	2,697
Vehicles	865	Other	17,429
Tools, furniture and fixtures	9,017	**Non-current liabilities**	**471,294**
Land	62,678	Bonds payable	135,000
Construction in progress	32,861	Long-term borrowings	256,240
Intangible assets	**30,785**	Lease liabilities	3,398
Software	30,165	Provision for retirement benefits	56,741
Right of using facilities	381	Provision for dismantlement related expenses	8,351
Other	239	Provision for loss on joint venture agreement	6,741
Investments and other assets	**453,379**	Asset retirement obligations	3,725
Investment securities	111,553	Other	1,096
Shares of subsidiaries and associates and investments in capital	237,999	**Total liabilities**	**1,044,467**
		Net assets	
		Shareholders' equity	**732,345**
Long-term loans receivable	65,075	**Share capital**	**250,930**
Prepaid pension cost	10,511	**Capital surplus**	**123,355**
Deferred tax assets	20,576	Legal capital surplus	122,697
Other	16,379	Other capital surplus	658
Allowance for doubtful accounts	(8,717)	**Retained earnings**	**358,897**
		Other retained earnings	358,897
		Reserve for advanced depreciation of non-current assets	1,360
		Retained earnings brought forward	357,537
		Treasury shares	**(837)**
		Valuation and translation adjustments	**40,402**
		Valuation difference on available-for- sale securities	41,069
		Deferred gains or losses on hedges	(666)
		Total net assets	**772,747**
Total assets	**1,817,215**	**Total liabilities and net assets**	**1,817,215**

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

Non-Consolidated Statements of Income

(From April 1, 2025 to March 31, 2026)

(Millions of yen)

Item	Amount	
Net sales		1,330,807
Cost of sales		1,201,470
Gross profit		**129,336**
Selling, general and administrative expenses		103,813
Operating profit		**25,522**
Non-operating income		
Interest and dividend income	54,498	
Other	15,441	69,939
Non-operating expenses		
Interest expenses	6,646	
Other	42,693	49,339
Ordinary profit		**46,121**
Extraordinary income		
Gain on sale of investment securities	20,318	
Gain on sale of non-current assets	6,276	26,595
Extraordinary losses		
Impairment losses	21,147	
Loss on extinguishment of tie-in shares	2,169	
Loss on sale of shares of subsidiaries and associates	1,470	24,787
Profit before income taxes		**47,929**
Income taxes - current	(5,512)	
Income taxes - deferred	(5,560)	(11,072)
Profit		**59,002**

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

Non-Consolidated Statements of Changes in Net Assets

(From April 1, 2025 to March 31, 2026)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
					Other retained earnings				
	Share capital	Legal capital surplus	Other capital surplus	Total capital surpluses	Reserve for tax purpose reduction entry of non-current assets	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2025	250,930	122,697	–	122,697	1,520	335,924	337,445	(1,589)	709,483
Changes during period									
Reversal of reserve for tax purpose reduction entry of non-current assets					(160)	160	–		–
Dividends of surplus						(37,549)	(37,549)		(37,549)
Profit						59,002	59,002		59,002
Increase by share exchanges			658	658				3,185	3,843
Purchase of treasury shares								(3,164)	(3,164)
Disposal of treasury shares			0	0				730	730
Net changes in items other than shareholders' equity									
Total changes during period	–	–	658	658	(160)	21,612	21,452	751	22,862
Balance as of March 31, 2026	250,930	122,697	658	123,355	1,360	357,537	358,897	(837)	732,345

	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, 2025	40,944	(908)	40,035	749,518
Changes during period				
Reversal of reserve for tax purpose reduction entry of non-current assets				–
Dividends of surplus				(37,549)
Profit				59,002
Increase by share exchanges				3,843
Purchase of treasury shares				(3,164)
Disposal of treasury shares				730
Net changes in items other than shareholders' equity	124	242	366	366
Total changes during period	124	242	366	23,229
Balance as of March 31, 2026	41,069	(666)	40,402	772,747

(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

Inventories in the steel & aluminum, advanced materials (except for steel casting and forging products), and welding segments are valued using the average method, while inventories in the advanced materials (steel casting and forging products), machinery, and engineering segments are valued primarily using the cost method based on the specific identification method. (The book value on the balance sheets is written down to market value due to a 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 in the advanced materials (steel castings and forgings, as well as titanium products), machinery, and engineering segments, provision is made at an estimated amount as of the end of the fiscal 2025 based on the actual warranty cost to sales ratio in the past, plus specifically estimated amount as of the end of the fiscal 2025 for certain individual cases.

(4) Provision for loss on construction contracts

To provide for future losses on construction contracts in the advanced materials (steel castings and forgings), machinery, and engineering segments, provision is made based on an estimated loss on construction contracts outstanding at the end of the fiscal 2025.

(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 2025.

(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' CO_2 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 2025.

(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 2025.

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 individually charged to income by allocating amounts calculated using the straight-line method over the average remaining service period of employees at the time of their occurrence, starting from the fiscal year following their occurrence.

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 businesses (steel and aluminum, advanced materials, and welding) are primarily from product sales; revenues from the machinery businesses (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 after 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 assets or asset groups, if the Company judges that there are signs of impairment, such as continuous losses from operating activities, the Company compares the total amount of undiscounted future cash flows obtained from assets or asset groups with the book value, and assesses whether or not it must recognize an impairment loss. As a result, if the total amount of undiscounted future cash flows obtained from assets or asset groups is below the book value, the Company recognizes an impairment loss. When measuring an impairment loss, the recoverable value is the larger of either value in use or net sales value. The details of impairment losses recorded in the non-consolidated financial statements of the Company are as per the description in "Notes to Non-consolidated Statements of Income," under "4. Impairment losses," and the book value of non-current assets and amount of impairment losses are as follows.

(Millions of yen)

	Amount
Property, plant and equipment	486,048
Intangible assets	30,785
Total	516,834
Impairment losses	21,147

The main asset groups for which impairment losses were recognized during fiscal 2025 are as contained in "Notes Regarding Accounting Estimates," under "Impairment of non-current assets" in the Notes to Consolidated Financial Statements.

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 21,980 *1*2
   (2) Collateralized debt
   Borrowings of subsidiaries and affiliates from financial institutions
   185,175 million yen *1*2

   *1 Of the assets pledged as collateral, 15,737 million yen is the mortgages established for borrowings of 29,549 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, 17,336 million yen is the mortgages established for borrowings of 155,626 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 2,115,507 million yen

3. Guarantee Liabilities

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

Quintus Technologies AB	4,985 million yen
Kobelco Millcon Steel Co., Ltd.	3,888*
Kobe Steel International (USA) Inc.	1,598
Others (5 companies and others)	2,581*
Total	13,054

*Of which, 978 million yen is covered by reassurances from other companies.

(2) Repurchase obligation accompanying securitization of receivables 2,235 million yen

4. Monetary Receivables and Payables to Subsidiaries and Affiliates

Short-term monetary receivables	231,947 million yen
Long-term monetary receivables	69,712
Short-term monetary payables	130,897
Long-term monetary payables	3,478

Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries and Affiliates

Operating transactions	
Net sales	401,511 million yen
Purchases	715,073
Non-operating transactions	114,663

2. Gain on sale of investment securities

Mainly from the sale of strategic holdings.

3. Gain on sale of non-current assets

Mainly from the sale of land.

4. Impairment losses

The Group recognizes impairment losses on the following asset groups (21,147 million yen). The breakdown is buildings of 8,469 million yen, structures of 701 million yen, machinery and equipment of 7,207 million yen, vehicles of 25 million yen, tools, furniture and fixtures of 677 million yen, land of 1,822 million yen, construction in progress of 976 million yen, software of 1,191 million, and other in intangible assets of 75 million yen.

Use	Location and number of properties	Type and amount (Million yen)
Aluminum panel manufacturing assets	Moka, Tochigi 1 property	Machinery and equipment, etc. 20,985
Other business assets	Takasago, Hyogo 1 property	Machinery and equipment, etc. 162

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.

Aluminum panel manufacturing assets

The book value of 34,288 million yen was reduced to the recoverable value due to lower profitability as a result of sluggish sales of aluminum panel materials for automobiles, and the amount of such reduction is recognized as an impairment loss (20,985 million yen) in extraordinary losses. The recoverable value is calculated based on the use value obtained by discounting future cash flows at a discount rate of 7%.

5. Loss on extinguishment of tie-in shares

In connection with the share exchange with Nippon Koshuha Steel Co., Ltd. and the transfer of its shares, which were effective as of February 2, 2026, the Company has received the assets, etc. related to the cast iron business held by Nippon Koshuha Steel Co., Ltd. as a dividend in kind. In line with this in-kind dividend, the Company has recognized the difference between the book value of the assets received and the portion of the book value of shares of Nippon Koshuha Steel Co., Ltd. that corresponds to the acquisition of those assets as a loss on extinguishment of tie-in shares.

6. Loss on sale of shares of subsidiaries and associates

Due to the sale of shares of Nippon Koshuha Steel Co., Ltd.

Notes to Non-consolidated Statements of Changes in Net Assets

Type and number of treasury shares at the end of fiscal 2025

Common shares 502,296 shares

Note: 135,700 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, provision for retirement benefits, and impairment losses, 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)	Item	Fiscal year-end balance (million yen)
Subsidiaries	Kansai Coke and Chemicals Co., Ltd.	100% directly	Supply of coal, etc. Purchase of coke, etc. Interlocking directors, etc.	Supply of coal, etc.	85,474	Accounts receivable - other	32,272
				Purchase of coke, etc.	104,553	Accounts payable - trade	30,023
	Kobelco Power Kobe Inc.	100% directly	Contracted operation and management of power stations Agent purchase of coal, etc. Interlocking directors, etc.	Agent purchase of coal, etc.	50,213	Accounts receivable - other	4,783
	Kobelco Power Kobe No. 2, Inc.	100% directly	Contracted operation and management of power stations Agent purchase of coal, etc. Interlocking directors, etc.	Agent purchase of coal, etc.	37,909	Accounts receivable - other	774
	Kobe Steel International (USA) Inc.	100.00% indirectly	Loan of funds Interlocking directors, etc.	Recovery of funds	18,648	-	-
				Interest income	1,209	-	-
Affiliates	Shinsho Corporation	13.33% directly 1.04% indirectly 1.04% (21.56%)	Sales of certain finished goods of the Company Purchase of raw materials, etc. Interlocking directors, etc.	Purchase of raw materials for iron and steel, other raw materials and materials for equipment	472,936	Accounts payable - trade	35,334

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

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

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

Notes on Per Share Information

Net assets per share	1,952.15 yen
Profit per share	149.57 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 2025 in calculating net assets per share was 136 thousand shares, and the average number of excluded shares outstanding during fiscal 2025 in calculating basic earnings per share was 287 thousand shares.

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