

Messages from Directors



In response to the quality misconduct, announced in October 2017, the KOBELCO Group has implemented measures to prevent recurrence, carried out fundamental reforms to its corporate culture and organizational management system, and established reliable quality control systems.

In fiscal 2020, we stepped up our quality control efforts and launched the KOBELCO TQM (Total Quality Management) initiative with the aim of taking the next step toward the sustainable growth of the Group and the realization of the Group Corporate Philosophy. The action principles of KOBELCO TQM set forth "customer perspective," "participation of all members," and "constant improvement" in accordance with the Core Values of KOBELCO in the Group Corporate Philosophy.

We will continue striving to improve quality by strengthening management in each of our businesses through KOBELCO TQM activities, reaffirming that reliable quality is the linchpin of manufacturing and an essential element in earning customers' trust. To provide products and services that please our customers, we will identify issues from the perspective of customers and other stakeholders and work together with all of our employees to resolve them so that the KOBELCO Group can offer value indispensable to customers and society.

In order to realize these initiatives, the safety, health, and well-being of all employees are also important. For this reason, we are working on various safety and health activities to create a vibrant workplace where employees can work safely and with peace of mind.

Executive Vice President and Representative Director
Fusaki Koshiishi



In 2021, we identified the KOBELCO Group's materiality and introduced it in our Medium-Term Management Plan. Clarifying our priority issues has enabled us to reaffirm our commitment to KOBELCO's View of the Future and KOBELCO's Mission.

Companies are required to manage their businesses in a sustainable manner, starting with addressing the Sustainable Development Goals (SDGs). Accordingly, our Group has developed a sustainability management framework based on the Group Corporate Philosophy. Under this framework, we aim to further enhance corporate value by fulfilling our corporate social responsibilities and contributing to solving social issues through the provision of enhanced technologies, products, and services. We will also work with our business partners to build a responsible supply chain.

Our Group has a diverse employee base because we operate a wide range of businesses, and our business sites are located around the world. We are committed to promoting diversity, respecting each other's personality, individuality, and diverse qualities, and creating a work environment where individual employees can work actively while performing to the best of their abilities. We will work together with all employees to address social issues and create new value.

Hajime Nagara
Director, Executive Officer
Chair of the Sustainability Management Committee
Chair of the Risk Management Committee

Initiatives for the Environment

Basic Environmental Management Policy and Framework

Through environmental management based on three corporate visions, we aim to contribute to a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives. In realizing that vision, we assume the important responsibility of passing on to future generations a healthy global environment in which all forms of life can thrive. To this end, the KOBELCO Group is promoting environmental management based on the KOBELCO Group's Basic Environmental Management Policy, which consists of three visions, and has formulated the Six Initiatives for Environmental Management that align with the Six Pledges of KOBELCO.

The KOBELCO Group has been and will continue to provide solutions to the needs of society, including those related to global environmental issues by leveraging its diversity in its people and technologies with due consideration to the environment in all aspects.

Basic Environmental Management Policy

As an environmentally advanced corporate group, the KOBELCO Group will fulfill its social responsibilities, improve its environmental capabilities, and enhance its corporate value by implementing the following initiatives.



Enhance corporate value further through Group environmental management (improving Group environmental capabilities)

Six Pledges of KOBELCO and Six Initiatives for Environmental Management

Based on its Basic Environmental Management Policy, the KOBELCO Group has identified the following initiatives for environmental management that align with the Six Pledges of KOBELCO, which sets forth its standards of conduct.

Six Pledges of KOBELCO	Six Initiatives for Environmental Management	
1 Uphold the Highest Sense of Ethics and Professionalism	Ensuring thorough risk management	In addition to thorough compliance with environmental laws and regulations, we will properly implement environmental management by identifying environmental risks in business activities and striving to mitigate these risks.
2 Contribute to the Society by Providing Superior Products and Services	Contributing to the environment through technologies, products, and services	We will contribute to the environment by providing environmentally friendly technologies, products, and services.
3 Establish a Comfortable but Challenging Work Environment	Promoting environmental initiatives with full employee participation	We will continue to promote environmental education and learning to foster a workplace culture where all employees are willing to take eco-friendly actions and participate in eco-office activities to create an energy-saving and healthy work environment.
4 Live in Harmony with the Local Community	Coexisting and cooperating with society	We will contribute to local communities through forest preservation activities and the KOBELCO Forest Fairy Tale Prize, and other environmental activities undertaken by respective business sites such as cleanup activities around their facilities.
5 Contribute to a Sustainable Environment	Environmentally friendly manufacturing	We will commit to environmentally friendly manufacturing in all aspects, including reducing environmental impact, addressing global warming, and promoting resource recycling.
6 Respect Each Stakeholder	Disclosing environmental information	We will provide accurate information on our environmental management activities to stakeholders through the disclosure of environmental information and communication with local communities and customers.

Initiatives for the Environment

Medium-Term Environmental Targets and Initiatives

The KOBELCO Group is committed to environmentally friendly business practices. We established the Medium-Term Environmental Management Plan for Fiscal 2021–2023 and are implementing initiatives in the six key areas of our Basic Environmental Management Policy.

Self-assessment ○:Progressing as planned ▲:Some issues remaining ✕:Plan not achieved

	Initiatives for Implementation	Long-Term Policies	Medium-Term Targets (FY2021–2023)	Fiscal 2020 Results	Initiatives for Fiscal 2021	
VISION 1 Environmentally friendly manufacturing	Measures against global warming	Help prevent global warming by promoting energy conservation and CO ₂ reduction in all business activities <Target for 2030> Reduce CO ₂ emissions from production processes by 30-40% (compared with FY2013). <Vision for 2050> Take on the challenge of achieving carbon neutrality	<ul style="list-style-type: none"> Promote medium- to long-term technological development based on the roadmap and continue working on energy conservation initiatives, in order to achieve the targets for 2030 and vision for 2050 	<ul style="list-style-type: none"> CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group further studied various issues, reviewed targets for 2030, and formulated the vision for 2050 Demonstrated a technology that reduces CO₂ emissions by around 20% by charging into the blast furnace a large amount of hot briquetted iron (HBI) produced with the MIDREX® Process (developed by U.S.-based Midrex Technologies, Inc., a wholly owned subsidiary of Kobe Steel) 	<ul style="list-style-type: none"> Formulate and announce a roadmap for carbon neutrality in 2050 in cooperation of CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group Steadily continue energy conservation initiatives while conducting energy-saving investments to achieve targets 	pp. 36–39, pp. 72–73
	Promoting resource recycling	Continue activities aimed at zero landfill waste <Target> Recycling rate: 99% (FY2025) (Major by-products: slag, sludge, and dust)	<ul style="list-style-type: none"> Continue reducing the amount of waste disposed; and achieve and maintain the industry's voluntary action plan targets Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products 	<ul style="list-style-type: none"> Made steady progress as scheduled by the waste treatment plans established by each business and achieved the FY2020 recycling rate of 98.7%, contributing to achieving the targets of the Voluntary Action Program for Environmental Protection of the Japan Iron and Steel Federation Implemented proper operations in accordance with the guidelines at Kakogawa Works and Takasago Works; conducted internal audits at all business locations regarding proper treatment of slag 	<ul style="list-style-type: none"> Work on the 3Rs to achieve the FY2025 recycling rate target Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products 	p. 68
	Appropriate management of chemical substances	Reduce hazardous substances in accordance with the Kobe Steel Group Policy on Controlling Hazardous Chemical Substances	<ul style="list-style-type: none"> Properly manage and reduce or replace chemical substances, and properly comply with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and Act on Rational Use and Appropriate Management of Fluorocarbons 	<ul style="list-style-type: none"> Completed JESCO registration of high-concentration PCB waste (transformers, fluorescent lamp ballasts, etc.) owned by business sites in the Kitakyushu and Osaka business areas for disposal by March 31, 2021; facilities in other business areas also expected to finish processing by the legal deadline; continued conducting surveys to identify low-concentration PCBs contained in equipment currently in use and made partial disposals Responded appropriately to the Act on Rational Use and Proper Management of Fluorocarbons 	<ul style="list-style-type: none"> Continue disposal of high-concentration PCB waste according to plans at remaining sites in our business areas; continue conducting surveys to identify low-concentration PCBs contained in equipment currently in use and formulate plans for disposal by legally mandated deadline Properly manage equipment that use fluorocarbons 	Our website
	Reducing environmental impact	Ensure thorough voluntary controls and make continuous efforts toward reducing the environmental impact	<ul style="list-style-type: none"> Continue thorough operational management and facility management in an effort to reduce environmental impact from air emissions, etc. <Targets> Maintain water recycling rate of 95% or higher for the entire Group; Water pollution load COD: 474 tons/year; total nitrogen: 2,513t/year; total phosphorus: 23 tons/year	<ul style="list-style-type: none"> Continued thorough management of soot/smoke and wastewater Achieved voluntary targets every month (3t/km²/month) for dust fall at Kakogawa Works Achieved a water recycling rate of 96% Water pollution loads: 243 tons/year of COD; 1,915 tons/year of total nitrogen; 3 tons/year of total phosphorus 	<ul style="list-style-type: none"> Continue thorough operational management and facility management in an effort to reduce environmental impact from air emissions, etc. 	p. 68
	Ensuring thorough risk management	Pursue systematic and deliberate efforts to reduce risks	<ul style="list-style-type: none"> Continue on-site environmental audits by the Head Office and expand audits to Group companies and affiliated companies in an effort to promote the establishment of independent environmental management systems For overseas Group companies, promote the same level of environmental management as in Japan and improve risk management through activities such as on-site environmental inspections 	<ul style="list-style-type: none"> Improved environmental management levels at production sites through the use of environmental management systems and carried out environmental audits and other measures to confirm the progress Postponed local environmental audits of overseas Group companies due to the impact of COVID-19, and conducted self-checks using checklists; Conducted remote audits of Group companies in the U.S. with the support of regional headquarters 	<ul style="list-style-type: none"> Increase environmental management levels through training for employees at production sites, implement environmental audits and confirm progress Carry out on-site environmental assessments for Group companies in Singapore and China, and increase environmental management levels at each company 	Our website
	Promoting environmental initiatives with full employee participation	Constantly improve the environmental awareness of all KOBELCO Group employees	<ul style="list-style-type: none"> Continue initiatives such as stratified training, e-learning, and environmental training for Group companies, and encourage the use of the KOBELCO Eco-Life Notebook (household eco-account book), in an effort to increase environmental awareness 	<ul style="list-style-type: none"> Increased employees' environmental awareness and knowledge through KOBELCO Group Environmental Meeting, stratified training, and e-learning Encouraged use of KOBELCO Eco-Life Notebook to raise environmental awareness at home 	<ul style="list-style-type: none"> Raise environmental awareness by continuing measures such as stratified training and environmental training for Group companies, as well as promoting the use of the KOBELCO Eco-Life Notebook 	Our website
VISION 2	Contributing to the environment through technologies, products, and services	Create environmentally sustainable products and new businesses with due consideration to the environment in all technological and product development <Target for 2030> Contribution to CO ₂ emission reduction: 61 million tons (including at least 45 million tons of MIDREX®) <Vision for 2050> Contribution to CO ₂ emission reduction: 100 million tons or more	<ul style="list-style-type: none"> Contribute to the creation of a low-carbon society through the efforts of the entire KOBELCO Group by working on issues related to the environment and energy fields, such as weight reduction of transportation vehicles, the creation of a hydrogen-based society, and the diversification of power sources 	<ul style="list-style-type: none"> CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group further studied various issues, reviewed targets for 2030, and formulated the vision for 2050 Demonstrated technology that reduces CO₂ emissions by around 20% by charging into a blast furnace a large amount of hot briquetted iron (HBI) produced with the MIDREX® Process (developed by U.S.-based Midrex Technologies, Inc., a wholly owned subsidiary of Kobe Steel) Established and participated in the Japan Hydrogen Association with eight other private companies to promote global collaboration and formation of supply chains in the hydrogen field 	<ul style="list-style-type: none"> Formulate and announce a roadmap for carbon neutrality in 2050 in cooperation of CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group Work to achieve CO₂ emission reduction targets and help reduce CO₂ emissions in society by expanding sales of CO₂ reduction technologies, products, and services and conducting technical development of multi-materials 	pp. 36–39, pp. 72–73
	Coexisting and cooperating with society	Promote coexistence and cooperation with local communities from the environmental perspective	<ul style="list-style-type: none"> Promote the KOBELCO GREEN PROJECT, centered on the three key activities of the KOBELCO Forest Fairy Tale Prize, forest development, and environmental education outreach to children's centers, in an effort to cooperate and coexist in harmony with local communities 	<ul style="list-style-type: none"> Received more than 400 submissions for the 8th annual KOBELCO Forest Fairy Tale Prize, with backing from all municipalities in which our 12 domestic business sites are located Suspended environmental education outreach to children's centers and forest development activities due to COVID-19 	<ul style="list-style-type: none"> Continue to promote KOBELCO GREEN PROJECT (comprising KOBELCO Forest Fairy Tale Prize, forest development activities, and environmental education outreach to children's centers*) to better coexist and cooperate with local communities <p>* Environmental education outreach to children's centers has been suspended due to COVID-19.</p>	p. 79
VISION 3	Disclosing environmental information	Take active steps to disclose environmental information and improve communication with all stakeholders	<ul style="list-style-type: none"> Continue disclosing information in an effort to communicate with all stakeholders 	<ul style="list-style-type: none"> Disclosed environmental information via Integrated Report, Company website, environmental monitors, and other sources; introduced Group environmental technologies and products at exhibitions Expressed support for the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and joined the TCFD Consortium (organization of supporting companies in Japan) 	<ul style="list-style-type: none"> Continue disclosing information and enhance communication with all stakeholders 	Our website

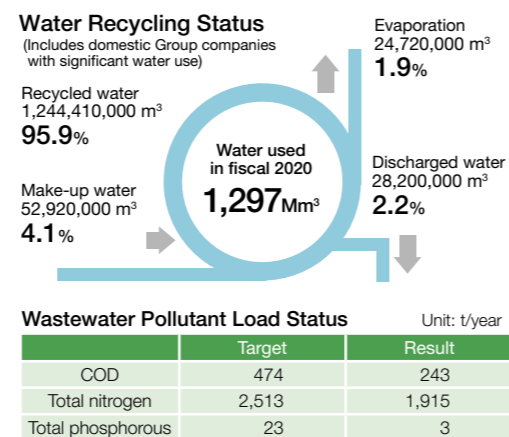
Initiatives for the Environment

Reduction of Environmental Impacts

Water Pollution Measures

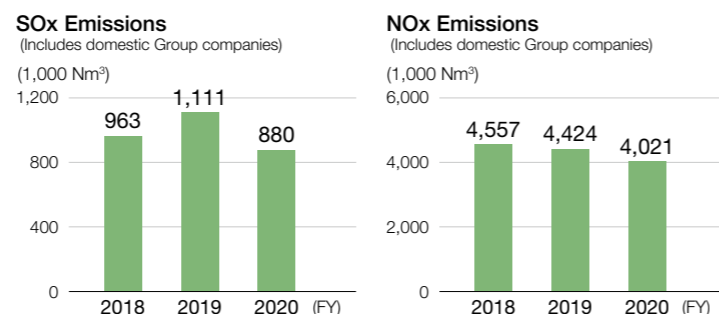
In terms of water use, the Group is working to reduce water consumption by prioritizing the efficient use of water in production processes, as well as recycling of water, with the goal of maintaining a water recycling rate of 95% or higher. In fiscal 2020, we achieved a recycling rate of 96%, exceeding our target, and we will strive to maintain that level in the future.

Regarding the pollutant load in wastewater, we have set targets for chemical oxygen demand (COD), total nitrogen, and total phosphorus for business sites located in areas with wastewater risks. We are also working to reduce the pollutant load of wastewater discharged into public water by purifying wastewater from production processes using treatment systems suited to their specific characteristics. We achieved our targets for wastewater pollutant loads in fiscal 2020.



Air Pollution Measures

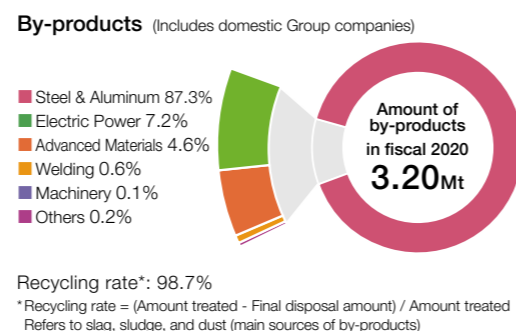
We have taken measures to limit SOx (sulfur oxide) emissions from manufacturing processes, including reducing fuel consumption by conserving energy, using low-sulfur fuels, and switching to city gas, as well as implementing measures to reduce exhaust gas, such as desulfurization. Likewise, to reduce NOx (nitrogen oxide) emissions, we have implemented low NOx combustion technology and energy saving measures.



Promoting Resource Recycling

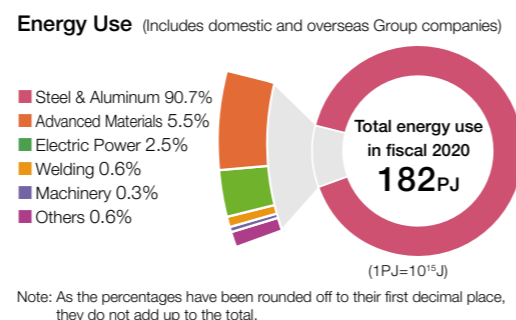
Seeking to make effective use of limited resources, we are working to reduce the generation of waste and actively promoting recycling by increasing the added value of by-product materials from production processes and developing and introducing new applications.

In fiscal 2020, the Group generated 3.2 million tons of by-product materials, with the steel and aluminum businesses accounting for around 87%. We are also actively working to improve yield and reduce the use of by-product materials and have set a target of 99% for recycling of slag, dust, and sludge in fiscal 2025. Our recycling rate in fiscal 2020 was 98.7%. We will continue striving to achieve our target.



Measures Against Global Warming (Energy Use in Production Processes)

In response to global warming, the KOBELCO Group has been promoting the streamlining and R&D to reduce energy consumption throughout its operations. In fiscal 2020, we took measures to conserve energy by installing inverters, upgrading to high-efficiency equipment, and switching to LED lights at our business sites. The KOBELCO Group used 182 PJ of energy in fiscal 2020 (equivalent to 4.69 million kl of crude oil). Of this total, approximately 91% was used in the Steel & Aluminum Business and approximately 6% in the Advanced Materials Business.



For information on other initiatives and our BCP, please visit the site below.

<https://www.kobelco.co.jp/english/sustainability/risk.html>



Climate-Related Disclosures Based on TCFD Recommendations (Environmental Management, CO₂)

Initiatives to Reduce CO₂ Emissions

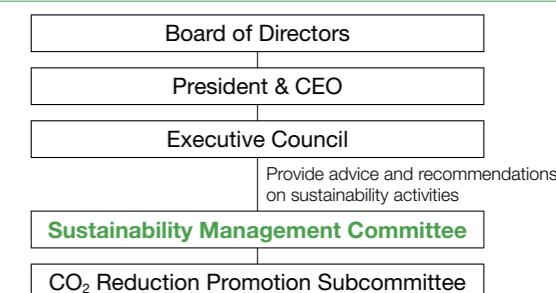
The KOBELCO Group recognizes CO₂ reduction is a top management priority. In May 2021, we announced our aim to increase corporate value through a transition to carbon neutrality by 2050.

Going forward, the KOBELCO Group will continue to pursue reduction of CO₂ emissions in order to contribute to realize “a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives” as envisioned in KOBELCO’s View of the Future.

Governance and Risk Management

We have a structure in place whereby the Executive Council deliberates and decides on important matters concerning CO₂ reduction that may have a major impact on our business operations and the Board of Directors oversees these procedures.

Under the Sustainability Management Committee, an auxiliary body to the Executive Council, we established the CO₂ Reduction Promotion Subcommittee to study Companywide measures to lower CO₂ emissions.



Process for Identifying and Managing Climate-Related Risks

In the KOBELCO Group, the CO₂ Reduction Promotion Subcommittee leads the study of both risks and opportunities associated with climate change, as shown in the flowchart below.

The study results are reported to and deliberated by the Sustainability Management Committee, and the Executive Council makes final decisions.

Board of Directors	Monitors CO ₂ reduction measures that may have a major impact on management	Quarterly
Executive Council	Deliberates and decides on important matters related to CO ₂ reduction measures	At least once per year
Sustainability Management Committee	Deliberates important matters related to CO ₂ reduction measures	At least 4 times per year

(Hajime Nagara, Director, Senior Executive Officer; Chair of the Sustainability Management Committee)



Strategy

Kobe Steel analyzes the medium- to long-term risks and opportunities associated with climate change considering the social scenarios presented by the International Energy Agency; the long-term visions formulated and announced by the Japan Iron and Steel Federation, the Japan Aluminium Association, and other industry organizations; and the energy policies of Japan. The appropriateness of the measures implemented by the Company is assessed based on these analyses.

Medium-Term Management Plan	pp. 36–39
Materials-related initiatives	pp. 52–55
Machinery-related initiatives	pp. 56–59
Electric power-related initiatives	pp. 60–61

Climate-related risks

As exemplified by the introduction of carbon pricing schemes, environmental regulations on climate change are becoming stricter and may have significant impact on the KOBELCO Group’s business performance and financial position. In addition, given the increasing severity of damages from floods and typhoons, it is anticipated that the increase of natural disasters due to climate change may cause declines in production volumes and disruptions of supply chains.

Climate-related opportunities

As international concern for climate change-related issues rises, demand is growing for low-carbon products and services. We expect an increase in demand for the KOBELCO Group’s products and services that help reduce CO₂ emissions, such as materials for automotive weight reduction and the MIDREX[®] Process over the medium to long term.

Initiatives for the Environment

Climate Change Related Risks and Opportunities over the Short to Medium and Long Terms

	Risks		Opportunities	
	Short to medium term (by FY2030)	Long term (by FY2050)	Short to medium term (by FY2030)	Long term (by FY2050)
Policy and legal systems	Higher costs stemming from regulatory tightening		Growing demand for technologies, products, and services that contribute to reduction of CO ₂ emissions (automotive weight reduction, MIDREX [®] Process, etc.)	
Market and technology transitions	Rising capital investments, research and development expenses, and operating costs associated with low-carbon technologies			
Reputation	Deterioration of corporate reputation due to insufficient or delayed information disclosure		Differentiation from other companies by establishing a reputation as a front-runner in combating climate change	
Physical risks (natural disasters, etc.)	Reduction of production volumes and disruptions of supply chains due to increases in floods, typhoons, and other natural disasters		Increase in demand for products due to increased public and capital investments for disaster prevention	
	Increases in costs of countermeasures and reductions in production volumes at factories in coastal locations due to damage from rising sea levels and high tides			

■ High risk
 ■ Low risk
 ■ Large opportunity
 ■ Small opportunity

Responses to Risks and Opportunities (R&D)

Reduction of CO₂ Emissions in Production Processes

Japan's steelmaking technologies are already at the most advanced levels in the world. Kobe Steel is participating with other steelmakers in the development projects that are being promoted by the New Energy and Industrial Technology Development Organization (NEDO) in a bid to further reduce CO₂ emissions in the blast furnace ironmaking process and to realize practical application of these developments.

In addition, the Company is advancing research and development with the aim of increasing energy efficiency in its iron reduction and melting processes.

Contribution to Reduction of CO₂ Emissions through Technologies, Products, and Services

Our existing lineup of products that help reduce CO₂ emissions includes automotive weight reduction materials and heat pumps. We will continue developing technologies to further contribute to CO₂ reduction with these solutions. We are also striving to develop new technologies, products, and services that help reduce CO₂ emissions, including MIDREX-H₂[™] (100% hydrogen direct reduction).

Climate Change: Scenario Analysis

Implementation and Monitoring of Scenario Analysis

Under the Sustainability Management Committee, we established the CO₂ Reduction Promotion Subcommittee to study Companywide measures to lower CO₂ emissions. The subcommittee has taken the lead in conducting medium-term (2030) and long-term (2050) scenario analyses of climate change in the Group.

Our scenario analysis is based on the Sustainable Development Scenario (SDS) to limit the global temperature

rise to 2 °C, presented by the International Energy Agency (IEA). We also refer to long-term visions published by industry organizations to which we belong, such as the Japan Iron and Steel Federation (JISF) and the Japan Aluminium Association, to conduct our analyses and evaluations. For the electric power segment, which is closely related to Japan's energy policy, we conduct scenario analysis based on the energy policy of the national government.

Impact on Business

As more than 90% of our CO₂ emissions come from the steelmaking process, the medium- to long-term trends in the steel industry will have the greatest impact on our business. According to the "JISF Long-Term Vision for Climate Change Mitigation—A Challenge towards Zero-Carbon Steel," there is a certain correlation between economic growth and the amount of steel accumulated per capita. As the population increases, therefore, the total amount of steel stock will grow.

Steel production can be broadly divided into production with natural resources (iron ore, mainly using blast furnaces and direct reduced iron) and production with reusing scrap (mainly using electric furnaces). According to JISF predictions, the reuse of scrap is expected to increase

significantly due to the increase in the total amount of steel stock. On the other hand, demand for steel cannot be met by recycling scrap alone. Accordingly, production using natural resources (iron ore) will continue to require the same level of production as at present.

Amid growing interest in addressing climate change and disclosing relevant information, the importance of CO₂ reduction efforts in the iron and steel industry is expected to continue increasing. For this reason, we anticipate that our stakeholders, including national and local governments, investors, and customers, will pay greater attention to our efforts to reduce CO₂ emissions from our own facilities and expand our environmental menu that contributes to CO₂ emission reduction.

Risks and Opportunities

One of our core businesses is the manufacture and sale of steel products, which falls under the industry category of energy intensive basic materials. The Group's CO₂ emissions in fiscal 2020 totaled 15.3 million tons (Scope 1 & 2), which ranks high even in Japan's manufacturing industry. Accordingly, we recognize that future climate change policies, laws, and regulations, including carbon pricing, are risks that may have a significant impact on our business operations. Please refer to page 36 for our CO₂ emission reduction roadmap for 2050.

The Japan Meteorological Agency (JMA) and various research institutes have reported that as global warming progresses, the amount of precipitation tends to rise due to the increase of water vapor in the atmosphere, and damage caused by heavy rain and typhoons tends to become more severe. The risk of production stoppages and supply chain disruptions stemming from severe typhoons and heavy rains in recent years is also becoming more and more apparent. We recognize that further

intensification of typhoons, floods, and other natural disasters caused by climate change poses a risk that could have a significant impact on our operations and lead to suspension of production activities.

In accordance with our Risk Management Regulations, we have defined "climate-related regulations" and "natural disaster preparation and recovery" as "Top Risks" that are expected to have a particularly severe impact when an event occurs, with the aim of strengthening our risk management.

Meanwhile, demand for products and services that generate low CO₂ emissions is increasing amid growing international interest in climate-related issues. For this reason, we expect demand for products that help reduce CO₂ emissions, such as our automotive weight reduction materials and the MIDREX[®] Process, to grow over the medium to long term. Please refer to pages 37–38 for information on our strategy for the environmental menu that contributes to reducing CO₂ emissions.

KOBELCO Group's CO₂ Reduction Solution for Blast Furnace Ironmaking

—Innovative Technology to Reduce CO₂ Emissions by 20% from Blast Furnace Operations Successfully Verified—

Kobe Steel, Ltd. successfully demonstrated the technology that can reduce a significant amount of CO₂ emissions from blast furnace operations, combining the technologies of Midrex in the engineering business and the blast furnace operation technology in the iron and steel business. This achievement is a result of the integrated efforts of the KOBELCO Group leveraging its diverse businesses.

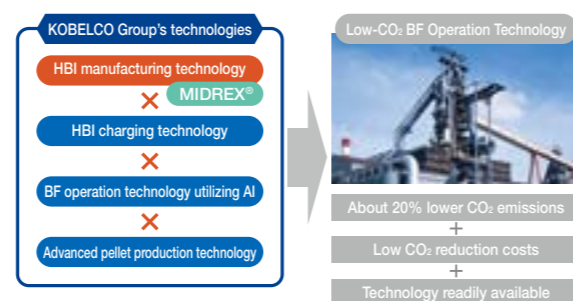
The quantity of CO₂ emissions from the blast furnace is determined by the reducing agent rate (RAR)^{*1} or the quantity of carbon fuel used in blast furnace ironmaking. In the demonstration test, it was verified that RAR could be stably reduced from 518 kg/tHM (ton hot metal) to 415 kg/tHM by charging a large amount of hot briquetted iron (HBI) produced by the MIDREX[®] Process. The results indicate that this technology can reduce CO₂ emissions by approximately 20% compared to a conventional method^{*2}.

In addition, the world's lowest level of coke rate (239 kg/tHM) has been achieved in the demonstration test of this technology. The Company sees it as a promising solution that could become readily available in the near future at a lower additional cost compared to other CO₂ reduction measures.

The key technologies that led to this achievement are two proprietary technologies developed by the KOBELCO Group, which are commonly available for other companies' blast furnaces.

Two key technologies

· Technologies of Midrex for HBI manufacturing (engineering business)



· Blast furnace operation technologies (iron and steel business): HBI charging technology for blast furnaces, blast furnace operation technology utilizing AI, and our Company's proprietary advanced pellet production technology

We will continue striving to refine our low CO₂ blast furnace operation technology to further reduce CO₂ emissions and lower CO₂ reduction costs, thereby reducing our own CO₂ emissions. Based on the aforementioned solution, we will help accelerate CO₂ reduction through promoting HBI charging in blast furnaces around the world.

*1 Reducing agent rate (RAR) = coke rate (determined by the quantity of coke used in blast furnace) + pulverized coal rate (determined by the quantity of pulverized coal injected into blast furnace). Coke is carbon fuel made from coal.

*2 The results are compared with fiscal 2013, which is the base year of the CO₂ reduction targets set by the government and the KOBELCO Group.

Initiatives for the Environment Metrics and Targets

Metric A Reduction of CO₂ Emissions in Production Processes

Targets

In May 2021, the KOBELCO Group announced that it would take on the challenge of achieving carbon neutrality by 2050 and increasing corporate value through this transition. We have raised our targets for fiscal 2030 (from the level announced in September 2020) to accelerate efforts to achieve carbon neutrality by 2050.

CO₂ Emissions in the Past

In the wake of the oil crisis, which spanned from the 1970s to the 1990s, Japan's steel industry moved to utilize energy more effectively by installing waste heat recovery systems and conserving energy while switching to continuous process flows and streamlined processes. From the 1990s, the steel industry took steps to effectively use waste materials, focused on upgrading waste heat recovery systems and increasing the efficiency of equipment. In recent years, industry players have installed highly efficient gas turbine power plants. Kobe Steel has maintained a consistent approach in advancing various energy conservation and CO₂ reduction measures through proactive capital investments. For example, the Company installed highly efficient gas turbine power generation facilities that use gas from blast furnaces at Kakogawa Works over the period from fiscal 2009–2014, resulting in a substantial reduction of CO₂ emissions.

Compared with fiscal 2013, we generated 21% less CO₂ emissions in fiscal 2020, partly due to a decline in production volume in the first half of the year.

In the ironmaking process, we successfully demonstrated a technology that can reduce CO₂ emissions from the blast furnace by around 20%. This was made possible by charging a large amount of hot briquetted iron (HBI) produced by the MIDREX® Process, a direct reduced iron production method using natural gas, into a blast furnace. (See page 70 for details.)

We also developed an AI-based blast furnace heat prediction system, which has been in operation since August 2020 in the No. 2 blast furnace at Kakogawa Works. This enables automatic and highly accurate prediction of hot metal temperatures five hours in advance, thus preventing in-furnace temperature drops and other problems and leading to more stable operations. We will promote further development of this blast furnace operation technology utilizing AI to enable more advanced control of furnace conditions.

The KOBELCO Group will continue striving to reduce CO₂ emissions in order to achieve its fiscal 2030 targets and fiscal 2050 vision.

CO₂ Emissions from Energy Use

In fiscal 2020, our Group's CO₂ emissions from energy use totaled 15.3 million tons. Of this amount, about 94% was emitted from the Steel & Aluminum Business, about 4% from the Advanced Materials Business, and about 2% from the Electric Power Business.

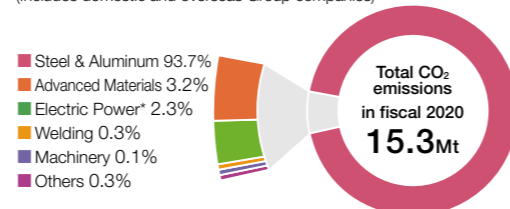
2050 Vision
Take on the challenge of achieving carbon neutrality

Fiscal 2030 Target
Reduce CO₂ emissions in production processes
30% to 40%
reduction (compared with fiscal 2013)**1,2

Fiscal 2020 Result
21%
reduction (compared with fiscal 2013)**1,2

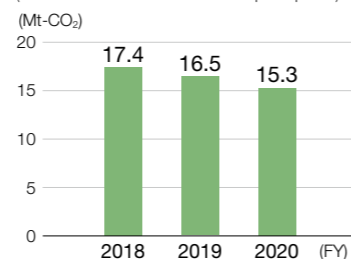
*1. Total of Scope 1 and Scope 2
*2. Covered range for reduction target: Business operations of Kobe Steel, Ltd., and Kobelco Construction Machinery Co., Ltd. (together representing around 94% of CO₂ emissions of the entire Group)(Fiscal 2020 performance)
Fiscal 2013 emissions in covered range: 18.2 million tons
Fiscal 2020 emissions in covered range: 14.4 million tons

CO₂ Emissions from Energy Use
(Total of Scope 1 and Scope 2, excluding some areas*)
(Includes domestic and overseas Group companies)



* CO₂ emissions in the electric power business calculated based on the Ministry of the Environment's Manual for Calculating and Reporting Greenhouse Gas Emissions (Version 4.7, released in June 2021) and excluding CO₂ emissions (approximately 8.2 million tons) related to electricity transmitted from power plants

CO₂ Emissions from Energy Use*
(Total of Scope 1 and Scope 2, excluding some areas)
(Includes domestic and overseas Group companies)



* For information on Group companies covered, see the Integrated Report for the corresponding fiscal years.

Metric B Contribution to Reduction of CO₂ Emissions through Technologies, Products, and Services

Targets

The KOBELCO Group contributes to reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services. For these contributions, the Group has set the vision for fiscal 2050 and raised the targets for fiscal 2030 from the level announced in September 2020.

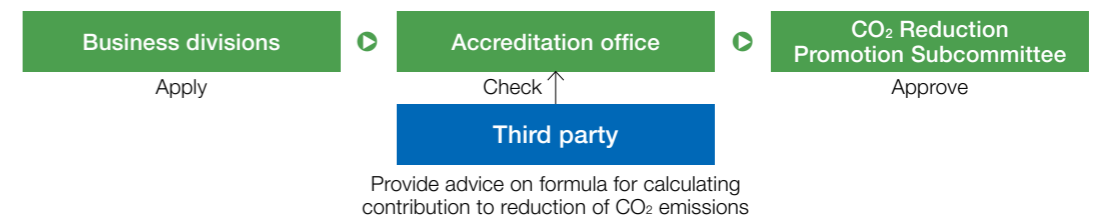
Regarding the contributions to reduction of CO₂ emissions through technologies, products, and services, the Group has instituted an internal accreditation system. For the formulas used in accreditations, we receive advice from Kiyotaka Tahara, the Director of the Research Laboratory

for IDEA at the Research Institute of Science for Safety and Sustainability, Department of Energy and Environment, AIST.

FY2050 Vision
CO₂ emission reduction contribution:
100 million tons or more

FY2030 Target
CO₂ emission reduction contribution:
61 million tons or more

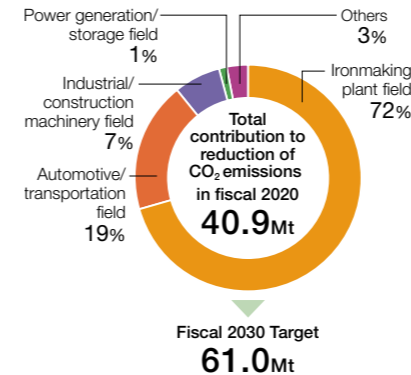
Accreditation Flow



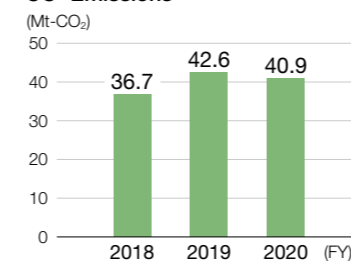
Contribution to Reduction of CO₂ Emissions

The CO₂ Reduction Promotion Subcommittee estimates that the KOBELCO Group's technologies, products, and services contributed to reduction of CO₂ emissions totaling 40.9 million tons in fiscal 2020.

Contribution to Reduction of CO₂ Emissions



Contribution to Reduction of CO₂ Emissions



* Prior-year results have been revised due to a review of the calculation method.

Technologies, Products, and Services	Contribution to Reduction (10,000 tons/year)	Concept behind Reduction	
Ironmaking plant field	MIDREX® Process	2,932	Low CO ₂ direct-reduced iron production method
Automotive/transportation field	Ultra-high-strength steel for automobiles	652	Improvements in fuel economy by using high-strength, lightweight materials to reduce weight of automobiles and transportation equipment
	Wire rods for suspension springs	19	
	Wire rods for automotive valve springs	53	
Industrial/construction machinery field	High-strength steel for ships	27	Benefit of weight reduction in reducing power consumption
	Aluminum shapes materials for rolling stock	6	
Industrial/construction machinery field	Heat pumps, standard compressors, SteamStar, binary generators, Eco-Centri	231	Energy conservation by achieving higher efficiency and utilizing unused energy
	Fuel-efficient construction machinery	37	
Power generation/storage field	Wood biomass power generation, waste-to energy (WtE)	24	Reducing fossil resource use through the use of resources that contribute to carbon neutrality
Others	Blast furnace cement	109	Reduction in energy used to produce cement by utilizing recycled resources as inputs

In addition, Kobe Steel plans to calculate the contributions to reduction of CO₂ emissions through the following technologies, products, and services.

Other major technologies, products, and services that contribute to CO₂ emission reductions (The amount of contribution will be calculated in the future.)

Technologies, Products, and Services	Concept behind Reduction
Automotive/transportation field	Fuel-cell separator materials, aluminum shapes for rolling stock, titanium for aircraft components, crankshafts for ships, compressors for LNG carriers, microbinary generators for ships*
Hydrogen utilization field	High-purity Hydrogen Oxygen Generator (H-HOG)
Power generation/storage field	Conversion of sludge to fuel, utilization of sludge at coal-fired thermal power plants, compressed air energy storage system*

*Products and services planned to be provided to customers in the future

Initiatives for Society

Human Resources

The KOBELCO Group believes that in order to fulfill its social responsibilities as a company and further enhance its corporate value, it is important to encourage its diverse employees to demonstrate their individuality and utilize their talents so that they can work with pride and passion. Along with this, it is also important to develop human resources who have enthusiasm to tackle issues that our society faces and flexibility to respond to social changes. In order to achieve these goals, we have been implementing a variety of initiatives under the Medium-Term Management Plan starting from fiscal 2021 with the themes of: 1) Building a new personnel system to heighten awareness of making changes, taking on challenges, and producing results; 2) Encouraging the growth of future generations and developing a spirit of taking on new challenges; 3) Creating new value by utilizing the diversity of individuals; and 4) Further promoting work style reforms.

Item	Previous Plan	FY2021-2023 Medium-Term Management Plan
Reforming the personnel system	<ul style="list-style-type: none"> Clarification of evaluation standards Retirement age extension Promoting feedback 	Building a new personnel system to heighten awareness of making changes, taking on challenges, and producing results <ul style="list-style-type: none"> Clarify expected roles and abilities Review the seniority-based personnel system (with a focus on roles and results) Make careful selections of management positions and promote the appointment of professional human resources
Strengthening personnel development	<ul style="list-style-type: none"> Leader training (strengthening selected training, promoting executive training) 	Encouraging the growth of future generations and developing a spirit of taking on new challenges <ul style="list-style-type: none"> Early development and systematic placement of management personnel Introduction and establishment of selective and autonomous education Enhanced education to strengthen <i>monozukuri</i> capabilities
Diversity & Inclusion	<ul style="list-style-type: none"> Supporting women's active participation Improving work-life balance of all employees 	Creating new value by utilizing the diversity of individuals <ul style="list-style-type: none"> Strengthen support for diverse work styles and active participation of minorities Improve internal communication and build a diversity network* <small>*Cross-organizational platform for knowledge acquisition and exchange of ideas on diversity development</small>
Work style reforms	<ul style="list-style-type: none"> Promoting telecommuting Increasing the number of paid days off taken Improving meetings and email efficiency 	Further promoting work style reforms <ul style="list-style-type: none"> Business improvement and penetration of standard business practices Improvement of the office work environment Development of flexible working styles and employment systems

Reforming the Personnel System

In today's world where we are driven to make constant changes amid intensifying business competition, each and every employee needs to have awareness of making innovative changes and create new value. To foster their motivation, we believe it is necessary to place greater emphasis on their roles and performance in evaluating them and deciding on their treatment. For this purpose, we are studying how to implement a personnel system that will help achieve this goal.

TOPICS **Extension of Retirement Age to 65 from FY2021**

As birthrates decline and populations age, it is becoming increasingly difficult to secure human resources. In response to this trend, Kobe Steel changed its mandatory retirement age from 60 to 65 in fiscal 2021 with the aim of improving the motivation of seasoned employees, heightening *monozukuri* capabilities, and fostering a sense of solidarity in the workplace. The change in the mandatory retirement age enables employees to work from the time they join the Company until they reach the age of 65 under the same employment conditions while allowing continuous compensation systems. In addition, we will revise our personnel system in conjunction with this change to create a framework that reflects the abilities and achievements of individuals more appropriately in compensation. This will lead to an increase in employees' motivation for growth.

Human Resource Development

We have defined our ideal image of human resources with the aim of ensuring that each and every employee shares diverse values and has pride and passion in their daily work. For human resource development, Kobe Steel conducts employees' training mostly by on-the-job training but also provides training programs that complement it. We revise the contents of the training programs annually. In particular, in the current Medium-Term Management Plan period, we are pursuing the following three initiatives under the theme of "encouraging the growth of future generations and developing a spirit of taking on new challenges."

■ **Early development and systematic placement of management personnel**

We are providing selective training that incorporates business administration. We support the growth of employees not only by the human resource development through training, but also by proactively adopting systematic personnel allocation.

■ **Introduction and establishment of selective and autonomous education**

We are reducing traditional stratified training and moving towards

selective and autonomous education. While employees are encouraged to autonomously build their own careers and learn on their own, the Company will provide growth opportunities for them and support the active participation of diverse human resources.

■ **Enhanced education to strengthen *monozukuri* capabilities**

In order to maintain and improve our *monozukuri* capabilities, which are the source of our competitiveness, we have been systematically promoting the transfer of skills within the Company. Going forward, we will implement measures to further strengthen our *monozukuri* capabilities, including revising the training system up to the fifth year of employment and enhancing the development of supervisors, who play a key role in the workplace.

TOPICS **IT Human Resource Development**

We are promoting IT human resource development as a foundation for the advancement of digital transformation (DX) across the Company.

First and foremost, we aim to develop approximately 500 "IT evangelists" by fiscal 2023 as human resources who plan and advance business reforms in their own departments utilizing IT. To this end, we are implementing a range of training programs, including design thinking, requirements definition, and project management.

Work Style Reform Activities

Our Group's work style reform activities aim to secure and retain excellent human resources, create time to enhance workplace communication, and create a healthy working environment. To this end, we have been implementing a wide range of initiatives, including increasing the number of days of paid leave taken by employees, establishing rules for meetings and email, promoting business transformation utilizing IT, loosening dress codes in some offices, and establishing a better work environment.

Many employees' work styles and values have changed due to the impact of COVID-19, and we are working to minimize the risk of infection by recommending safe work practices such as telecommuting, staggered working hours, and active use of online meetings. As a result, the use of telecommuting and paperless systems is becoming more widespread. Going forward, we aim to increase work efficiency by improving the work-from-home system and promoting workspaces without assigned seating (hot desking) in offices, and to further improve productivity by creating a workplace culture that encourages active communication and autonomous thinking.

During the period covered by the new Medium-Term Management Plan, we believe it is important to improve

the way we work on a daily basis with the participation of all employees, including executives, and to further enhance the quality of all corporate activities, including business operations and organizational structures, in order to realize our Group Corporate Philosophy. We will continue to proactively promote initiatives that will lead to the strengthening of our corporate competitiveness, with the aim of improving productivity while at the same time pursuing a healthy working environment where diverse human resources can perform to the best of their potential.

FY2016-2017	Initiative to increase the number of paid leave days taken by employees
	Formulation of KOBELCO-way meeting rules to improve efficiency of meetings
	Formulation of KOBELCO-way email rules
FY2018-2020	Reform of work rules (prohibit work after 7 p.m.)
	Formulation of rules for efficient document preparation
	Implementation of business improvement awards
	Revision and promotion of work-from-home system
	Loosening of dress codes

Strengthening Activities to Respect Human Rights and Resolve Human Rights Issues

As a corporate group that globally operates businesses, the Group respects the International Bill of Human Rights adopted by the United Nations and pursues its corporate activities based on international norms such as the United Nations' Guiding Principles on Business and Human Rights. In order to clearly demonstrate our stance that respect for human rights is an important social responsibility, we established the Kobe Steel Group's Basic Policy on Human Rights, which includes protections against child labor and forced labor, in October 2019.

To ensure that human rights awareness deeply permeates the entire Group, both in Japan and overseas, and to clarify our stance of not tolerating discrimination and harassment, we conduct human rights awareness training and have established consultation helplines. In fiscal 2020, we conducted anti-harassment training for all executives of Kobe Steel, and similar training was also held at our local subsidiary in China.

In addition, in March 2021, we signed the United Nations Global Compact and registered as a participating company. Going forward, as a company that endorses the principles of protecting human rights and eliminating unfair labor practices, we will continue our efforts to realize these principles by strengthening activities to respect human rights in our procurement activities, striving to identify human rights issues in our business activities, and strengthening our efforts to prevent human rights violation issues from occurring in the first place through the promotion of human rights due diligence.

The Kobe Steel Group's Basic Policy on Human Rights

https://www.kobelco.co.jp/english/about_kobelco/csr/files/policy_en.pdf



Activities in Line with the Group's Basic Policy on Human Rights

KOBELCO launched "Think About LGBT" initiative to promote understanding of LGBT people

We aim to create a workplace environment where individuality is respected, and every employee can work with peace of mind and perform to the best of their abilities. To that end, we are conducting executive training and training for all employees, and working to develop various systems and create a healthy work environment.

*LGBT stands for lesbian, gay, bisexual, and transgender. LGBT functions as an umbrella term for people's identity that refers to sexuality and gender identity.

KOBELCO
LGBT ALLY logo

Our rugby ball shaped logo is inspired by Kobelco Kobe Steelers, a league one rugby club in Japan.

Initiatives for Society Diversity & Inclusion

KOBELCO Group's Diversity and Inclusion

We have been working to enhance the growth potential of the entire organization by encouraging people with diverse backgrounds and values to make the most of their abilities in the workplace. We believe this will lead to vigorous development of our business.

We are accelerating our activities by setting the vision, basic policy, and numerical targets for diversity development.

Vision for the Future

- Each employee achieves self-improvement by demonstrating their own individuality and strengths
- "KOBELCO One Team" takes on challenges and creates new value from diverse ideas and experiences

Basic Policy

- Value unique strength of individuals
- Promote a variety of working styles
- Take on the challenge of creating new value

Numerical Targets

Item	Details	Target Value
Female	Improve the employment rate	Employment rate of female new graduates
	Development of leaders	<ul style="list-style-type: none"> • Number of female managers • Number of female supervisors at manufacturing sites
Supporting work-life balance	Improve men's participation in childcare	Percentage of male employees with children under one year old taking childcare leave

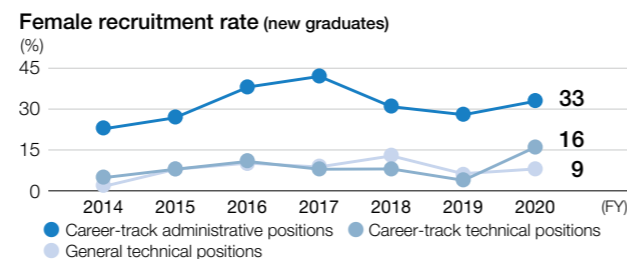
- Career-track administrative positions: 50% or more
- Career-track technical positions: 15% or more
- General technical positions: 15% or more

- Double from FY2020 baseline

- 100%

Diversity-Conscious Recruitment

We have set targets for the recruitment of new female graduates and are strengthening our recruitment efforts. Furthermore, in order to support their success, we plan to hold informal social gatherings and new employee social gatherings.

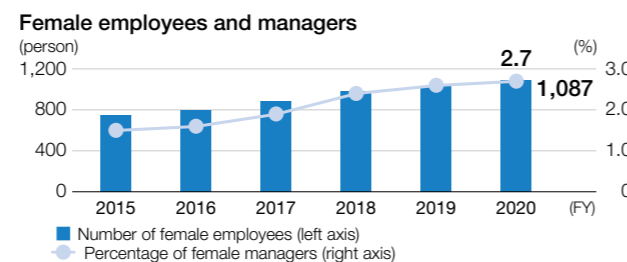


Diversity-Conscious Hiring

We aim to improve our competitiveness by diversifying our management and leadership teams.

In addition to strengthening training, we are also communicating our stance in support of women's advancement outside the company.

- Declaration of Action by the Male Leaders Coalition for Empowerment of Women established by the Japanese government
- Keidanren "Challenge Initiatives for 30% of Executives to be Women by 2030"



Establishment of Companywide Diversity Development Team

We recruited volunteers throughout the company who wished to work on diversity development and assembled them into a new team.

The team will develop and propose effective diversity measures that reflect the concerns and requests of employees from various departments and work sites. Through these activities, we also aim to revitalize communication that transcends organizational barriers.



Providing Information on Diversity and Inclusion

Holding Lunchtime Sessions

We hold forums where employees can hear the experiences of the president, internal and external leaders, and external experts to learn about a wide range of topics, including careers and diversity development. The goal is to help each participant develop their own career trajectory in which they

can leverage their own strengths, thereby achieving our policy of valuing unique strength of individuals.

Diversity Communication Newsletter

We provide information about Diversity and Inclusion on the 15th of each month to share our diversity promotion activities widely across the company.

Health and Safety

We believe that health and safety are fundamental to our business operations and take priority over all business activities. In accordance with this principle, we comply with all relevant laws and regulations and carry out various safety and health activities to create vibrant workplaces where employees can work in a safe and secure environment.

The KOBELCO Group implemented a variety of health and safety initiatives in fiscal 2020. For example, we formulated and developed Groupwide health and safety guidelines, reviewed the education status of supervisors, and took other steps to strengthen basic management and activities. We also worked on the understanding actual conditions at work sites and their improvement, through conducting health and safety diagnoses to identify issues and make improvements and using wearable cameras (awareness cameras) to manage risk and support workers.

As a result, we achieved zero fatalities and zero serious accidents for both our employees*1 and contracted workers*2 in fiscal 2020. On the other hand, while the lost time injury frequency rate has remained below the national average, it was 0.24 in fiscal 2020, exceeding the target of 0.10, and has not resulted in the eradication of accidents.

Issues we have identified include partial weaknesses in basic management and activities (discrepancies between workplaces) and the need to raise the safety management capabilities of each individual (including awareness of compliance with rules and risk prediction skills).

In fiscal 2021, we will further strengthen basic safety management and the implementation of activities (rebuilding and formulating corporate safety standard practices and providing thorough training) and create an upward-spiraling PDCA cycle through initiatives with full employee participation and individual guidance (encouraging all employees to participate in safety activities proactively and raising their safety awareness through individual guidance).

We will continue providing health and safety training at the Head Office and other business sites. Under the program conducted by the head office, we provide training for new employees (in their first to fifth years), training for newly appointed supervisors, and training for line managers with the aim of helping them acquire knowledge and skills related to health and safety.

*1. All persons employed by the Company (including seconded employees and temporary or part-time employees)

*2. Workers under contract with the Company (including those under dispatch contracts)

Health and Safety Policy (Priority Items)

Safety-Related Policy

1. Develop human resources capable of practicing risk prediction and safety verification and steadily promote skills management
2. Conduct risk management and promote enhanced safety of facilities and work
3. Create a system that spirals up health and safety management and activities
4. Strengthen and support the health and safety management and activities of Group companies (including overseas companies)

Health-Related Policy

1. Further improve work environments through compliance with laws and regulations and risk assessment related to the management of workplace involved with hazardous operations
2. Strengthen activities to prevent the onset of new mental-related diseases and continue early detection and response efforts
3. Strengthen efforts to prevent cardiovascular diseases and neoplasm (cancer)

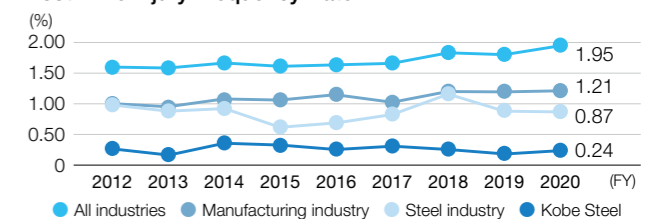
Safety Code of Conduct Based on the Core Values of KOBELCO

- We follow the rules at the workplace and build trust with families and coworkers.
- We value each and every one of our coworkers and care for each other.
- We aim for higher levels of safety and security through continued improvement of workplace facilities and systems.

Key Objectives (FY2021)

- Accidents leading to death or serious injury (involving three or more people at the same time): Zero
- Lost time injury frequency rate (LTIFR): 0.10 or less

Lost Time Injury Frequency Rate*



*Lost time injury frequency rate (LTIFR) = Number of injuries requiring absence from work/Number of total hours worked x 1,000,000

Initiatives to Help Employees Maintain and Improve Their Health

We aim to create a healthy work environment where employees can maintain and improve their mental and physical well-being.

Providing Improved Health Checkups (Cooperation with health insurance association)

- Employees receive regular blood tests and endoscopic checkups, and all employees found to be infected with *Helicobacter pylori* receive treatment.
- Employees reaching 50 years of age receive full compensation for optional checkups at health screening clinics (tumor markers, breast cancer checkups, brain disease checkups, etc.). In addition, employees of at least 50 years of age and their spouses are partially compensated for medical costs.

Mental health initiatives

- All of our business locations have consultation offices staffed by industrial counselors.

- We are creating a healthy workplace environment with an emphasis on work engagement based on the results of stress checks.

Activities to Help Employees Maintain and Improve Their Health (Cooperation with health insurance association)

As part of our effort to address lack of exercise due to the spread of telecommuting, we post videos of stretching and back pain prevention exercises on our intranet.

Selected under 2021 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)

In addition to being included in the Health & Productivity Stock Selection in 2021 for the third consecutive year (since first being included in fiscal 2015), the Company was selected under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500) in 2017, 2020, and 2021.



Initiatives for Society Communication with Stakeholders

The KOBELCO Group is committed to proactive communication with stakeholders. We are earnestly listening to our stakeholders through dialogues with shareholders and other investors and surveys of our customers and business partners. In addition, we recognize that improving management transparency is a top management priority, and we are promoting timely, appropriate, and extensive information disclosure accordingly.

We also carry out various activities that contribute to local communities. Our efforts range from contribution to society through sports to initiatives undertaken by respective business locations, which include environmental activities, regional development, and community interaction centered on supporting the young people of the next generation.

Communication with Shareholders and Investors

The Company strives to provide information and engage in dialogue with shareholders and investors through various tools and opportunities, including the issuance of integrated reports, the enhancement of the contents of the notice of ordinary meeting of shareholders and its early disclosure, and the holding of explanatory meetings. We will continue our efforts to promote better understanding of the Company's management policy and business operations among shareholders and investors using IT tools as well.

Domestic and Overseas Institutional Investors

We are promoting understanding of the Company among domestic and overseas institutional investors through proactive discussions with analysts, ESG officers and persons in charge of exercising voting rights. In fiscal 2020, we had meetings with a total of 178 institutional investors, held

financial results briefings four times a year, and carried out theme-based briefings, for example, about KOBELCO Group's CO₂ Reduction Solution for Blast Furnace Ironmaking.

Individual Investors

We are working on promoting understanding of the Company among individual shareholders and investors by issuing shareholder newsletter "To Our Shareholders" twice a year and disclosing information on our corporate website. Due to the impact of the COVID-19 pandemic, plant tours for shareholders are currently suspended; however, we will review the tours including the resumption, in consideration of future situations.

Information for shareholders and other investors

 <https://www.kobelco.co.jp/english/ir/>



Communication with Customers and Business Partners

The KOBELCO Group conducts customer surveys with questions covering a wide range of subjects, including product quality, services, and delivery periods, as part of its

efforts to improve product and service quality. We consider seriously the results of these surveys, and we use this feedback to improve our products and services.

Communication with Community Members

Contributions to Society through Sports

Sale of Etiquette Masks to Support Healthcare Professionals

In September 2020, we sold etiquette masks remade of rugby sweats, which the members of the Kobelco Kobe Steelers, the Kobe Steel rugby club, had actually worn in official matches and other occasions. This event was held as a charity for supporting healthcare professionals who are struggling to prevent the spread of COVID-19, and was supported by many rugby fans.

We donated 935,376 yen, a revenue generated through the sale of etiquette masks, to the Kobe City Support Fund for Healthcare Professionals on December 24, 2020.



Support for Activities of the Hyogo Guide Dogs for the Blind Association

The Kobelco Kobe Steelers has been supporting the mission of the Hyogo Guide Dogs for the Blind Association: nurturing guide dogs and raising regional awareness of accepting guide dogs. The team has been working with the association in activities including a fund-raising campaign to support guide dogs and selling charity goods at match venues since last year. This year as well, many visitors came to the booth to participate in our activities.



Social Contributions in Japan and Overseas

Kobelco Construction Machinery Southeast Asia Co., Ltd. (KCMSA)

Aiming to foster a connection and coexist with the local community and promoting the employees' initiatives to share the joy of working in the KOBELCO Group and excitement gained from local contribution activities, we are carrying out mangrove planting activities, safety classes and safety awareness activities for students, and donation of supplies and equipment. By making employees and their families happy and proud to be members of the KOBELCO Group, we are striving to contribute to the creation of a corporate culture that leads to changes in awareness and organizational revitalization.



Kobe Wire Rod & Bar Plant and Kobe Power Plant

Triggered by a proposal from a member of the Foremen's Association, saying "Our office is supported by the local community. Let's do what makes the community happy," we have been providing Christmas presents such as sweets and home appliances to neighboring welfare facilities for children and the elderly. Many words of thanks that we received from them make us feel happy and motivated as well as the joy of being appreciated. The activities have taken root in the community.

This activity was awarded the Kobe City's citizen award (Flower Clock Award). Mayor of Higashinada Ward Office, Kobe City Government, Kanaya awarded a certificate of commendation to Foreman Akamatsu (in March 2021).



KOBELCO GREEN PROJECT

KOBELCO Forest Fairy Tale Prize

The KOBELCO Group solicits stories about forests from elementary, junior high, and senior high school students across Japan with the aim of helping children, who will lead the next generation, develop a feeling of cherishing the forest that offers various blessings of nature. The winning stories are transformed into picture books with illustrations by picture book authors. The finished picture books are donated to schools and public libraries under the jurisdiction of the local governments that support this activity. The eighth annual prize, held in fiscal 2020, garnered a total of 426 submissions. *Mori no Kakehashi* (Forest Bridge), written by Miu Hayashi (Elementary School Division), and *Mori no Inochi no Subarashisa* (Wonderfulness of Forest Life), written by Rena Masui (Junior High and Senior High School

Division) were selected as the grand prize winners.

In addition to the prize, the Group is engaged in forest development programs carried out by employee volunteers and environmental education outreach to children's centers, and promotes these environmental contribution activities collectively called the KOBELCO GREEN PROJECT across the Group to better coexist and cooperate with society in the environmental aspect as well.

*In fiscal 2020, forest development programs and environmental education outreach to children's centers were canceled due to the COVID-19 pandemic.



KOBELCO Community Contribution Fund

The Company established the KOBELCO Community Contribution Fund in fiscal 2006 that marked the 100th anniversary of the Company's foundation and has been carrying out activities to support children through the Fund.

TOPICS

Letter of Appreciation from Kobe City

Kobe Corporate Research Laboratories, Kobe Steel, in cooperation with Nishi Ward Office, Kobe City Government, offered educational toys and picture books to childcare support groups in the ward as an activity of the Fund. This support activity was appreciated, and we received a letter of appreciation from the Kobe City Council of Social Welfare.



Initiatives for Society Communication with Stakeholders

Core Values of KOBELCO Next 100 Project (Communication with Employees)

As an initiative for aiming to unite all employees, create a corporate group full of pride, confidence, passion and hope, and achieve sustainable development, the KOBELCO Group launched the Core Values of KOBELCO Next 100 Project in fiscal 2017. A key focus of this initiative is to further instill the KOBELCO Group's Corporate Philosophy and to prevent us from forgetting the quality misconduct (namely, remembering the lessons learned). The project is promoting recognition and empathy among all employees toward the Next 100 Project activities, as well as participation and practice by all employees, hoping that such actions of each individual will grow into the corporate culture and take firm root in the organization.



*Percentage of positive answers for relative questions in the employee awareness survey

Initiatives Focusing on Raising Awareness of the New Group Corporate Philosophy

In fiscal 2020, we worked to further increase awareness of our ongoing efforts, such as dialogue activities between top management and employees, based on the Group Corporate Philosophy established in May 2020. In addition, by sharing pledges made by senior management and department heads among employees and encouraging all employees to make a pledge by themselves and take actions as expressed in their pledges, we promoted participation and practice. We are also actively using online tools and promoting the initiative even amid the COVID-19 pandemic.

Initiatives toward the New Phase

During the period from fiscal 2021 to 2023, which is defined as the 2nd Step, we are continuously implementing the ongoing activities and adding further depth to them. Specifically, in order to strengthen participation and practice identified as an issue in the fiscal 2020 employee awareness survey, we are focusing on making the KOBELCO Core Values Awards more familiar and promoting the understanding of the Group's diverse businesses (including contribution to a green society and other contributions to solving social issues).

Major Actions and Schedule for Implementation

	Initiatives	Description	Actions Implemented/Planned
Participation and practice	Declaration of pledges by senior management, department heads and all employees	All employees make pledges using the KOBELCO Group's Corporate Philosophy cards. In fiscal 2020, we launched an initiative to share pledges by senior management across the Group companies both in Japan and overseas, and pledges by department heads in each workplace.	In fiscal 2021 as well, all of the executives have shared their pledges across the Group companies in Japan and overseas. Starting from the KOBELCO Core Values Day on March 6, while department heads announced their pledges in their workplaces, all employees wrote their pledges on the KOBELCO Group's Corporate Philosophy cards.
	Dialogue Platforms	(1) Instilling the Group Corporate Philosophy (2) Preventing the quality misconduct from being forgotten (3) Implementing Dialogue Platforms in each workplace for promoting two-way communication within the department	We continue to implement Dialogue Platforms with participation of all employees of Kobe Steel and its Group companies as a central initiative in the KOBELCO Core Values Month every October.
	KOBELCO Core Values Awards	We have been promoting the practice of the Corporate Philosophy throughout the Group through presenting awards to activities that exemplify the Group Corporate Philosophy and contribute to building a new corporate culture.	In fiscal 2020, 34 activities were awarded. By sharing good examples of activities throughout the Group, we continue to implement the initiative and promote the practice of the Group Corporate Philosophy.
Recognition and empathy	Dialogues between management and employees	President Yamaguchi and other senior executives communicate their thoughts to employees in an effort to proactively express management's commitment to initiatives to restore trust.	As of the end of fiscal 2020, President Yamaguchi was engaged in dialogues with approximately 1,400 Group employees on a total of 141 occasions in Japan and overseas. The dialogue activities are being continued in fiscal 2021.
	KOBELCO Core Values Place	The facility aims to share the lessons learned from the quality misconduct and pass it on to future generations.	As of the end of fiscal 2020, a total of approximately 5,200 people visited the facilities including online visits and actual visits to the satellite facilities. In fiscal 2021, we plan to further utilize the online version.
Identification of issues	Compliance and employee awareness surveys / feedback report	The surveys aim to comprehensively understand the current status and issues of employees' awareness in terms of their work and the Company, as well as the state of organizations.	We anticipated the Company's fiscal 2020 survey results would worsen due to changes in the management environment amid the COVID-19 pandemic, but we saw overall improvement. The survey will continue to be conducted in fiscal 2021.

Establishment of Responsible Supply Chains

The KOBELCO Group formulated its Basic Procurement Policy and announced Requests to Suppliers composed of nine items including human rights and labor, and the environment in September 2020. Corporate social responsibility for supply chains has been drawing increasing attention from society. The Group considers efforts to deal with such issues as crucially important and will continue to promote initiatives for the establishment of responsible supply chains, while sharing social responsibility with its business partners.

Procurement Policies

Kobe Steel's procurement divisions act in accordance with the following basic policies.

1. Compliance with laws, regulations and other social norms
2. Fair and impartial transactions
3. Coexistence with the global environment through procurement
4. Partnership with suppliers
5. Management of confidential information

Promotion Structure

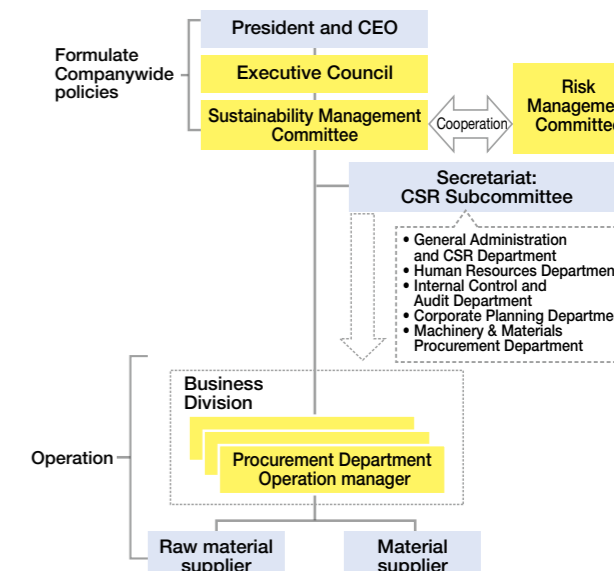
Companywide sustainability policies are proposed by the Sustainability Management Committee to the Executive Council, where consensus is built through deliberation. The implementation is led by operation managers of procurement departments under respective business divisions. From a viewpoint of risk management, the Sustainability Management Committee cooperates with the Risk Management Committee to strengthen the policy implementation.

Requests to Business Partners

The following are the items of social responsibility for which the Company seeks support and cooperation from its business partners. (Information on these initiatives are posted on the Company's corporate website.)

Legal compliance	Human rights and labor	Safety and health
The environment	Fair trade and ethics	Quality and safety
Information security	Business continuity plans	Social contribution

<https://www.kobelco.co.jp/english/sustainability/procurement.html>



Status of Initiatives in the Supply Chain

In September 2021, the KOBELCO Group distributed a video for its business partners toward establishment of responsible supply chains and explained the Group's approach and perspectives. The video showed the Group's framework for sustainability management, sustainability promotion structure, materiality as well as the status of the Group's initiatives for the environment, human rights, and other matters.

The Group will seek cooperation from its business partners in surveys that aim to properly understand their situations and reflect the results in activities for the establishment of responsible supply chains.



Initiatives for Governance

Roundtable Talk Among Three Independent Directors

Faced with dramatic changes in the external environment such as the global trend toward carbon neutrality, the KOBELCO Group is entering a period of major transformation. In such a business environment, our attention is drawn to how the Group's Materiality (medium- to long-term key issues) and Medium-Term Management Plan are evaluated; what unique solutions to social issues our Group can provide; and how Independent Directors contribute to the sustainable growth of the Group. Concerning these issues, Independent Directors Mr. Takao Kitabata (Chairman of the Board of Directors and Chair of the Nomination & Compensation Committee), Ms. Yumiko Ito, and Mr. Masaaki Kono (Chair of the Audit & Supervisory Committee) sat down for a candid discussion from a wide range of perspectives.



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

Independent Director
Yumiko Ito

Independent Director
Chairman of the Board of Directors
Takao Kitabata

What became clear through Discussions on Materiality and Medium-Term Management Plan

Ito In identifying the Materiality, we analyzed the Group's business areas, business environment, and future social changes, and carefully examined the key issues that are critical for the Group's sustainable growth, under the Framework for Sustainability Management. I've been saying that we need a further breakdown of the Group Corporate Philosophy, which was established last year, in order to turn it into concrete actions. In this regard, the

Materiality identified this time will be helpful for everyone, from each department to individual employees, in understanding what they need to do as their own initiatives. In addition, it has clarified the positioning of the Medium-Term Management Plan as a more short-term plan. I believe that the Group Corporate Philosophy, Materiality, and Medium-Term Management Plan are now linked together.

Kono Discussions for identifying the Company's Materiality were carried out in a bottom-up manner, based on the process we used for establishing the Group Corporate Philosophy, which was drafted through working group discussions by the Group's employees. I felt that this process provided a solid foundation leading to the identification of the Materiality. In accordance with the Group Corporate Philosophy, we discussed the Vision of the KOBELCO Group for the Future, Materiality, and Medium-Term Management Plan in parallel. This added significant momentum to the Group. Throughout the process, I myself actively participated in the discussions and expressed my frank opinions.

Kitabata In identifying the Company's Materiality and establishing the Medium-Term Management Plan, a wide range of members, including us Independent Directors, held head-on discussions, including deliberations at the Board meetings.

Kono As a starting point for the discussions, we focused on the Vision of the KOBELCO Group for the Future, which allowed us to see the strengths and weaknesses of the Group in a fresh light. The Group's strengths lie in its technologies and R&D capabilities in a wide range of fields, as well as in the diverse human resources that support these capabilities. With respect to the Materiality, I think that it explicitly states our commitment to make the most of these strengths and contribute to solving issues of the future society, including carbon neutrality. How to leverage the Group's strengths to the best of its potential was an issue of greatest concern to all directors, both inside and outside the company. Through this process, we have rediscovered our strong will to present the unique value that the KOBELCO Group can offer. Our passion has been reflected in the concept of the Materiality and the Medium-Term Management Plan. I believe we had meaningful discussions that led to a new growth strategy.

Ito Before I became an Independent Director, I had an impression that Kobe Steel was a heavy industrial company. However, after having a closer look at the Company, I was surprised to find it had a wider range of technologies than I had expected. That's the source of value creation for the Group.

On the other hand, one of the weaknesses of the

Group is that the organization is so large that employees tend to focus only on their own business divisions to which they belong. This has always been a concern of mine. Being siloed inside a single business division is detrimental not only in terms of business, but in many other ways too. I think that was one of the factors that caused the quality misconduct in 2017. Recently, however, I feel that the entire company has come to a shared understanding that it needs to depart from such a silo approach. I think it's very important to further promote this awareness.

Kono In this regard, I feel that our discussions on the Materiality and the Medium-Term Management Plan laid a foundation for sharing technologies and know-how across departments. I recognize that we are now in the process of overcoming this siloed culture. For example, the KOBELCO Core Values Place was set up as a learning center that aims to share the lessons learned from the quality misconduct and pass them on to future generations. We directors visit the place once a year. On each visit to the place, I feel a strong resolve of all employees who are determined to never repeat this kind of misconduct again, standing in front of exhibitions that show us how the Company made mistakes in the past. This is one of the good examples of how the energy of employees, which had been confined in each business division, has become a source of power of overcoming the barriers of business divisions. I was very impressed with this. It's important to carry on this process of transformation on a constant and ongoing basis.

Kitabata With respect to the Materiality, it is also notable that some monitoring indicators have been introduced to evaluate the degree of achievement in a quantitative manner.

In formulating corporate management policies, it is a basic requirement for a company to adhere to social standards as a member of society. While assuring compliance, it is also essential for a company to establish the Group Corporate Philosophy that states the reason for its existence. People recognize the value of a company only when management indicators and the Corporate Philosophy are both in place. In this sense, the Materiality presented by the Company is highly significant, as it is considered as an embodiment of the Corporate Philosophy.

Initiatives for Governance Roundtable Talk Among Three Independent Directors



Toward carbon neutrality by 2050, we are determined to stay the course. I believe the Group has the potential to become a game changer in the market by sharing its efforts and results with the world.

Takao Kitabata

Materiality Indicates the Future Business Direction of the KOBELCO Group

Kitabata First of all, we will not be able to fulfill the statement of “contributing to a green society” without making a quantum leap in technological innovation toward carbon neutrality in 2050. The Group is confronted with a tough challenge because it has two major sources of CO₂ emissions: steelmaking and power generation. To fulfill our responsibility, we’re determined to stay the course, with a strong belief that the KOBELCO Group has the potential to become a game changer in the market by sharing its efforts and results with the world. This is a big challenge, but I hope that by working on it earnestly, we can make a significant contribution to society.

In addition to providing a variety of materials, the Group offers excellent technologies and products related to the urban and industrial infrastructure that supports the foundations of society. Examples include the stable supply of safe, environmentally friendly, and cost-conscious electric power to society; industrial machinery used in a wide range of manufacturing sites; water and waste treatment; high-rise buildings; and urban transportation systems. The statement of “ensuring safety and security in community development and manufacturing” is our commitment to contributing to solving social issues through our products, technologies, and services.

Kono From this perspective, I would like to mention this. Many people associate the KOBELCO Group with steelmaking because Kobe Steel bears the word “steel” in its company name. However, we are actually engaged in a wide range of businesses, including aluminum, copper, welding, industrial machinery, engineering, construction machinery, and electric power. I feel that it will be important for the Company to break away from the image of a steel manufacturer. The discussions for identifying materiality served as a catalyst and provided a foundation for building a new path for growth. Although the Company is still in the process of rebuilding, I feel that it has departed from the past history of over 100 years and have begun a

new process of growth for the next 100 years.

Kitabata With domestic crude steel production falling below 100 million tons, Japan’s steel industry faces structural problems that are threatening its survival. In addition, the Group faces the challenge of strengthening the profitability of its businesses outside the steel industry. In this sense, as Mr. Kono said, it’s essential for the Group to break away from the recognition or mindset that it relies on the steel industry as the mainstay of its business. I think such awareness is expressed in the statement of “ensuring safety and security in community development and manufacturing.”

Furthermore, the idea behind the statement of “providing solutions for a future connecting people and technology” is to provide customers with not only products but also solutions by utilizing the Group’s diverse technologies, know-how and other intellectual assets. I believe this embodies the solutions business that the Group has been engaged in for a long time. When I visited an old sake brewery in Niigata a long time ago, I saw sake barrels with the name of Shinko Pfadler* on them, made in 1963. According to the sake brewer, the conventional cypress barrels had flaws in terms of hygiene and durability, so they asked the KOBELCO Group company (then known as Shinko Pfadler Co., Ltd.) for help, and the company produced enameled metal sake barrels for them. They said, “we are still using these barrels today, thanks to Kobe Steel.” When I heard these words, I was impressed that Kobe Steel had been providing solutions like this for such a long time.

*Shinko Pfadler is current Kobelco Eco-Solutions Co., Ltd.

Ito I think the statement of “promoting active participation of diverse human resources” will be the key to fulfilling all of the five statements of the Materiality. To address the issue of the siloed organization that I mentioned earlier, the Company has clearly expressed that it will leverage its

diverse technologies and human resources and develop synergies among business divisions with the aim of creating new value. I believe these efforts will lead to “contributing to a green society,” “ensuring safety and security in community development and manufacturing,”

and “providing solutions for a future connecting people and technology.” For this reason, I evaluate highly that the Company included the statement of “promoting active participation of diverse human resources” as laid out in the Materiality.

Path to Achieving the Materiality The KOBELCO Group’s Medium-Term Management Plan (FY2021–FY2023)

Kitabata The term of the current president Yamaguchi started off with many problems, including the quality misconduct and deteriorating profits. In fiscal 2019, he took the bold step of recording impairment losses and selling off idle assets. Despite such efforts, the business environment deteriorated further in fiscal 2020 due to the COVID-19 pandemic, and we faced a very difficult situation with possible ordinary loss that was anticipated for two consecutive fiscal years. Fortunately, the KOBELCO Group achieved profitability owing to an increase in demand from the automotive sector that recovered earlier than expected, combined with the effects of the Group’s emergency profit improvement measures.

Kono I myself participated in the discussions on the Medium-Term Management Plan soon after I became an Independent Director in June last year. At that time, the Company anticipated ordinary loss to be recorded for two consecutive years. So, I suggested that we should carefully assess our business portfolio in the early stage and immediately take actions for problems without procrastination, so that we can get the engine started from the first year of the Medium-Term Management Plan. There are things we can do immediately and things we can’t. With this in mind, we focused on the assessment of the business portfolio based on profitability (ROIC) and market growth potential. While sharing this basic concept, we held free and open discussions on specific

plans to respond to changes in the industrial structure.

Ito During the past year, we Independent Directors were discussing the Medium-Term Management Plan under a lot of strain, with the forecast that anticipated ordinary loss for two consecutive years. It was a year that made us keenly aware of the great responsibility of the Board of Directors.

In the past, we might have ended up making a slogan for identified issues, but this time we properly incorporated them into the Medium-Term Management Plan. As President Yamaguchi always says, we need to implement the PDCA cycle and produce results within the period of the Medium-Term Management Plan. As Independent Director, we have the responsibility to closely monitor the situation in order to make it happen.

Kono What was remarkable about this Medium-Term Management Plan was its formulation process. It was not just a compilation of separate plans of respective business divisions. The new Medium-Term Management Plan was developed through a series of discussions, including free talks, among the senior management sharing the Vision for the Future and the Materiality. It clearly shows that the entire company shares the Vision for the Future beyond boundaries of business divisions, and that each business division will implement the PDCA cycle based on specific KPIs. This point is highly regarded.



The Materiality, identified this time, will be helpful for everyone, from each department to individual employees, in understanding what they need to do as their own initiatives. In addition, it has clarified the positioning of the Medium-Term Management Plan as a more short-term plan. I believe that the Group Corporate Philosophy, Materiality, and Medium-Term Management Plan are now linked together.

Yumiko Ito

Initiatives for Governance Roundtable Talk Among Three Independent Directors



In the discussion on the Medium-Term Management Plan, we focused on the assessment of the business portfolio based on profitability (ROIC) and market growth potential. While sharing this basic concept, we held free and open discussions on specific plans to respond to changes in the industrial structure. I think this approach was very effective.

Masaaki Kono

Remarks on Changes in the Management Structure Expected Roles of Independent Directors

Ito Since the transition to a company with an Audit & Supervisory Committee in fiscal 2016, Kobe Steel has been striving to strengthen the supervisory function of the Board of Directors and improve its effectiveness. After the review of the composition of the Board of Directors and the criteria for agenda items, it became even clearer that the Board of Directors will focus on key management direction decisions and monitoring, including risk management. I believe that the Board of Directors has now a structure to further improve its operational effectiveness.

Kitabata Now that we've delegated more authority to the executives, we need to monitor the results of the execution more closely than before. To do so, it is necessary to receive high-quality reports from the executives and, based on these reports, promote high-quality discussions at the meetings of the Board of Directors and other bodies. We therefore conducted a review of the committees, which assist the Executive Council as auxiliary bodies to carry out important issues under the Medium-Term Management Plan. Meanwhile, the Board of Directors reviewed its agenda items in line with the changes in its structure. It is important for the executives to deepen their discussions on various important issues across business divisions. For my part, as Chairman of the Board of Directors, I will improve the quality of the discussions at the Board of Directors meetings and strengthen the monitoring of the business execution with the aim of contributing to the sustainable growth of the Group.

Kono We, the Independent Directors, will monitor from

the standpoint of independent outside directors and from the perspective of stakeholders whether the Group is in line with the Materiality and is executing what is envisioned in the Medium-Term Management Plan toward the Vision of the KOBELCO Group for the Future.

With regard to the review of the committees that Mr. Kitabata mentioned earlier, the Company established the Risk Management Committee as an auxiliary body that assist the Executive Council in formulating basic policies on risk management in general. The Company also made changes to its organizational structure of the head office divisions, which include the establishment of the Internal Control and Audit Department to unify and strengthen operations related to the development, operation, evaluation, and audit of internal controls, which will be implemented by the executives. As Chair of the Audit & Supervisory Committee, I will make sure that the internal controls of these systems are effectively utilized and carried out properly.

Ito While the Board of Directors of Kobe Steel is clearly aiming for a transition to a monitoring board, the Company established the Corporate Governance Committee that reports to the Board of Directors as an advisory committee to study the management structure capable of addressing changes in the business environment on a continued basis. At the Corporate Governance Committee, on which all three of us serve, we will discuss appropriate governance for the Group with a free-thinking mind and fulfil our responsibility for making recommendation to the Board of Directors. As Independent Directors, we will continue to dedicate our respective professional abilities to the task of monitoring.

Message from the Chair of the Corporate Governance Committee

The Company has implemented various initiatives to strengthen governance, including the establishment of the Meetings of Independent Directors, the transition to a company with an Audit & Supervisory Committee, and substantial changes in the functions of the Board of Directors. On the other hand, with regard to corporate governance, the Company was facing the need to examine the overall organizational structure and further reflect an independent and objective viewpoint, as its long-standing practice was allowing each division to separately handle individual issues. Therefore, in order to implement a system of corporate governance that contributes to sustainable growth and enhancement of corporate value, we decided to newly establish a Corporate Governance Committee as an advisory body to the Board of Directors, and to create and promote an organizational review system for corporate governance and a mechanism for transparent, fair, and decisive decision-making, as part of the efforts to strengthen our ESG initiatives, which is one of the key issues in our Medium-Term Management Plan.

As chair of the committee, I would like to contribute to the new evolution of the organization by emphasizing the following two perspectives.

(1) I believe that the corporate governance system has been fairly enhanced in terms of functionality with changes implemented this year. The main issue, however, is about its actual performance—whether it is functioning properly as intended, in an organic and mutually interactive manner, centered on the Board of Directors. Specifically, we focus on the following points:

- 1) Effectiveness of the Board of Directors with a new organizational structure to take concrete improvement measures for its operation
- 2) Coordination between the Board of Directors and its advisory committees (Compliance, Nomination & Compensation, Quality Management, and Corporate Governance)
- 3) Coordination between the Corporate Governance Committee and each advisory committee
- 4) Activity status of the auxiliary committees that assist the Executive Council and coordination of such committees with the Board of Directors
- 5) Effectiveness of the Corporate Governance Committee itself

(2) The second perspective I wish to emphasize is the need to foster a sense of unity between senior management and employees in terms of corporate governance. As the concept of corporate governance becomes more familiar to employees, we can strengthen internal controls (internal control systems, risk management, compliance, and similar initiatives). In implementing measures to prevent the recurrence of the quality misconduct, the Group as a whole has been striving to foster this sense of unity to solve and overcome numerous challenges. We need to make use of that experience to firmly instill in both executives and employees of the importance of corporate governance and enhance our solidarity.

From my independent position as an Independent Director, I will do my best to contribute to the sustainable growth of the Group and the improvement of its corporate value.



Chair of the Corporate Governance Committee
Independent Director **Hiroyuki Bamba**

Initiatives for Governance Corporate Governance

Basic Policy

The KOBELCO Group recognizes that corporate value includes not only business results and technological capabilities but also the stance on social responsibility to all stakeholders who may be affected by its business activities, such as shareholders, other investors, customers, suppliers, local communities, and employees in the KOBELCO Group. Earnestly undertaking efforts to improve all these factors leads to the enhancement of corporate value.

Therefore, corporate governance is not merely a form of the organization, but it is a framework for realizing

all the efforts the KOBELCO Group is undertaking. In the development of the framework, the Group places importance on establishing a system that contributes to improving corporate value by taking appropriate risks; collaborating with stakeholders; promoting appropriate dialogue with investors in the capital market; maintaining the rights of and fairness for shareholders; and ensuring transparency.

In keeping with this basic policy, the KOBELCO Group pursues improvements in corporate governance.

Initiatives to Strengthen Corporate Governance

	1999	2010	2015	2020	(FY)
Philosophy and Policies		2000 Established the Corporate Code of Ethics → 2006 Established the Corporate Philosophy	→ 2017 Turned the Corporate Philosophy into the Core Values of KOBELCO and established the Six Pledges of KOBELCO Men and Women → 2020 Established a new Group Corporate Philosophy by integrating the newly formulated KOBELCO's View of the Future and KOBELCO's Mission	2015 Established the Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd. 2016 Formulated Fiscal 2016-2020 Group Medium-Term Management Plan	
Organizational structure development	1999 Introduced an internal company system and adopted an executive officer system	→ 2010 Abolished the internal company system and introduced a business unit system 2003 Established the Compliance Committee as advisory committee to the Board of Directors	2015 Established the Meetings of Independent Directors 2016 Became a company with the Audit & Supervisory Committee 2018 Reassessed the role of the Board of Directors from the standpoint of enhancing its oversight functions	→ 2021 - Shifted to a Board of Directors that places greater emphasis on decisions regarding important management directions as well as on monitoring that encompasses risk management - Established the Corporate Governance Committee as an advisory body to the Board of Directors	
Directors and Executive Officers		2007 Appointed two Independent Directors	2015 Established principles on appointment of Directors/Audit & Supervisory Board Members and established standards for Independent Directors/Auditors 2016 Established training policy for executives 2019 Appointed the Company's first female Director	2021 Abolished the positions of Senior Managing Executive Officer and Managing Executive Officer	
Effectiveness Evaluation			2016 Introduced evaluation system for the Board of Directors		
Remuneration			2016 Revised Directors' remuneration system (introduced stock-type remuneration)	→ 2021 Partly revised the Directors' remuneration system	

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

https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/files/Basic_Policy_and_Initiatives.pdf



Outline of the Corporate Governance System

Organizational form	Company with Audit & Supervisory Committee
Number of Directors	13
Of whom are Independent Directors	6 (46.2%)
Of whom are Non-Executive Directors	8 (61.5%)
Of whom are female Directors	1 (7.7%)
Audit & Supervisory Committee Members	5
Of whom are Independent Directors	3
Term of Directors	One year (two years for Audit & Supervisory Committee Members)
Accounting Auditor	KPMG AZSA LLC

Note: Our Company has registered all six Independent Directors as Independent Directors with a Financial Instruments Exchange.

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

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

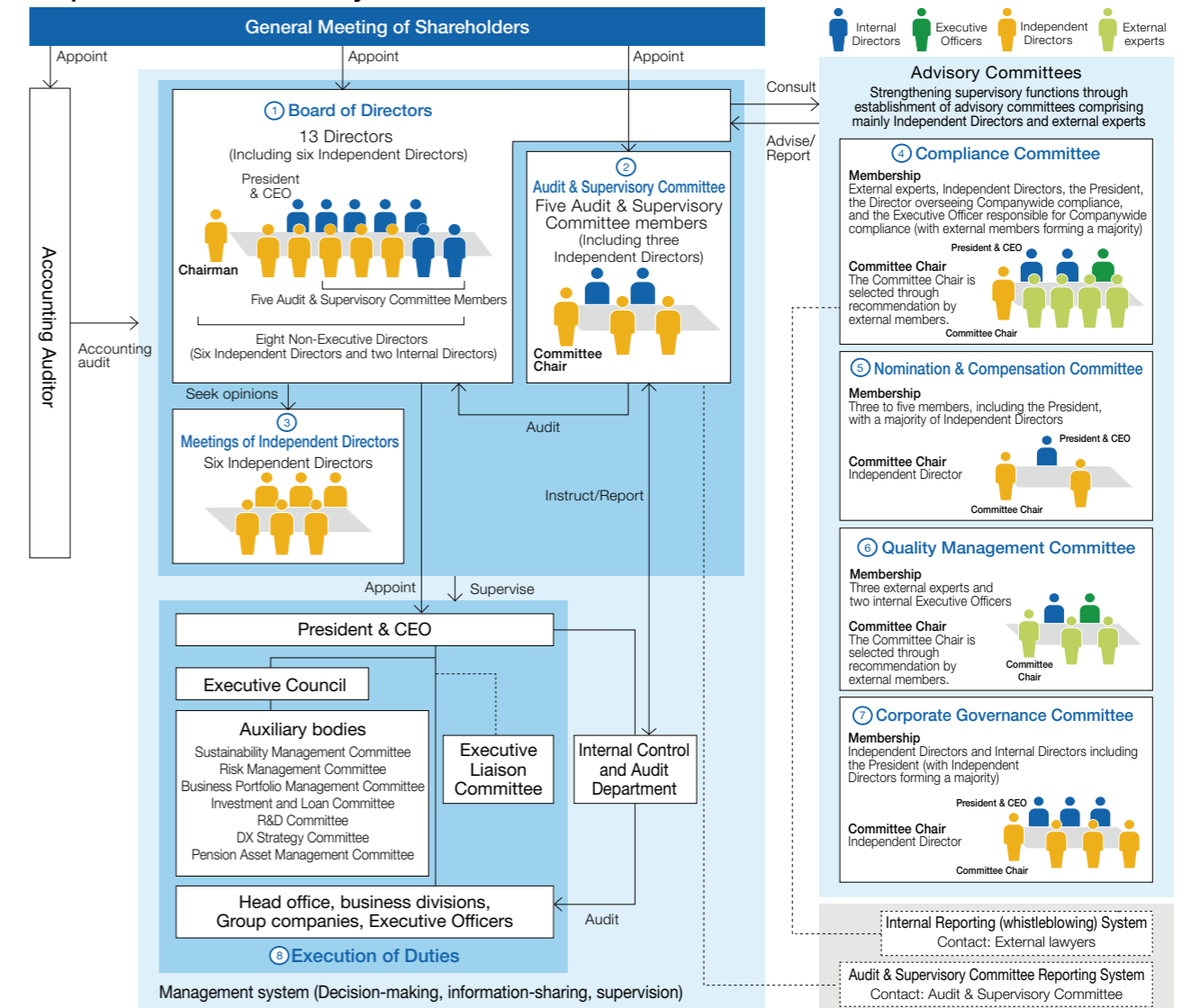
Furthermore, the Company believes it is necessary for the Board of Directors to hold active discussions and make appropriate decisions regarding the risk management and the distribution of management resources for a wide range of businesses, and at the same time, to flexibly supervise business execution. In order to achieve this, it is desirable that the Board of Directors have members with a correct understanding of the Company's business execution instead of completely separating the supervisory and execution functions.

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

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

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

Corporate Governance System



Initiatives for Governance

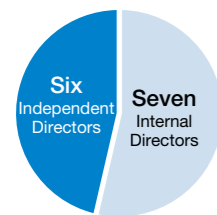
Corporate Governance

1. Board of Directors

The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be not more than 15 as stipulated under the Articles of Incorporation of the Company. The Company takes the following measures to ensure that an appropriate number of Directors constitutes the Board of Directors to facilitate substantial discussion at meetings of the Board of Directors as well as enhance the auditing function, while considering its diversity.

At the Ordinary General Meeting of Shareholders in June 2021, the number of Directors was reduced from 16 to 13. The idea was to place greater emphasis on decisions related to important management directions as well as on risk management and other forms of monitoring toward the establishment of a management system that contributes to achieving sustainable growth and enhancing corporate value.

Percentage of Independent Directors: 46.2%

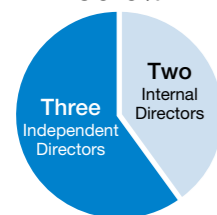


Purpose	Measures
To facilitate practical discussion at meetings of the Board of Directors, enhancing the supervisory function and ensuring its diversity	Six Independent Directors are appointed out of 13 Directors. * Five Directors who are Audit & Supervisory Committee members (including three Independent Directors)
To reflect a fair and neutral viewpoint of Independent Directors as well as the viewpoint of stakeholders including minority shareholders	Six Independent Directors are assigned.
To enhance fairness and transparency of the Board of Directors and advance growth strategies as a company	The ratio of Independent Directors is one-third or more. The Chairman of the Board of Directors is selected from among the Independent Directors in principle.
To strengthen the monitoring functions of the Board of Directors	Executive Directors include the President and Directors who oversee specific key Companywide functions. Eight Non-executive Directors (five Directors who are Audit & Supervisory Committee Members and three Independent Directors) form a majority of the Board of Directors.

2. Audit & Supervisory Committee

In principle, the Audit & Supervisory Committee of Kobe Steel consists of five members, including two Internal Directors and three Independent Directors. This membership is not only in accordance with the rules on audit and supervisory committees of Japan's Companies Act, which requires at least three Non-Executive Directors (a majority of whom must be Independent Directors), but it also ensures transparency and fairness and encourages satisfactory auditing for the diversified management of a wide range of business segments. The Chair of the Audit & Supervisory Committee is selected from among the Independent Directors.

Percentage of Independent Directors: 60.0%



Full-time Internal Audit & Supervisory Committee Members are mainly responsible for acting as liaisons between the management team and the Audit & Supervisory Committee and for coordinating with the internal audit departments. Independent Audit & Supervisory Committee Members are responsible for providing expert knowledge with respect to auditing and for maintaining fairness. To ensure these roles are fulfilled, the Company appoints Independent Audit & Supervisory Committee Members from diverse fields, including legal, financial, and industrial circles.

In addition, at least one of the Audit & Supervisory Committee Members must have a considerable degree of knowledge on finance and accounting in order to improve the effectiveness of audits.

A new internal reporting (whistle-blowing) system is in place that allows employees to contact the Audit & Supervisory Committee.

3. Meetings of Independent Directors

The Company has established the Meetings of Independent Directors to take full advantage of the Independent Directors' capabilities. The meetings are a platform where the Company shares with Independent Directors information regarding the Company's businesses excluding the nomination and compensation of executives.

The Meetings of Independent Directors consist solely of Independent Directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary.

The Executive Directors of the Company attend the Meetings of Independent Directors as appropriate to share information and exchange opinions with the Independent Directors.

4. Compliance Committee

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

The Compliance Committee consists of the President, the Executive Officer overseeing Companywide compliance, the Executive Officer responsible for Companywide compliance, an external lawyer (without a retainer agreement executed by the Company) in charge of receiving reports via the Internal Reporting (whistle-blowing) System, Independent Directors, and external experts. The majority of the committee consists of members from outside of the Company.

The Compliance Committee formulates fundamental policies regarding Groupwide compliance activities, monitors the progress of compliance activities, and submits reports and recommendations on necessary actions to the Board of Directors.

The Compliance Committee holds regular meetings semiannually and ad-hoc meetings when necessary.

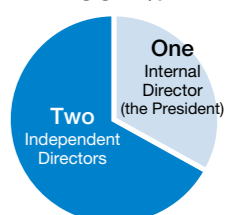
Percentage of external members: 62.5%



5. Nomination & Compensation Committee

The Company has established the Nomination & Compensation Committee, as an advisory body to the Board of Directors, which makes recommendations on important matters concerning the nomination and compensation of Directors and Executive Officers, including a successor to the Chief Executive Officer, in order to enhance fairness and transparency in the management of the Board of Directors. The Nomination & Compensation Committee consists of three to five members appointed by the Board of Directors, including the President, with the majority of members comprising Independent Directors. Meetings are held at least once every fiscal year and as needed. The Board of Directors fully respects the opinions of the Nomination & Compensation Committee and its decisions on relevant matters.

Percentage of external members: 66.7%



6. Quality Management Committee

The Company has established the Quality Management Committee, as an advisory body to the Board of Directors, which undertakes the continued monitoring of the effectiveness of measures to prevent a recurrence of the quality misconduct in the Group, in addition to continuously monitoring and advising on activities to strengthen quality management across the Group. Members of the Quality Management Committee include two internal executives of the Company and three external experts selected by the Board of Directors who have technical knowledge or legal knowledge on quality control. The committee is chaired by one of the external members.

Percentage of external members: 60.0%

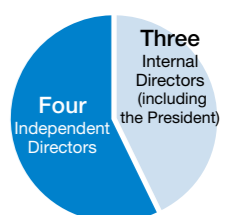


7. Corporate Governance Committee

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

The Corporate Governance Committee consists of the President, the Director or Executive Officer overseeing the Corporate Planning Department, the Director or Executive Officer overseeing the General Administration and CSR Department, and Independent Directors appointed by the Board of Directors. Independent Directors form a majority of the committee. The Committee Chair is selected from Independent Directors through vote among the members. The Corporate Governance Committee meets at least once every fiscal year and calls a meeting as needed.

Percentage of external members: 57.1%



8. Execution of Duties

The Board of Directors is responsible for deliberating and deciding on matters concerning the execution of important business and legal matters as well as for overseeing business execution.

However, to ensure prompt decision-making, the Company has established deliberation standards for meetings of the Board of Directors and delegated authority, within a certain scope, to persons responsible for specific duties, including the President and other executives.

In addition, by appointing Executive Officers as assistants to Directors who execute duties, the Company has established a system that enables the delegation of business management responsibilities and prompt decision making with respect to business management.

The term for Directors (excluding Audit & Supervisory Committee Members) and Executive Officers shall be one year to enable the Company to respond flexibly to a volatile business environment.

Initiatives for Governance
Corporate Governance

Background and Experience of Directors (As of June 23, 2021)

	Age	Length of service as Director (years)	Planning/project management	Finance/accounting	Materials business	Machinery business	Electric power business	Technical development/manufacturing/facility technology	Overseas business	Legal/risk management	Insights into other industry sectors	Attendance at Board of Directors meetings (fiscal 2020)	Attendance at Audit & Supervisory Committee meetings (fiscal 2020)
Mitsugu Yamaguchi President, CEO and Representative Director	63	5	○	○	○	○	○	○	○	○		15 of 15 (100%)	—
Fusaki Koshiishi Executive Vice President and Representative Director	61	6	○		○			○				15 of 15 (100%)	—
Koichiro Shibata Executive Vice President and Representative Director	62	3	○		○			○				15 of 15 (100%)	—
Yoshihiko Katsukawa Director, Executive Officer	59	3	○	○		○	○			○		15 of 15 (100%)	—
Hajime Nagara Director, Executive Officer	59	1	○		○				○	○		11 of 11 (100%)	—
Takao Kitabata Independent Director	71	11								○	○	15 of 15 (100%)	—
Hiroyuki Bamba Independent Director	67	4	○					○			○	15 of 15 (100%)	—
Yumiko Ito Independent Director	62	2								○	○	14 of 15 (93%)	—
Hiroshi Ishikawa Director, Audit & Supervisory Committee Member	63	3	○			○			○			15 of 15 (100%)	17 of 17 (100%)
Yasushi Tsushima Director, Audit & Supervisory Committee Member	61	3	○	○	○	○	○					15 of 15 (100%)	17 of 17 (100%)
Yoshiiku Miyata Independent Director, Audit & Supervisory Committee Member	68	5	○						○		○	15 of 15 (100%)	17 of 17 (100%)
Masaaki Kono Independent Director, Audit & Supervisory Committee Member	64	1	○	○							○	11 of 11 (100%)	11 of 11 (100%)
Kunio Miura Independent Director, Audit & Supervisory Committee Member	68	1								○	○	11 of 11 (100%)	11 of 11 (100%)

Note: The Board of Directors and the Audit & Supervisory Committee have met 11 times each since June 24, 2020, when Directors Hajime Nagara, Masaaki Kono, and Kunio Miura assumed the post of Director.

Evaluation of the Board of Directors

The Company's Board of Directors evaluated its effectiveness by conducting a survey targeting all 16 Directors who served in fiscal 2020. Based on the aggregated results of the survey and interviews, the Corporate Governance Committee submitted to the Board of Directors an initial

evaluation and recommendations for improvements. The Board of Directors then reviewed the evaluation results and analyzed current issues and deliberated future initiatives for improving effectiveness.

Evaluation Results for Fiscal 2020

Overview of the Effectiveness Evaluation of the Board of Directors

Targets	All 16 Directors
Implementation process	Conducting a questionnaire targeting all Directors and holding interviews with each of them by the Corporate Governance Committee
Evaluation items	(1) Structure of the Board of Directors; (2) Agenda of the Board of Directors; (3) Documents for the Board of Directors; (4) Management of the Board of Directors; (5) Provision of information to Independent Directors; (6) Monitoring and supervision of Directors; (7) Other items (status of measures to prevent recurrence of the quality misconduct, formulation of the Medium-Term Management Plan, etc.)
Evaluation method	· Based on the results of the questionnaire and interviews, the Corporate Governance Committee submitted to the Board of Directors the results of the effectiveness evaluation and proposed the future direction for improving the effectiveness. · The Board of Directors reviewed the evaluation results and identified current issues. Based on these, the Board of Directors deliberated future initiatives for improving effectiveness and passed resolutions on future measures.

for the Board of Directors have been drawn up by the secretariat and distributed to people concerned to make continuous improvements in the preparation of appropriate documents.

Considering the above, the Company deems that the effectiveness of the Board of Directors has been steadily improved based on the previous effectiveness evaluation results. In addition, the Company recognizes that it is a future issue to further improve the effectiveness of the Board of Directors by promoting management focusing on management strategies and risk management to enhance corporate value along with changes in the composition of the Board of Directors and the criteria for submission of proposals.

Future Initiatives for Improving Effectiveness

In particular, with regard to communication with the executive side for strengthening monitoring functions, specific measures will be considered and implemented focusing on the following points:

1. Selection of matters to be discussed by the Board of Directors
2. Method of cooperation with committees that have Companywide functions, which assist the Executive Council as auxiliary bodies
3. Review of the business execution status report (reporter, contents, etc.)
4. Establishment of a system to provide feedback on the results of discussions at the Board of Directors to the executive side

The results of the Evaluation of the Board of Directors' Effectiveness are available on the following page of our website.

https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html



Summary of Analysis and Evaluation Results

In fiscal 2020, the Board of Directors and the Meetings of Independent Directors held discussions on several occasions in order to examine the direction of management strategies from a medium- to long-term perspective, the promotion of sustainability management, and the optimal management system. Based on the results of discussions, the Board of Directors formulated the framework of the Medium-Term Management Plan for fiscal 2021 to 2023. Besides, focusing on the areas for improvement identified in the effectiveness evaluation in fiscal 2019, the Board of Directors drastically revised the composition of its membership and the criteria for submission of proposals to the Board of Directors in order to further strengthen its monitoring functions. In addition, Guidelines for the Preparation of Materials

Remuneration for Directors, Executive Officers and Accounting Auditor

Remuneration for Directors and Executive Officers

The Company has set forth the following remuneration system for Directors and Executive Officers in order to improve medium- to long-term corporate value, as well as to effectively offer incentives for Directors and Executive Officers to carry out their expected roles to their fullest capacities.

1. Basic Approach to Remuneration for Directors and Executive Officers

1. The system aims to secure talented human resources who can contribute to the Company's sustainable development, and appropriately compensate for such efforts.
2. The system aims to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
3. 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.
4. 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.

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.

3. Of performance-based compensation, the standard pay amount for the portion linked to division performance will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank, the amount for the portion linked to individual evaluation will be set at the level of -5% to 5% of basic remuneration for each rank and remuneration rank, and the value of medium- to long-term incentive compensation provided per fiscal year will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank.

4. Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders:

- Remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members)
 - The limit of basic remuneration
 - Within a total of 650 million yen per fiscal year
 - The limit of performance-based compensation
 - Within a total of 350 million yen per fiscal year
 - The upper limit on the number of points granted medium- to long-term incentive compensation
 - 671,400 points per fiscal year
- Remuneration for Directors who are also Audit & Supervisory Committee Members (basic remuneration only)
 - Within a total of 132 million yen per fiscal year

3. Performance-Based Compensation

1. In terms of the portion linked to division performance of performance-based compensation, a performance target will be set based on business management indices as stated in the Medium-Term Management Plan. Each business division also sets a performance target based on performance management indices for each business division. The amount to be paid is determined by multiplying the

Initiatives for Governance Corporate Governance

- standard pay amount for each rank and remuneration rank by 0–200% according to the accomplishment of the target. The business management indices, which serve as the basis of calculation, are established by the Board of Directors.
- The portion linked to individual evaluation of performance-based compensation is subject to comprehensive evaluation, including the performance of assigned duties and business unit, the accomplishment of the target, and other aspects. The amount to be paid is determined by multiplying the basic remuneration for each rank and remuneration rank by -5% to 5% according to the evaluation results. Evaluation for Executive Officers overseeing business divisions and heads of business divisions is determined by the President, and evaluation for other Executive Officers is determined by the President after primary evaluation by Executive Officers overseeing business divisions and heads of business divisions. The details of evaluation are reported to the Nomination & Compensation Committee.
 - The calculation methods for the standard pay amount and coefficients for each rank and remuneration rank are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
 - Business management indices are disclosed in the Business Report.

Note: Raising the level of profit attained through the steady execution of strategic investments was set as an important management issue, and the Company placed emphasis on how much profit was gained from its total assets including strategic investments leading up to fiscal 2020. Accordingly, the Company adopted "a consolidated ROA of 5% or more" for net income attributable to owners of the parent as stated in the Medium-Term Management Plan as the index. From fiscal 2021, the Company will promote efforts to make efficient use of management resources and strengthen the management foundation with an awareness of capital costs by establishing an evaluation index based on business management indices such as ROIC, etc. which is emphasized in the new Medium-Term Management Plan.

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

Performance-based compensation = Standard pay amount for each rank and remuneration rank × Coefficient based on evaluation index*

*Coefficient based on evaluation index: Net income equivalent to ROA of 5% over the given period is the indicator used for the coefficient for calculating performance-based compensation. The coefficient reflects 70% of the portion linked to Companywide performance and 30% of the portion linked to division performance that is determined based on actual duties assigned to each Director/Executive Officer. If the scope of duties assigned to a Director/Executive Officer is the Head Office (including the Technical Development Group) or the electric power business, then said Director's/Executive Officer's performance-based compensation does not include the portion of compensation linked to division performance. In that case, the coefficient reflects 100% of the portion linked to Companywide performance.

4. Medium- to Long-Term Incentive Compensation

- For medium- to long-term incentive compensation, a system known as Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit uses a base point number calculated based on the standard pay amount for each rank and remuneration rank, and the number of points determined by multiplying the base point number by 0–100% according to Companywide net income and the state of dividend payment for each fiscal year will be granted. On a fixed date during each trust period of three years, the number of the Company's shares will be provided according to the number of points granted.
- The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation

Regulations for Directors and Executive Officers.

- As funds for acquisition of shares by the trust, in principle, 1.1 billion yen will be contributed every three years. However, when there are remaining shares of the Company in the trust property as of the last day of the previous trust period, they will be used as funds for the subsequent trust periods, and an amount derived by deducting the amount of the remaining Company shares, etc. from 1.1 billion yen will be contributed.

Point calculation method for granting medium- to long-term incentive compensation

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

*The coefficient based on evaluation index is determined according to actual dividends and net income.

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

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

6. Method to Determine Remuneration Standards

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

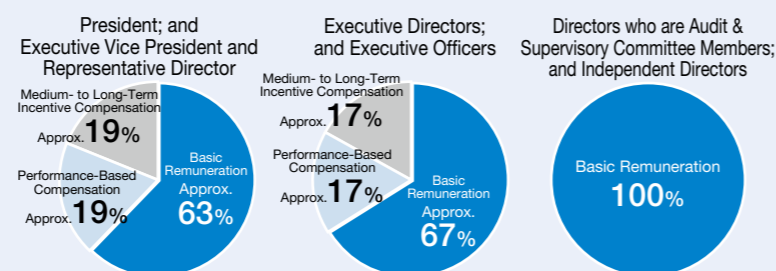
7. Method to Determine and Examine Remuneration Policy

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

Reference

Breakdown of Remuneration by Position

The pie charts on the right show the breakdown of remuneration by position. The percentages of the performance-based compensation and medium- to long-term incentive compensation are higher for the positions that require a higher level of performance and responsibility.



*1 The amounts of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation granted vary depending on business results. The range of fluctuation is 0–200% of the base amount for the portion linked to division performance of performance-based compensation and 0–100% of the base amount for medium- to long-term incentive compensation. The percentages of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation in the above table are based on each amount being 100% of the base amount. In addition to the above table, the amount for the portion linked to individual evaluation is paid in the range of -5% to 5% of basic remuneration.

*2 Executive Directors and Executive Officers are based on a standard remuneration rank.

TOPICS

Reference Value and Results for Each Remuneration Category

Remuneration Category	Performance-Based Compensation	Medium- to Long-Term Incentive Compensation
Index	Consolidated ROA	Net income attributable to owners of the parent
Reference value for fiscal 2020	5.0%	73 billion yen
Results for fiscal 2020	0.6%	23.2 billion yen

The Activities of the Board of Directors and the Nomination & Compensation Committee in Recent Fiscal Years

The following items regarding the remuneration for Directors and Executive Officers in fiscal 2020 were deliberated by the Nomination & Compensation Committee and then decided on by the Board of Directors:

Timing	Items deliberated and decided on
February 2020	Reduction of basic remuneration
May 2020	Further reduction of basic remuneration
February 2021	Revision of the remuneration system for Directors and Executive Officers
May 2021	The amounts of performance-based compensation and medium- to long-term incentive compensation for fiscal 2020

Information on the Company's remuneration system for Directors and Executive Officers is available on the following page of our website.

https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html



(Reference)

Remuneration of Directors for fiscal 2020

Category	Number of Directors (Persons)	Amount (Millions of Yen)	Breakdown of Total Remuneration (Millions of Yen)			Remarks
			Basic Remuneration	Performance-Based Compensation	Medium- to Long-Term Incentive Compensation	
Directors excluding Audit & Supervisory Committee Members (of whom are Independent Directors)	14 (3)	449 (40)	370 (40)	32 (None)	46 (None)	The number of payees and the amount of payment include three Internal Directors (who are not Audit & Supervisory Committee Members) and two Independent Directors (who are Audit & Supervisory Committee Members) who resigned during fiscal 2020.
Directors who are Audit & Supervisory Committee Members (of whom are Independent Directors)	7 (5)	106 (44)	106 (44)	— (None)	— (None)	
Total	21	556	477	32	46	

Note: Taking seriously the large net loss attributable to owners of the parent and the forgoing of the annual dividend, the Company has reduced the basic remuneration for Directors (excluding Independent Directors and Directors who are Audit & Supervisory Committee Members) by 8–20% from February 2020 to April 2020 and by 13–25% for the time being from May 2020.

Remuneration for Accounting Auditor

In fiscal 2020, remuneration and other amounts payable to the Accounting Auditor by the Company totaled 153 million yen, and the total amount of money and other financial interests payable by the Company and its subsidiaries was 474 million yen.

Verification Results regarding Strategic Holdings of Shares

The Board of Directors has reviewed the necessity of all the strategic holdings of listed companies' shares held by the Company as of March 31, 2021. A summary of the results is as follows.

Scope of verification	All the strategic holdings of listed companies' shares held by the Company as of March 31, 2021 (33 companies' shares)
Verification details	<p>We verified whether the holding of each company's shares contributes to strengthening the Company's business foundation and to improving the Company's corporate value over the medium to long term, based on the following evaluation items, and comprehensively judged the reasonableness of each shareholding.</p> <p>Evaluation items</p> <ul style="list-style-type: none"> (i) Scale and importance as a business partner (volume of transactions, share of transactions, and stable procurement) (ii) Relationship as an alliance partner (economic effect of the alliance) (iii) Dividend yield

Verification Results

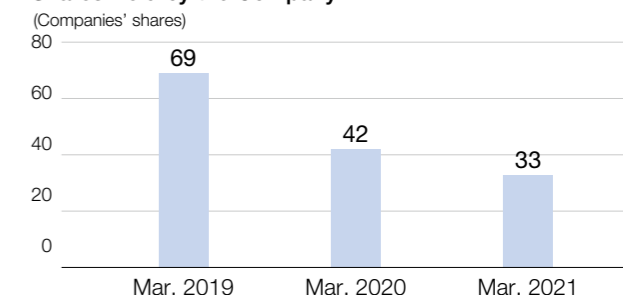
In fiscal 2020, it was confirmed that all of 8 holdings and part of 2 holdings among the holdings of shares in 42 listed companies as of March 31, 2020, had been sold, after reaching a consensus with the counterparty, in reflection of the verification of the reasonableness of these holdings from the perspective of capital and asset efficiency.

As of the end of March 2021, the Company holds 33 companies' shares, one of which was delisted on March 30. The holdings of shares in 32 listed companies, excluding one sold in fiscal 2021, have been judged to be reasonable as they are contributing to strengthening the Company's business foundation and to improving the

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

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

Changes in the Strategic Holdings of Listed Companies' Shares Held by the Company



For more information on the verification results regarding strategic holdings of shares, please see the Company's corporate website.

https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html



Initiatives for Governance

Directors (Including Audit & Supervisory Committee Members) (As of June 23, 2021)

Directors



President, CEO and Representative Director
Mitsugu Yamaguchi
 Compliance Committee Member
 Nomination & Compensation Committee Member
 Corporate Governance Committee Member
 Number of Company shares owned: 44,700
 Apr. 1981 Joined the Company
 Apr. 2011 Officer
 Apr. 2013 Senior Officer
 Apr. 2015 Executive Officer
 Jun. 2016 Director, Senior Managing Executive Officer
 Apr. 2017 Executive Officer
 Apr. 2018 Executive Vice President and Representative Director
 Apr. 2018 President, CEO and Representative Director (incumbent)



Executive Vice President and Representative Director
Fusaki Koshiishi
 Quality Management Committee Member
 Number of Company shares owned: 39,900
 Apr. 1984 Joined the Company
 Apr. 2012 Officer
 Apr. 2014 Senior Officer
 Jun. 2015 Managing Director
 Apr. 2016 Director, Senior Managing Executive Officer
 Apr. 2018 Executive Vice President and Representative Director (incumbent)
Duties
 Oversees the Environment and Safety Department and the Quality Management Department. Oversees companywide health and safety. Oversees companywide environmental protection and disaster prevention. Oversees companywide quality.



Executive Vice President and Representative Director
Koichiro Shibata
 Number of Company shares owned: 25,200
 Apr. 1984 Joined the Company
 Apr. 2012 Officer
 Apr. 2014 Senior Officer
 Apr. 2016 Senior Managing Executive Officer
 Apr. 2018 Executive Vice President
 Jun. 2018 Executive Vice President and Representative Director (incumbent)

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



Director, Executive Officer
Yoshiniko Katsukawa
 Corporate Governance Committee Member
 Number of Company shares owned: 25,200
 Apr. 1985 Joined the Company
 Apr. 2015 Officer
 Apr. 2017 Managing Executive Officer
 Apr. 2018 Senior Managing Executive Officer
 Jun. 2018 Director, Senior Managing Executive Officer
 Apr. 2021 Director, Executive Officer (incumbent)

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



Director, Executive Officer
Hajime Nagara
 Compliance Committee Member
 Corporate Governance Committee Member
 Number of Company shares owned: 23,900
 Apr. 1985 Joined the Company
 Apr. 2016 Executive Officer
 Apr. 2018 Managing Executive Officer
 Apr. 2020 Senior Managing Executive Officer
 Jun. 2020 Director, Senior Managing Executive Officer
 Apr. 2021 Director, Executive Officer (incumbent)

Duties
 Oversees the Internal Control and Audit Department, the Legal Department, the General Administration and CSR Department, the Human Resources Department, the Civil Engineering & Construction Technology Department, the Machinery & Materials Procurement Department, the Rugby Administration Office, domestic branch offices and sales offices, and Takasago Works (departments under its direct supervision). Oversees companywide compliance.



Independent Director
Takao Kitabata
 Chairman of the Board of Directors
 Nomination & Compensation Committee Member (Committee Chair)
 Corporate Governance Committee Member
 Number of Company shares owned: 9,400
 Apr. 1972 Joined the Ministry of International Trade and Industry
 Jun. 2004 Director-General, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry (METI)
 Jul. 2006 Vice-Minister of Economy, Trade and Industry
 Jul. 2008 Resigned from METI
 Jun. 2010 Director of the Company (incumbent)
 Outside Corporate Auditor of Marubeni Corporation
 Jun. 2013 Chairman of SANDA GAKUEN Junior High School-Senior High School (incumbent)
 Outside Director of Zoon Corporation (incumbent)
 Outside Director of Marubeni Corporation (incumbent)
 Apr. 2014 Principal of SANDA GAKUEN Junior High School-Senior High School
 Jun. 2014 Outside Director of Saen Co., Ltd. (incumbent)
 Outside Director of Zoon Corporation (incumbent)
 Mar. 2019 Resigned as Chairman of SANDA GAKUEN Junior High School-Senior High School
 Apr. 2020 President of Kaishi Professional University (incumbent)



Independent Director
Hiroyuki Bamba
 Corporate Governance Committee Member (Committee Chair)
 Number of Company shares owned: 8,300
 Apr. 1976 Joined Sumitomo Rubber Industries, Ltd.
 Mar. 2000 Director of Sumitomo Rubber Industries, Ltd.
 Mar. 2003 Executive Officer of Sumitomo Rubber Industries, Ltd.
 Jul. 2003 President and Director of SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)
 Mar. 2011 Chairman and Director of SRI Sports Limited
 Mar. 2015 Counselor to Sumitomo Rubber Industries, Ltd.
 Jun. 2015 Outside Director of Sekisui Plastics Co., Ltd. (currently Sekisui Kasei Co., Ltd.) (incumbent)
 Jun. 2017 Director of the Company (incumbent)



Independent Director
Yumiko Ito
 Corporate Governance Committee Member
 Number of Company shares owned: 4,000
 Apr. 1984 Legislation Staff (Sanji), The Legislative Bureau of the House of Representatives of Japan
 Apr. 1989 Admitted to the bar in Japan, Sakawa Law Office
 Jul. 1991 Yamabe & Partners
 Apr. 2001 General Counsel, Legal & Patent Operation, GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)
 May 2004 Staff Counsel, Legal & Intellectual Property, IBM Japan, Ltd.
 Mar. 2007 Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)
 Apr. 2013 Executive Officer and General Counsel, Sharp Corporation
 Jun. 2013 Director, Executive Officer and General Counsel, Sharp Corporation
 Apr. 2014 Director, Executive Managing Officer and General Counsel, Sharp Corporation
 Jun. 2016 Executive Managing Officer and General Counsel, Sharp Corporation
 Mar. 2019 Resigned as Executive Managing Officer and General Counsel, Sharp Corporation
 Apr. 2019 Established Ito Law Office; appointed as Representative (incumbent)
 Jun. 2019 Director of the Company (incumbent)
 Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd. (incumbent)

Directors, Audit & Supervisory Committee Members



Director (Audit & Supervisory Committee Member, full time)
Hiroshi Ishikawa
 Number of Company shares owned: 16,900
 Apr. 1982 Joined the Company
 Apr. 2014 Officer
 Apr. 2016 Managing Executive Officer
 Jun. 2018 Director, Audit & Supervisory Committee Member (incumbent)



Director (Audit & Supervisory Committee Member, full time)
Yasushi Tsushima
 Number of Company shares owned: 14,600
 Apr. 1982 Joined the Company
 Apr. 2013 Officer
 Jun. 2015 Director, Managing Executive Officer of Kobelco Construction Machinery Co., Ltd.
 Apr. 2018 Director of Kobelco Construction Machinery Co., Ltd.
 Jun. 2018 Director, Audit & Supervisory Committee Member (incumbent)



Independent Director, Audit & Supervisory Committee Member
Yoshiiku Miyata
 Number of Company shares owned: 20,300
 Apr. 1977 Joined Matsushita Electric Industrial Co., Ltd.
 Apr. 2007 Executive Officer of Matsushita Electric Industrial Co., Ltd.
 Apr. 2009 Managing Executive Officer of Panasonic Corporation
 Apr. 2011 Senior Managing Executive Officer of Panasonic Corporation
 Jun. 2011 Senior Managing Director & Member of the Board of Panasonic Corporation
 Jun. 2014 Corporate Advisor of Panasonic Corporation
 Mar. 2015 Outside Director of TonenGeneral Sekiyo K.K.
 Dec. 2015 Resigned as Corporate Advisor of Panasonic Corporation
 Jun. 2016 Director, Audit & Supervisory Committee Member (incumbent)
 Apr. 2017 Outside Director of JXTG Holdings, Inc. (currently ENEOS Holdings, Inc.) (incumbent)



Independent Director, Audit & Supervisory Committee Member
Masaaki Kono
 Audit & Supervisory Committee Chair
 Nomination & Compensation Committee Member
 Corporate Governance Committee Member
 Number of Company shares owned: 1,400
 Apr. 1979 Joined The Dai-ichi Kangyo Bank, Limited
 Mar. 2006 Executive Officer of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
 Apr. 2008 Managing Executive Officer of Mizuho Corporate Bank, Ltd.
 Apr. 2011 Managing Executive Officer, Head of Risk Management Group, Head of Human Resources Group, and Head of Compliance Group of Mizuho Financial Group, Inc.
 Jun. 2011 Managing Director and Managing Executive Officer of Mizuho Financial Group, Inc.
 Apr. 2012 Managing Executive Officer of Mizuho Bank, Ltd.
 Managing Executive Officer of Mizuho Corporate Bank, Ltd.
 Apr. 2013 Director of Mizuho Financial Group, Inc. Deputy President and Deputy President-Executive Officer (Representative Director) of Mizuho Bank, Ltd.
 Deputy President & Executive Officer of Mizuho Corporate Bank, Ltd.
 Jul. 2013 Deputy President & Executive Officer of Mizuho Financial Group, Inc.
 Apr. 2016 Resigned as Deputy President and Deputy President-Executive Officer (Representative Director) of Mizuho Bank, Ltd.
 Resigned as Deputy President & Executive Officer of Mizuho Financial Group, Inc.
 Advisor of Orient Corporation
 Jun. 2016 President and Representative Director of Orient Corporation
 Apr. 2020 Chairman and Representative Director of Orient Corporation
 Jun. 2020 Director, Audit & Supervisory Committee Member (incumbent)
 Chairman and Director of Orient Corporation (incumbent)



Independent Director, Audit & Supervisory Committee Member
Kunio Miura
 Compliance Committee Member (Committee Chair)
 Number of Company shares owned: 1,400
 Apr. 1979 Appointed as judge
 Mar. 1988 Resigned as judge
 Apr. 1988 Admitted to the bar in Japan
 Apr. 1997 Established Kawamoto and Miura Law Office; appointed as Representative (incumbent)
 Jun. 2003 Outside Corporate Auditor of YAMAHA CORPORATION
 Jun. 2008 Outside Audit & Supervisory Board Member of ASahi INTELLIGENCE SERVICE CO., LTD. (incumbent)
 Jun. 2010 External Corporate Auditor of Sumitomo Seika Chemicals Company, Limited (incumbent)
 Jun. 2020 Director, Audit & Supervisory Committee Member (incumbent)

Initiatives for Governance Risk Management

Basic Policy

In order to respond appropriately to risks that may damage the Group's corporate value, the KOBELCO Group is working on risk management activities in reference to the international guidance issued by COSO. We have identified high-priority risks that are likely to have a significant impact on the entire Group, if risk materializes, and have defined them as Top Risks or Significant Risks. Risk management activities are promoted under the leadership of the Risk

Owners (the Executive Officers in charge). The Board of Directors receives reports on action plans and the implementation status of activities including response to ESG risks associated with the environment, climate change, natural disasters, human rights, health and safety, and quality, etc. The status of these activities is monitored by senior management.

Management Structure

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

To ensure the effectiveness of risk management activities, the Board of Directors manages and supervises these activities by receiving reports on action policies of overall risk management, action plans of reducing individual Top Risks and Significant Risks, and the implementation status, and links them to plans for the next fiscal year and beyond. Reports to the Board of Directors include results of discussion about risk management activities at the Executive Council and activity results of the Risk Management Committee.

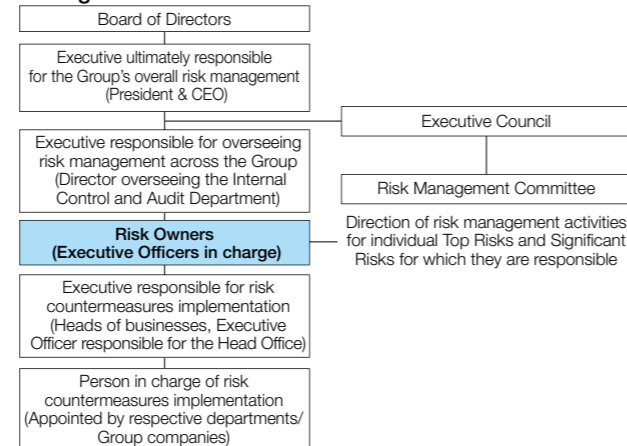
Implementation of Risk Management Activities

Under the direction of the Risk Owners, the management of individual risks are carried out by the person in charge of risk countermeasures implementation in each division

Types and Definitions of Risk

Type of Risk	Definition
Top Risks	Of Significant Risks, risks that are likely to have a more serious impact if they materialize
Significant Risks	Risks that have a major impact on the Group and its stakeholders
Departments/ Companies Specific Risks	Risks identified by departments and companies that are not Top Risks or Significant Risks

Management Structure

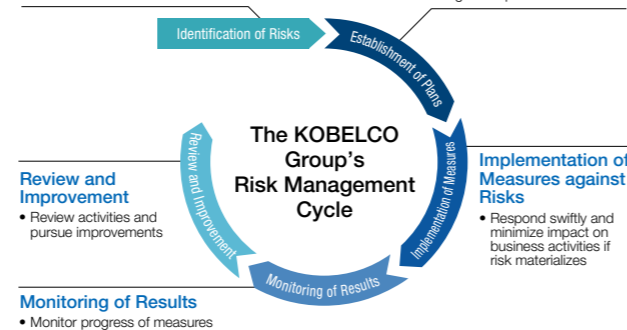


Identification of Risks

- Identify risks requiring response according to changes in the operating environment and incidents of risk inside and outside the Company
- Select risks to be managed based on potential level of impact

Establishment of Risk Management Plans

- Establish management plans for individual risks
- Formulate risk measures based on management plans



in the following cycle: identifying risks, formulating risk management plans, implementing these plans, assessing results, and identifying required improvement for the following fiscal years. These activity results are checked by senior management and reflected in the plan for the next fiscal year and beyond. This system is being actively applied to Group companies as well. Since fiscal year 2021, the newly established Risk Management Committee has been working to improve the effectiveness of risk management by undertaking the tasks such as formulating basic policies concerning risk management in general and specific policies concerning important issues in risk management, and evaluating the results.

While implementing risk countermeasures, we have established a Companywide system to respond to serious risks in a timely and appropriate manner, if such risks materialize.

Among risks related to our Group's businesses, those that have the potential to influence investor decisions are described in the Company's annual securities report (Japanese only).

To the right is a list of the risks described in the annual securities report for fiscal 2020.

Changes in the Operating Environment
1) Economic trends in major markets
2) Product supply and demand conditions, and fluctuations in product prices
3) Fluctuations in prices of raw materials, etc.
Factors with Potential to Materially Impact the Group Management
1) Occupational accidents, equipment accidents, etc.
2) Natural disasters, pandemics, wars, and acts of terrorism
3) Quality-related risks
4) Impact of environmental and climate-related regulations, etc.
5) Legal and public regulations
6) Litigation risks
7) Human resources risks
8) Financial risks
9) Factors affecting progress of the current Medium-Term Management Plan
10) Protection of intellectual property rights and violations of rights of third parties
11) Information management issues and information leakage

TOPICS Actions for Major Risks

Risks	Actions (Examples)	Reference Pages
Environmental regulations	<ul style="list-style-type: none"> Promoting an environmental management system at production sites Implementation of environmental audits by the Head Office (paper and on-site audits) Environmental training and study at overseas and domestic locations 	[Environmental actions] pp. 66–67 [Risk management] The Company's corporate website: https://www.kobelco.co.jp/english/sustainability/risk.html
Natural disasters	<ul style="list-style-type: none"> Refining Business Continuity Plan (BCP) at production sites Reviewing and implementing measures based on latest information on wind and flood damage in recent years and hazard maps issued by the government 	[Strengthening preparedness for natural disasters] The Company's corporate website: https://www.kobelco.co.jp/english/sustainability/risk.html
Safety management	<ul style="list-style-type: none"> Further strengthening basic safety management and the implementation of activities (rebuilding and formulating corporate safety standard practices and providing thorough training) Creating a PDCA framework for spiraling up the safety management through initiatives with full employee participation and individual guidance (encouraging all employees to participate in safety activities proactively and raising their safety awareness through individual guidance) 	[Health and safety] p. 77
Quality	<ul style="list-style-type: none"> Monitoring and advising on activities to strengthen quality management throughout the KOBELCO Group by the Quality Management Committee, with external experts forming a majority of members Eliminating opportunities for mishandling test/inspection data using automated testing and inspection equipment Developing quality assurance personnel, and in-house education programs Implementing quality audits by the Head Office 	[Actions for quality] pp. 102–103

Initiatives for Governance Compliance

The KOBELCO Group recognizes that a corporation cannot exist without complying with laws and regulations, and social norms. Based on this understanding, we have positioned compliance as one of the key components of the business foundation that supports our business. We are building organizational structures and implementing initiatives outlined below to ensure compliance throughout the Group.

Compliance Code and Standards

The Corporate Code of Ethics, established in June 2000, sets the standards that must be observed by all Group companies, directors, and employees. It stipulates that we as good corporate citizens have responsibility of complying with laws and regulations, and social norms and contributing to society through the provision of superior products and services while exercising environmental mindfulness. The code has been revised according to changes in the business environment. For the purpose of practicing compliance, we have adopted

as the norms and standards for ensuring the compliance the Corporate Philosophy of the KOBELCO Group that set forth in particular “the Core Value of KOBELCO,” which are the commitments to society and the values shared by the entire group in order to promote the sustainable development of the group, and “the Six Pledges of KOBELCO,” which constitute a concrete code of conduct for all group employees to follow to fulfill the said commitments.

Compliance Committee

The Compliance Committee has been established as an advisory body to the Board of Directors. The committee drafts plans for Groupwide compliance activities, monitors the progress of these plans, and makes necessary revisions and improvements. The committee is comprised

of the President, two other internal members, and five external members, constituting a majority to provide a fair and impartial position, with one of the external members serving as the Committee Chair. Main Group companies have also established the Compliance Committee.

The KOBELCO Group's Compliance Program

Compliance activity plans are implemented based on the KOBELCO Group's Compliance Program. The Internal Control and Audit Department carries out the program in coordination with business divisions and Group companies under the supervision of the Executive Officer overseeing Companywide compliance and the Executive Officer responsible for Companywide compliance. The progress

of the compliance activities of Group companies is assessed in the following five areas. These compliance activity plans are implemented considering the characteristics of the respective businesses and regions in order to carry out comprehensive and effective compliance activities throughout the Group.

The KOBELCO Group's Compliance Program
Risk Assessment and Commitment
Setting Rules and Procedures and Securing Resources
Training and Communication
Monitoring and Response to Reports
Review and Improvement

Status of Compliance Activities

Risk Assessment and Commitment	<ul style="list-style-type: none"> Management's proactive stance toward compliance is communicated internally and externally. In addition, the Corporate Code of Ethics and the KOBELCO Group's Anti-Bribery Policy have been posted on the Company's corporate website. Compliance risks associated with the Group's business and organization are analyzed and assessed regularly based on internal and external trends. Risks pertaining to fair competition laws, anti-bribery, and trade security management have been identified as Top Risks for the Group, and relevant compliance systems have been established.
Setting Rules and Procedures and Securing Resources	<ul style="list-style-type: none"> The necessary compliance rules and procedures are being developed at domestic and overseas Group companies centered on fair competition laws, anti-bribery, and other Top Risks. Domestic and overseas Group companies are requested to appoint compliance representatives to enhance compliance promotion systems.
Training and Communication	<ul style="list-style-type: none"> The Company and domestic and overseas Group companies continuously conduct stratified compliance training as well as group training (currently online training) and e-learning programs on fair competition laws, anti-bribery laws, and other specific laws. Awareness regarding the internal reporting system is promoted on an ongoing basis through the distribution of cards and posters, the intranet, and Group newsletters.
Monitoring and Response to Reports	<ul style="list-style-type: none"> The Company and domestic and overseas Group companies conduct ongoing monitoring and audit pertaining to fair competition laws, anti-bribery, and trade security management. Certain domestic Group companies also introduced this program ahead of other companies and conducted diagnoses of the status of activities related to compliance systems in addition to the above three areas. Systems are put in place to ensure that all domestic and overseas Group employees can use the internal reporting system, and frameworks are being developed to ensure the swift discovery and remediation of compliance issues. <p>[Number of reports received via the internal reporting system in fiscal 2020: 112 (including domestic and overseas Group companies)]</p>
Review and Improvement	<ul style="list-style-type: none"> The Company has been conducting the Compliance Awareness Survey targeted at employees of the Company and domestic Group companies. The Company has been reviewing compliance activities based on internal and external trends and the results of the Compliance Awareness Survey.

For details of the Group's compliance activities, please see the Company's corporate website.

https://www.kobelco.co.jp/english/about_kobelco/kobesteel/ethics-compliance/index.html



TOPICS

Anti-Corruption Efforts

The KOBELCO Group's mission is to provide solutions to the needs of society. We are working on anti-corruption efforts based on the KOBELCO Group's Compliance Program. For details, please see the Company's corporate website below.

https://www.kobelco.co.jp/english/about_kobelco/kobesteel/ethics-compliance/index.html#anti-corruption



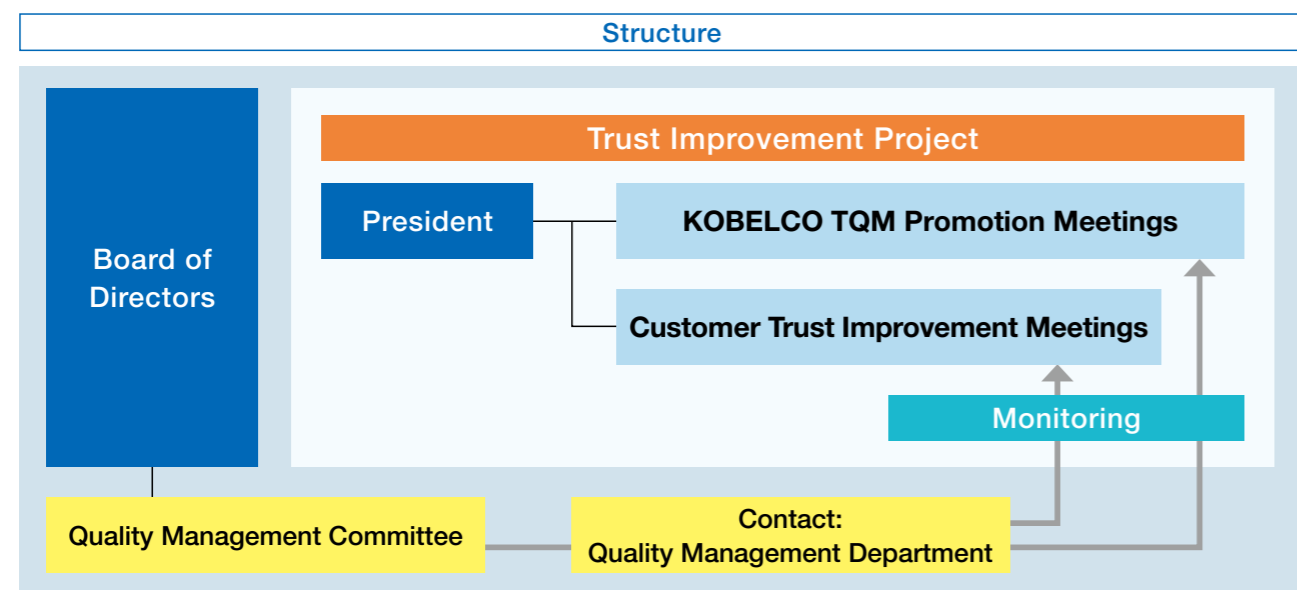
Initiatives for Governance

Quality Initiatives -Trust Improvement Project-

From Restoring Trust to Improving Trust

The Company has implemented measures to prevent recurrence of the quality misconduct since fiscal 2018 and completed planned activities. In addition, in fiscal 2020, our Company launched an initiative for Total Quality Management (TQM*) to prevent the quality misconduct from fading away, achieve sustainable growth and realize our Group Corporate Philosophy. In April 2021, we reorganized the Project for Restoring Trust into the

Trust Improvement Project led by the President to implement the initiative across the Group on a full scale. The Project is composed of KOBELCO TQM Promotion Meetings and the Customer Trust Improvement Meetings. Under the Trust Improvement Project, the Quality Management Committee, an advisory body to the Board of Director, continues to monitor and make recommendations from an objective perspective.



*TQM stands for Total Quality Management. As the next step after the completion of measures to prevent recurrence, KOBELCO TQM aims to strengthen the management of each business, while identifying issues that serve the needs of customers and society and addressing them with the participation of all employees.

KOBELCO TQM Promotion Meetings

KOBELCO TQM Promotion Meetings aims to improve not only the quality of product and service quality but also the overall quality of business activities such as business operations, organization, and management. The Meetings is also promoting the Companywide measures through promotion and planning of TQM activities in each business division as well as from the perspective of strengthening quality initiatives and *monozukuri*, which include personnel development, improvement of work quality, strengthening of quality assurance, and cross-divisional support for *monozukuri* to prevent the quality misconduct from being forgotten and achieve sustainable growth.

The action principles of KOBELCO TQM set forth

“customer perspective,” “participation of all members,” and “constant improvement” in accordance with the Core Values of KOBELCO in the Group Corporate Philosophy.

With a renewed recognition that reliable quality is “the starting point of *monozukuri*” and the key to building customer trust, our Company will continue to strengthen the management of each business division and focus on improving quality through KOBELCO TQM activities. In order to become a company indispensable to customers and society, we continue to provide products and services that satisfy our customers, while taking initiatives to identify social issues from the perspective of our customers and other stakeholders and work together to resolve them with all Group employees.

Strengthening Quality Initiatives

We continue to conduct quality audits by the Head Office to check the status of each business site and ensure that the quality assurance system is maintained and continuous improvement efforts are made. We performed audits in all target locations over two years in fiscal 2019 and 2020. We have decided to conduct audits once every three years in principle from fiscal 2021 and the plan is to visit 48 locations for audits in fiscal 2021. The Quality Guidelines took effect in May 2018 from the perspective of preventing misconduct and had been used as evaluation criteria of the Quality Assurance System for quality audits at our business locations, but it was revised in January 2021 with a wider scope of coverage. We plan to confirm the status of implementation at our business locations with the revised Quality Guidelines set as evaluation criteria for the Head Office Quality Audit. We will cooperate with each level of our organization in the Head Office, business divisions and business sites, to achieve an accreditation rate of 70% in compliance

with the Quality Guidelines among all target locations for the Group’s audits in the final fiscal year of the Medium-Term Management Plan. As for weakness in the Group’s quality assurance, we will continue to complement and strengthen the Quality Guidelines with the aim of raising the level of the Groupwide Quality Assurance System. As a measure to eliminate the possibility of any quality misconduct occurring, we have been promoting automation of testing and inspection equipment and have completed automation for approximately 1,500 items. (Automation is defined as a state in which data can be obtained without manual intervention, from the execution of tests and inspections to the preparation of test and inspection results.) Devices we have yet to automate include those which are technically difficult to do so, and we will continue to promote automation, while working on technology development and other measures.

Enhancing *Monozukuri*

We are working to enhance our *monozukuri* capability with a focus on the following items that aim to realize quality that satisfy customers.

- i) The Quality Caravan Team has been visiting each business site to deal with their problems. The Team visited 45 locations in the previous fiscal year and plans to visit 70 locations in fiscal 2021, from the perspective of quality enhancement as well.
- ii) To further revitalize QC activities and 5S activities, we

established the Support Task Force at the Head Office and began its activities. We plan and promote exchange meetings for the engineers who engage in the Company’s core production technologies. we have established sub-working groups for specific areas such as rolling technology, analysis technology, production control, facility management, etc. in order to promote technology exchanges and collaboration across the Group.

Customer Trust Improvement Meetings

The Subcommittee for Restoring Customers’ Trust began its activities in April 2018 for preventing recurrence of the quality misconduct in order to promote restoring trust through initiatives undertaken from the perspective of customers. The Subcommittee’s initiatives include putting together customers’ voices received at the time of the misconduct and sharing their feelings with employees through the KOBELCO Core Values Place. In addition, we are working to develop a framework where business divisions, departments and sections

can share information to facilitate business activities of the sales departments that contact customers. In April 2021, the Subcommittee changed its name to the Customer Trust Improvement Meetings with an objective of not only restoring trust from customers but also gaining even greater trust from them. We aim to enhance trust by continuously listening to customers’ voices and working on activities conducted from the perspective of customers.

Quality Management Committee

As in fiscal 2020, we will continue to operate the Quality Management Committee for the purpose of constantly monitoring the effectiveness of measures to prevent recurrence of the quality misconduct, monitoring

activities to improve quality management, and making recommendations throughout the Group. We plan to hold the Committee approximately four times in fiscal 2021.