

KOBELCO Group

Medium-Term Management Plan

(FY2021 – FY2023)

May 11, 2021

Kobe Steel, Ltd.

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2. New Medium-Term Management Plan

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Establishing a stable earnings base

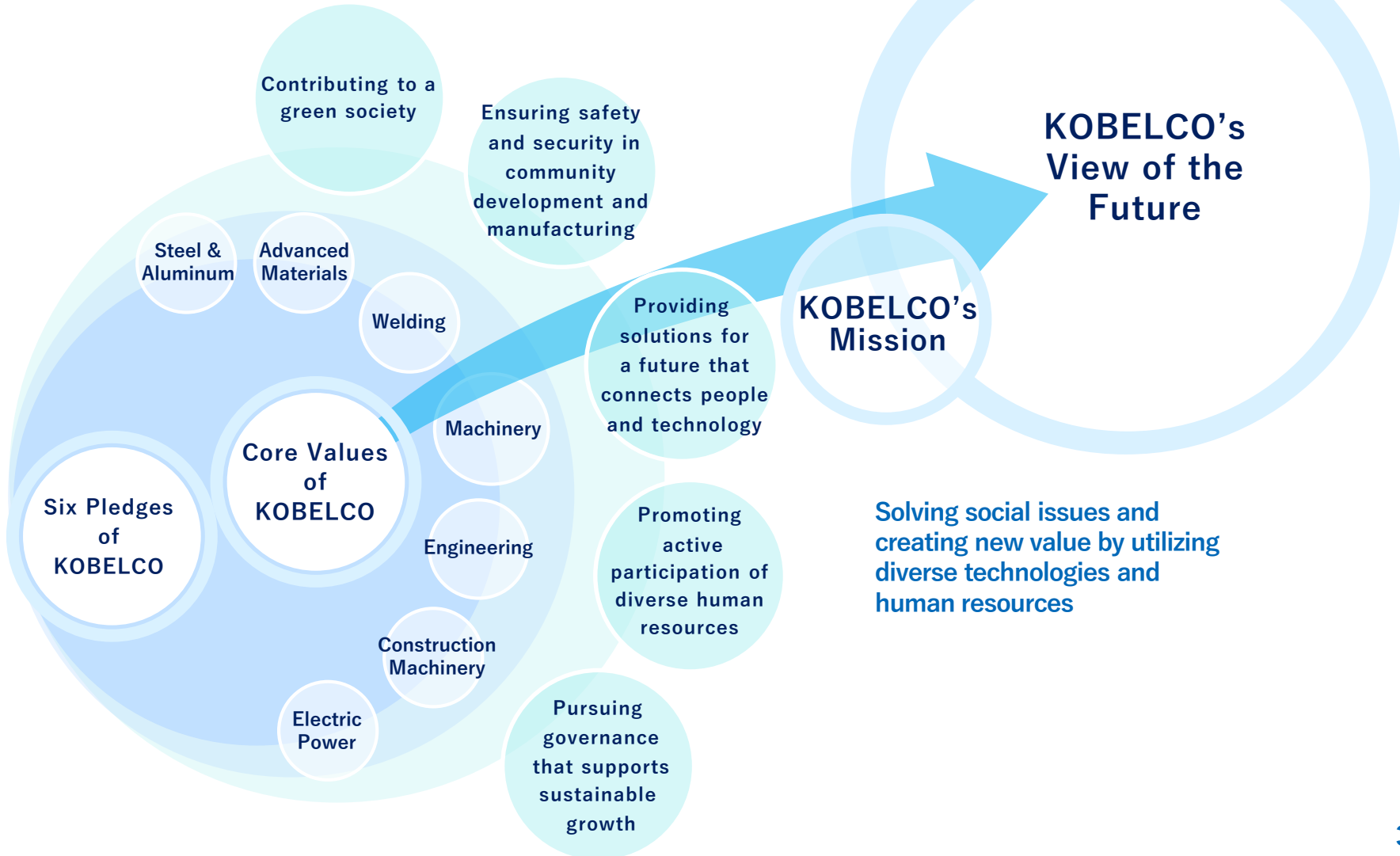
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The KOBELCO Group's Collective Strengths

The KOBELCO Group's Materiality



Introduction

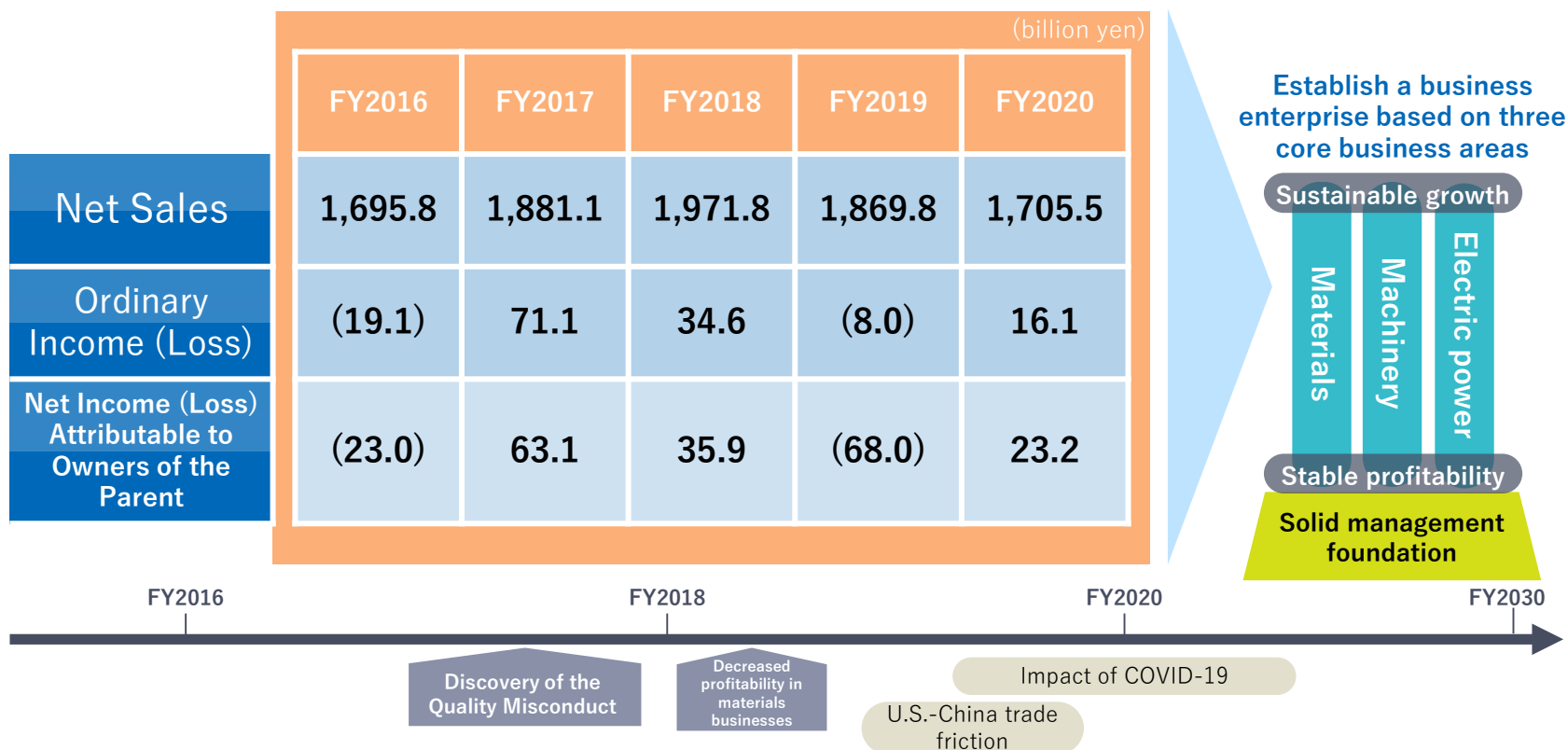
Summary of the Fiscal 2016-2020 Medium-Term Management Plan

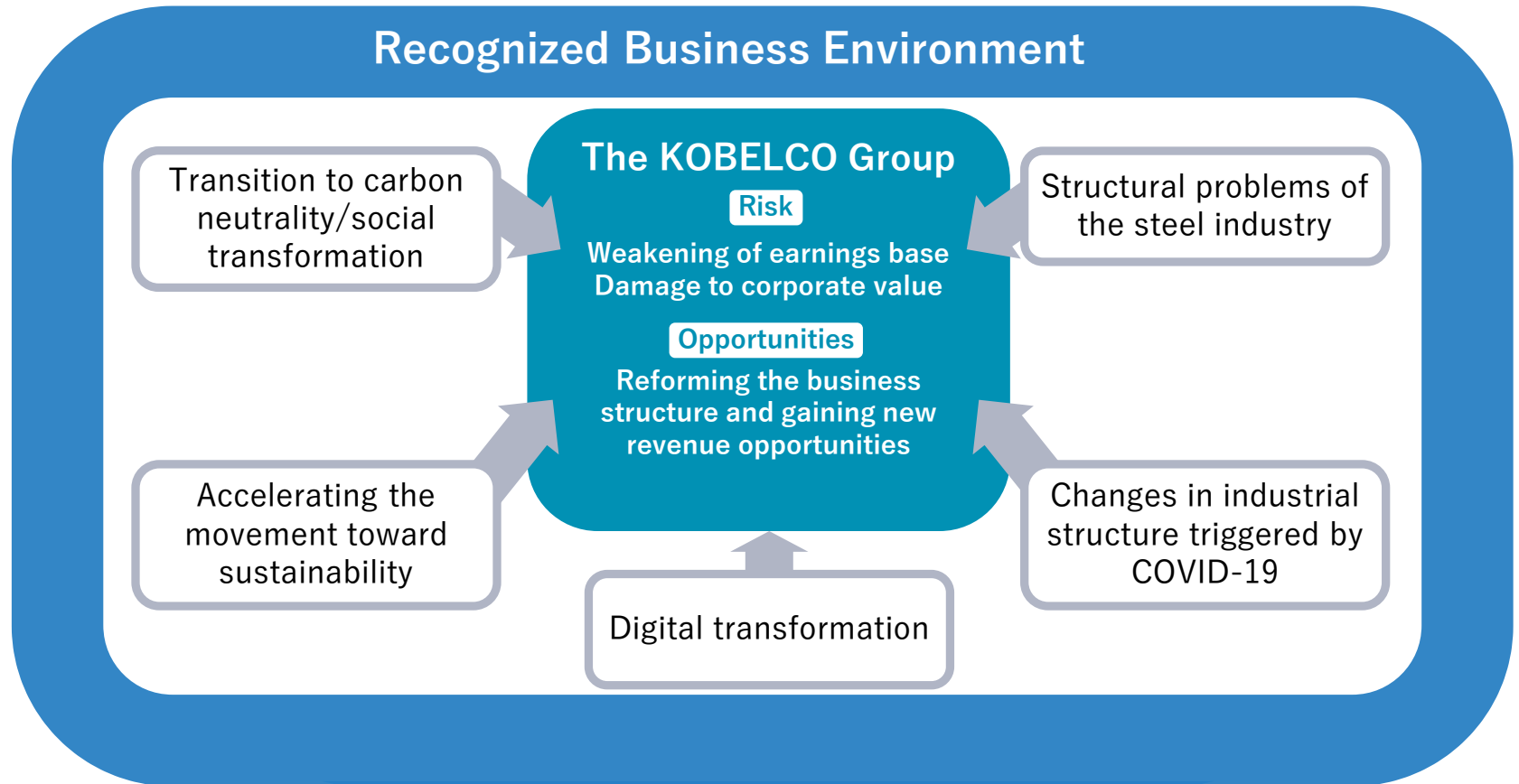
- ❖ Aiming to establish three core areas of business: materials, machinery and electric power, we pursued growth opportunities centering on automobile weight reduction strategies, while promoting measures to establish a stable earnings base through consolidation of upstream processes in the steel business and startup of new electric power projects.
- ❖ Although we have been actively investing in the automobile weight reduction strategies, it requires more time to produce earnings as originally expected due to changes in demand forecast and challenges in monozukuri capability. We have yet to reach our initial goal of establishing a business enterprise based on the three core areas centered on materials businesses.

Sustainability Management Based on the Group's Corporate Philosophy

KOBELCO VISION "G +"

(billion yen)



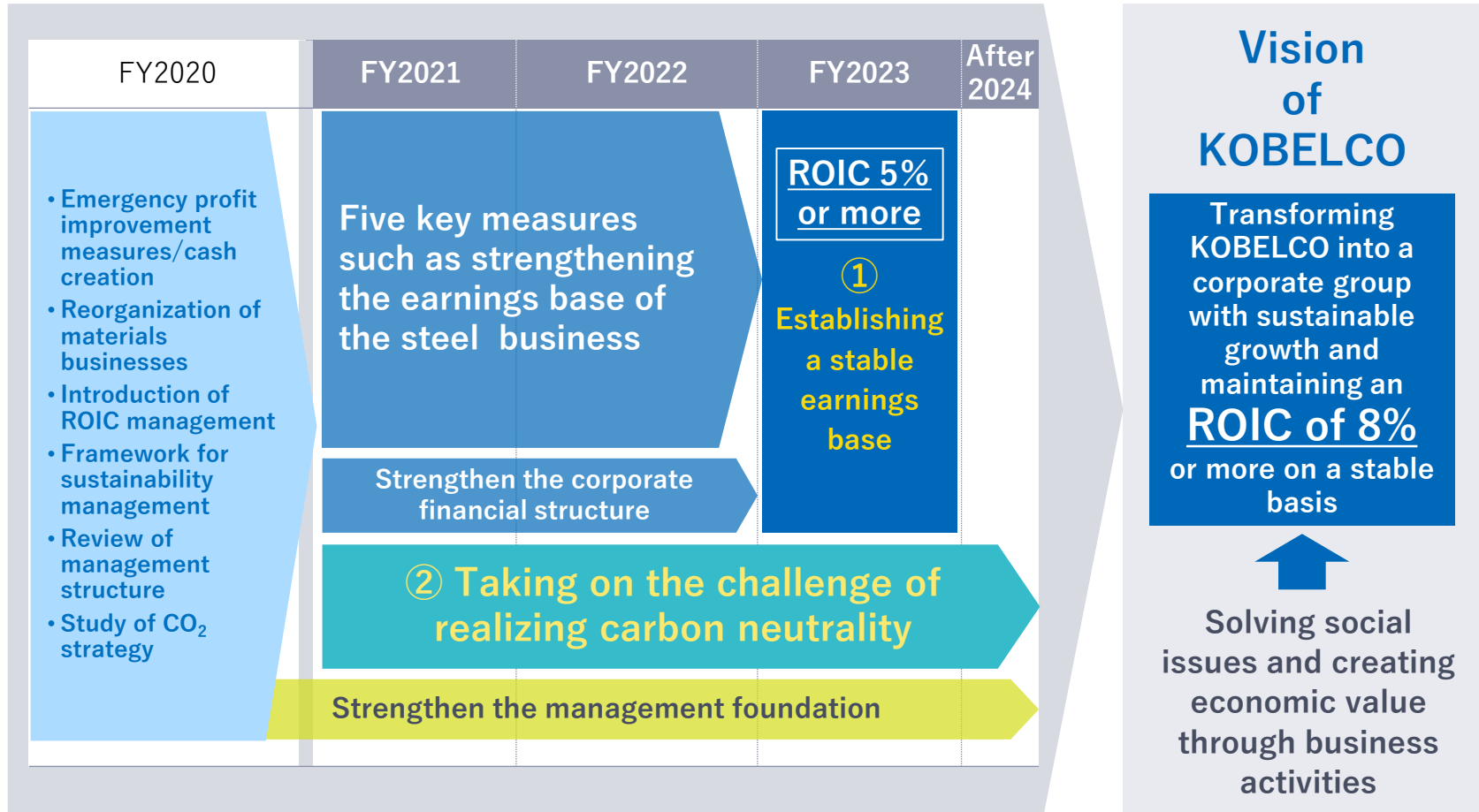


The two most important issues to be addressed in the new Medium-Term Management Plan

① Establishing a stable earnings base

② Taking on the challenge of realizing carbon neutrality

Returning to a growth trajectory



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Establishing a stable earnings base

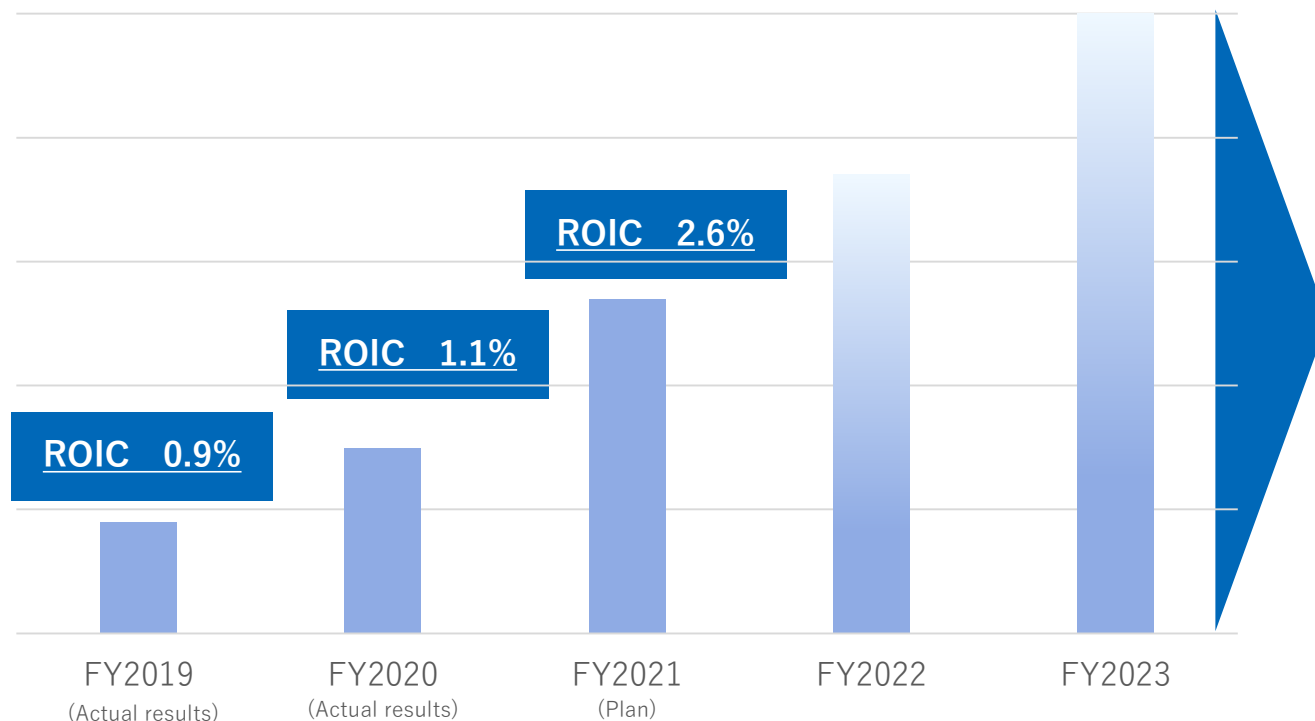
Achieving profitability (ROIC) goals

Key measures for establishing a stable earnings base

- ❖ Strengthening the earnings base of the steel business
- ❖ Smooth startup/stable operation of new electric power projects
- ❖ Strategic investment in the materials businesses leading to earnings contribution
- ❖ Restructuring unprofitable businesses
- ❖ Stabilizing earnings in the machinery business and responding to growing markets

Returning to a growth trajectory

ROIC 5% or more
Establishing a stable
Earnings base



Vision of KOBELCO

Transforming KOBELCO into a corporate group with sustainable growth and maintaining an **ROIC of 8%** or more on a stable basis

↑

Solving social issues and creating economic value through business activities

Establishing a stable earnings base Strengthening the earnings base in the steel business

- Under the assumption that demand will decrease over the long term, we will establish a structure to secure stable earnings with crude steel production of 6.3 million tons per year and maintain profitability even with 6.0 million tons.

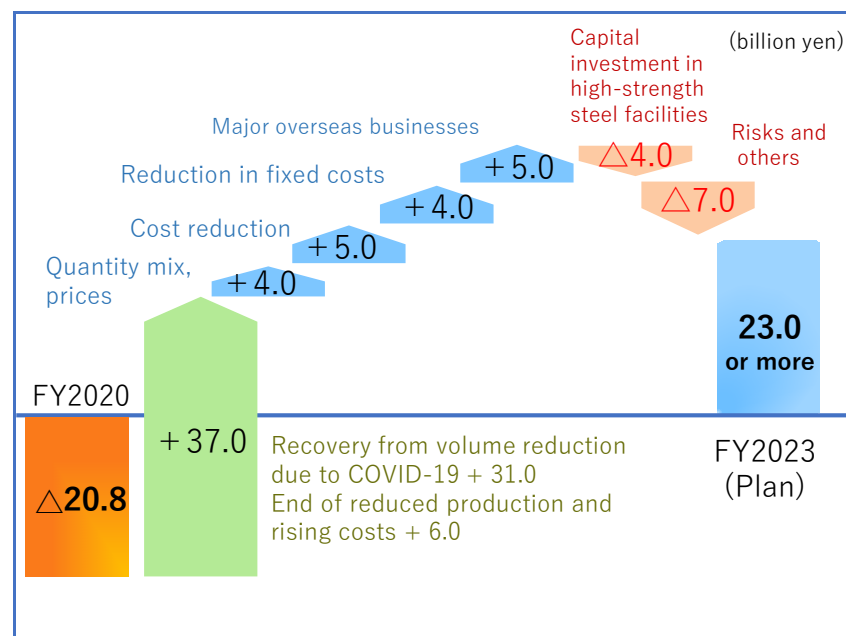
Crude steel production, real income forecast

(Ordinary income (loss) excluding inventory valuation)

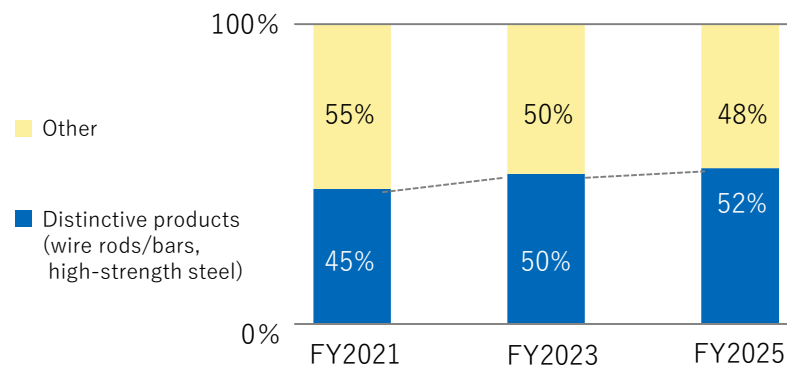
(Based on the production at Kakogawa Works)	2019	2020	2021 2H	2021 (Plan)	2023 (Plan)
Crude steel production (million tons)	6.4	5.7	3.3	6.5	6.3
Real income (billion yen)	(8.8)	(20.8)	11.1	14.0	23.0 or more

FY2020→FY2023

Real income (Difference breakdown)



Changes in the product mix



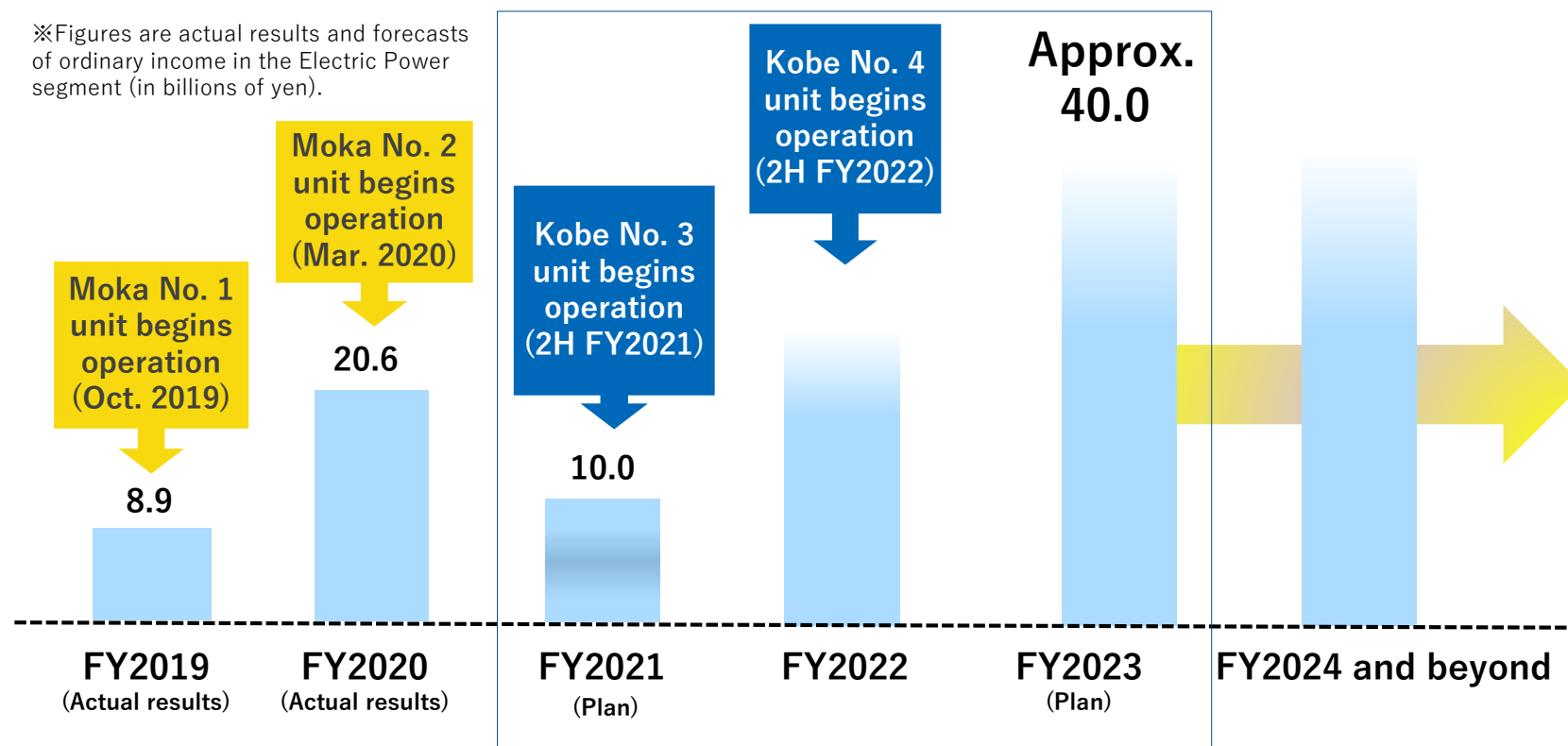
- Considering the need to replace major upstream-process facilities (blast furnaces, coke ovens, etc.) in the future, we have started to study how to utilize upstream-process facilities in the efforts to achieve carbon neutrality.

Establishing a stable earnings base

Smooth startup/stable operation of new electric power projects

- ❖ At Kobe Power Plant, commercial operation of No. 3 unit is scheduled to begin in the second half of FY2021 and No. 4 unit in the second half of FY2022.
- ❖ The start of operation of all power plants, including Kobe Power Plant's No. 1 and No. 2 units and Moka Power Plant's No. 1 and No. 2 units, will contribute 40.0 billion yen annually to earnings from FY2023 (The following section describes the challenge of carbon neutrality in the electric power business)

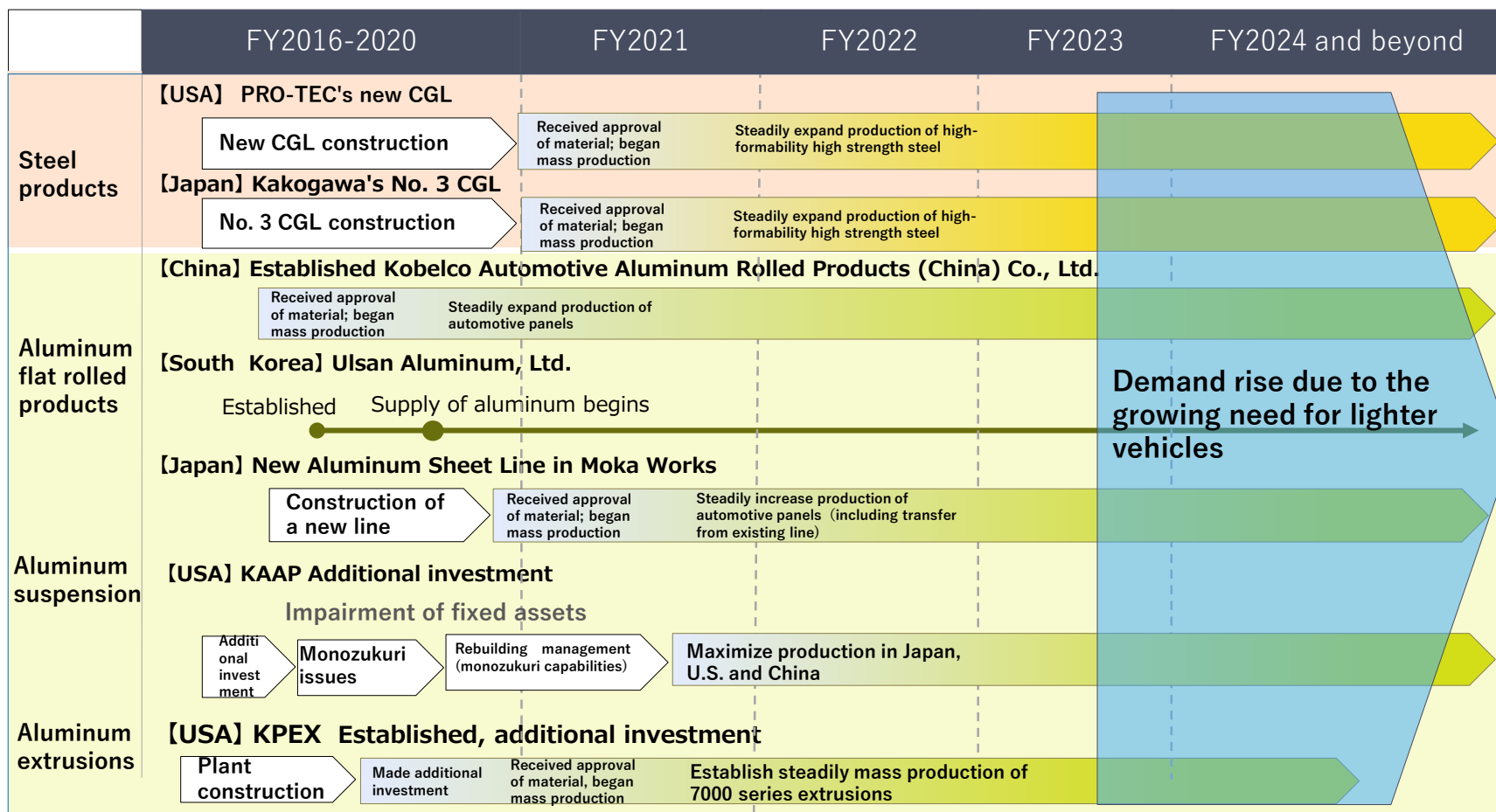
※Figures are actual results and forecasts of ordinary income in the Electric Power segment (in billions of yen).



Establishing a stable earnings base

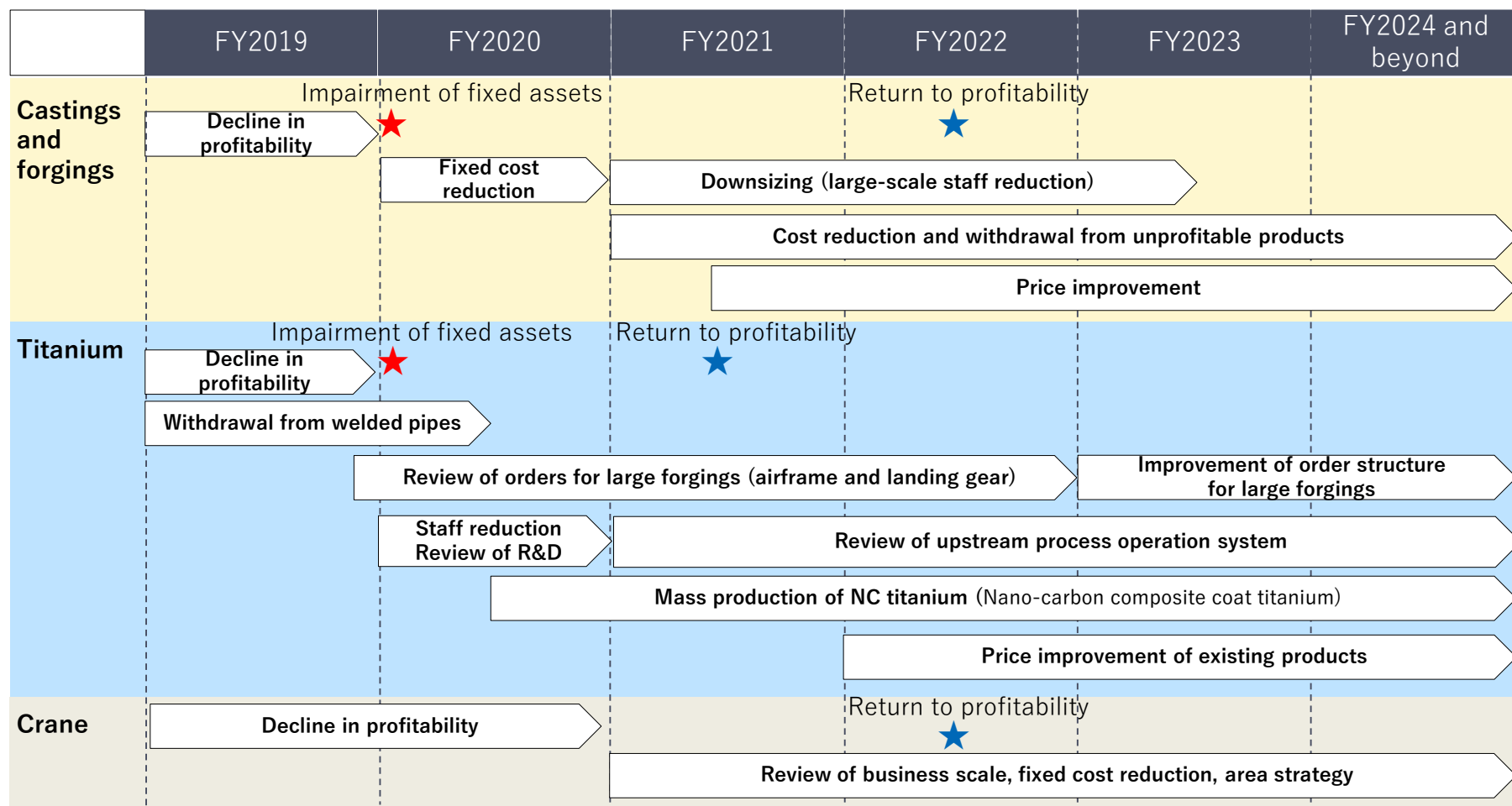
Strategic investment in the materials businesses leading to earnings contribution

- ❖ Due to factors such as delays in demand rise for automotive lightweight materials and challenges in monozukuri capability, it requires more time to produce earnings as originally expected.
- ❖ With continued strong demand for lighter vehicles and active inquiries, an early contribution to earnings is expected.

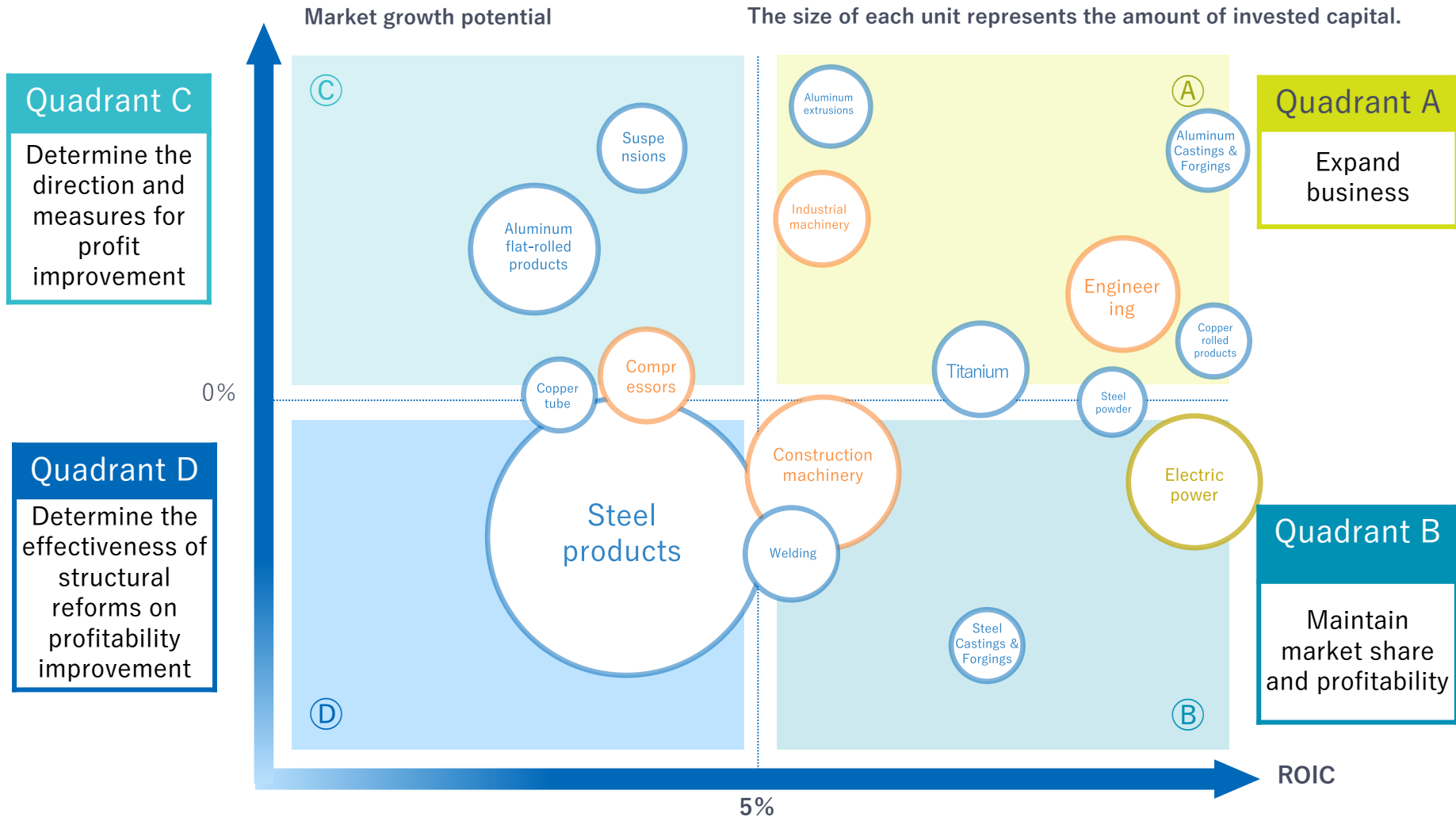


Restructuring unprofitable businesses

- Amid changes in the demand environment and industrial structure, we are streamlining the steel casting and forging business and the titanium business, which incurred impairment of fixed assets in FY2019, as well as the crane business, which continues to suffer losses, for achieving profitability.



<h2>Machinery</h2>	<ul style="list-style-type: none">➤ Expand environmental contribution menus (including CO2 reduction)<ul style="list-style-type: none">✓ Social infrastructure purposes (in the hydrogen and ammonia fields)✓ Standard compressors: Through the capital and business alliance with Miura Co., Ltd., we will supply air compressors, heat pumps and boilers as a utility platformer. These systems provide customers with a comprehensive solution to saving energy and reducing CO2 emissions. (p. 23: Responding to Energy Conversion & Growing Markets)
<h2>Engineering</h2>	<ul style="list-style-type: none">➤ Maximize earnings through environmental contribution menus (including CO2 reduction)➤ Respond to growing markets through intra-Group collaboration<ul style="list-style-type: none">✓ Expand the Midrex business (p. 24: Roadmap for CO2 reduction through Midrex®)✓ Utilizing the Group's collective strengths through collaboration with the steel business, the electric power business and Kobelco Eco-Solutions Co., Ltd. (p. 23: Responding to Energy Conversion & Growing Markets)
<h2>Construction machinery</h2>	<ul style="list-style-type: none">➤ Departure from dependence on the Chinese market➤ Turning profits from a new value creation business through providing solutions for innovations such as workstyle reforms in the construction industry, etc.➤ Commercialization of peripheral businesses through providing know-how on the installation of new systems, etc.<ul style="list-style-type: none">✓ Commercialization of remote operation, autonomous driving technology, etc. (p.28: DX strategy management)

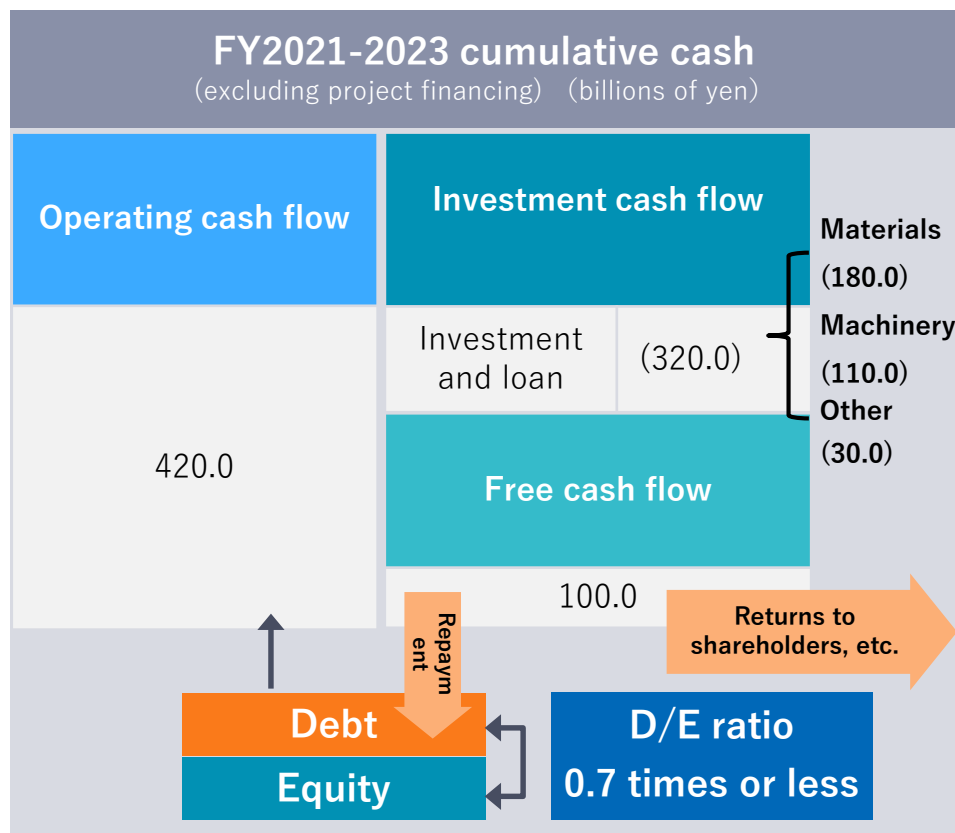


Establishing a stable earnings base

Strengthening financial structure

Basic policy of financial strategy

- ❖ During the new medium-term period, we aim to keep investment cash flow within the scope of operating cash flow and achieve a D/E ratio of 0.7 times or less by the end of FY2023 by carefully selecting capital investments, other investments and loans.



In preparation for downside risks in operating cash flow, we will strengthen monitoring systems and consider backup measures.

Continued cash creation, additional measures

- ❖ Improvement of working capital by setting KPIs based on ROIC tree
- ❖ Careful selection of investment projects by the Investment and Loan Committee
- ❖ Sale or liquidation of business assets (land, etc.)
- ❖ Sale of strategic holdings of listed companies' shares

Plan for capital investment and other asset-related expenditures

(Billions of yen)

	FY2019 (Actual)	FY2020 (Actual)	FY2021	FY2022	FY2023
Capital investment (decision base)	78.5	60.6	110.0	100.0	100.0
Of which, IT strategy related	8.0	5.0	Approx. 15.0/year		
Depreciation	105.3	100.8	105.0	115.0	125.0
R & D expenditure	35.9	31.0	Approx. 30.0/year		

- ❖ Kobe Steel aims to pay dividends on a continuous and stable basis. Dividends are decided after taking into full account the Company's financial condition, business performance, future capital needs and other factors.
- ❖ We will maintain the current dividend payout ratio in FY2021 – FY2022, but from FY2023 the dividend payout ratio shall be reviewed, including a raise of the ratio.

	FY2019	FY2020	FY2021 – 2022	FY2024 and beyond
Dividend payout ratio	—	15.6% (10 yen/ share)	15 – 25%	To be reviewed including a raise

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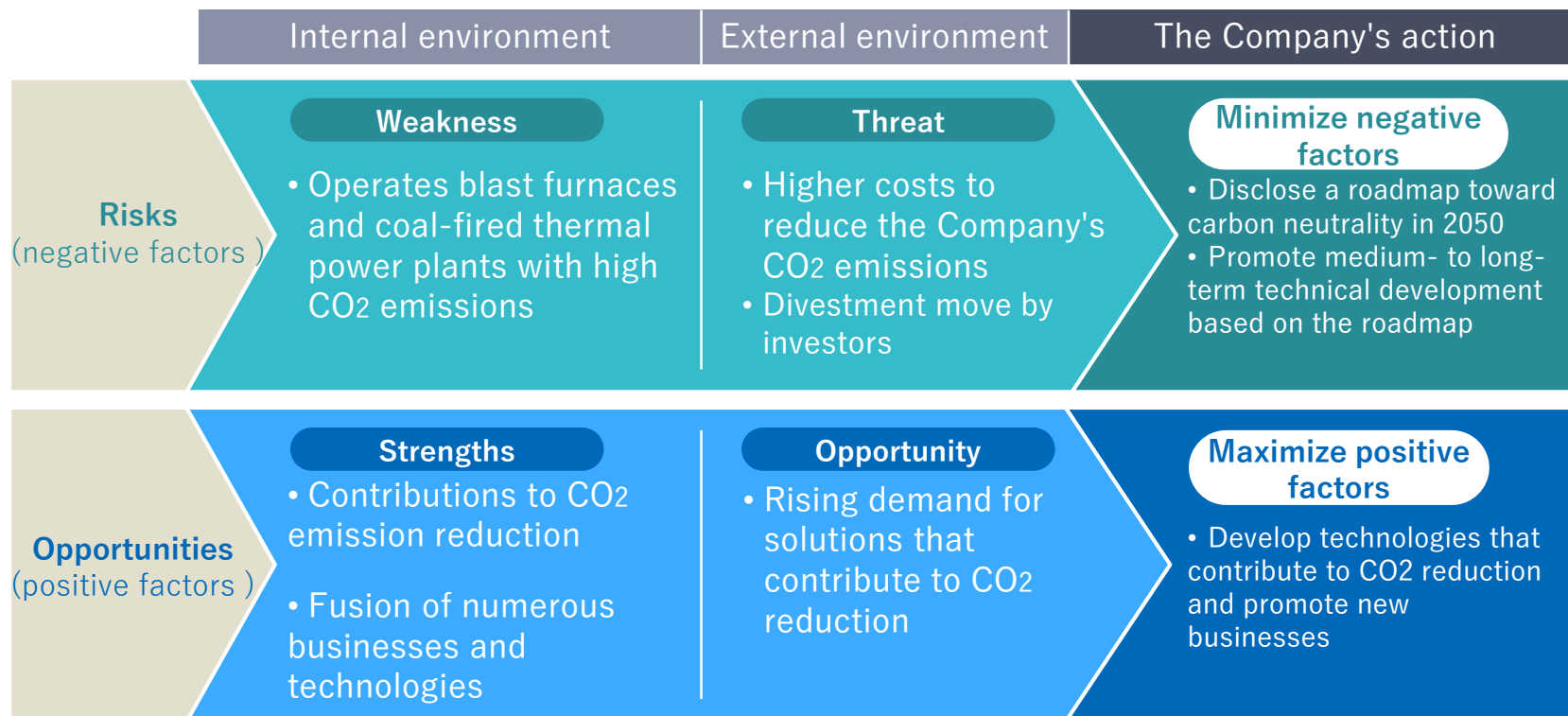
The challenge of carbon neutrality

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Toward carbon neutrality in 2050

- Take on the challenge of achieving carbon neutrality
- Aim to **improve corporate value** while moving toward carbon neutrality



The challenge of carbon neutrality

Summary of targets and vision

The KOBELCO Group contributes to CO₂ emission reduction through its original technologies, products and services, as well as reducing CO₂ emissions in its production processes. It has set targets and vision for these two aspects for FY2030 and FY2050, respectively.

	FY2030 targets	FY2050 vision	Ref.
Reduction of CO ₂ emissions in production processes	30% to 40% (vs. FY2013) (※1)	Take on the challenge of achieving carbon neutrality	p.21
Contribution to reduction of CO ₂ emissions through technologies, products, and services (*2)	61 Mt (including 45 Mt through MIDREX® Process) (*3)	100 Mt or more	p.22-24

(*1) Much of the scope of the reduction targets consists of CO₂ reduction in the ironmaking process. We reviewed the targets announced in September 2020 (included the increased use of original solutions in addition to the change from BAU to total amount basis).

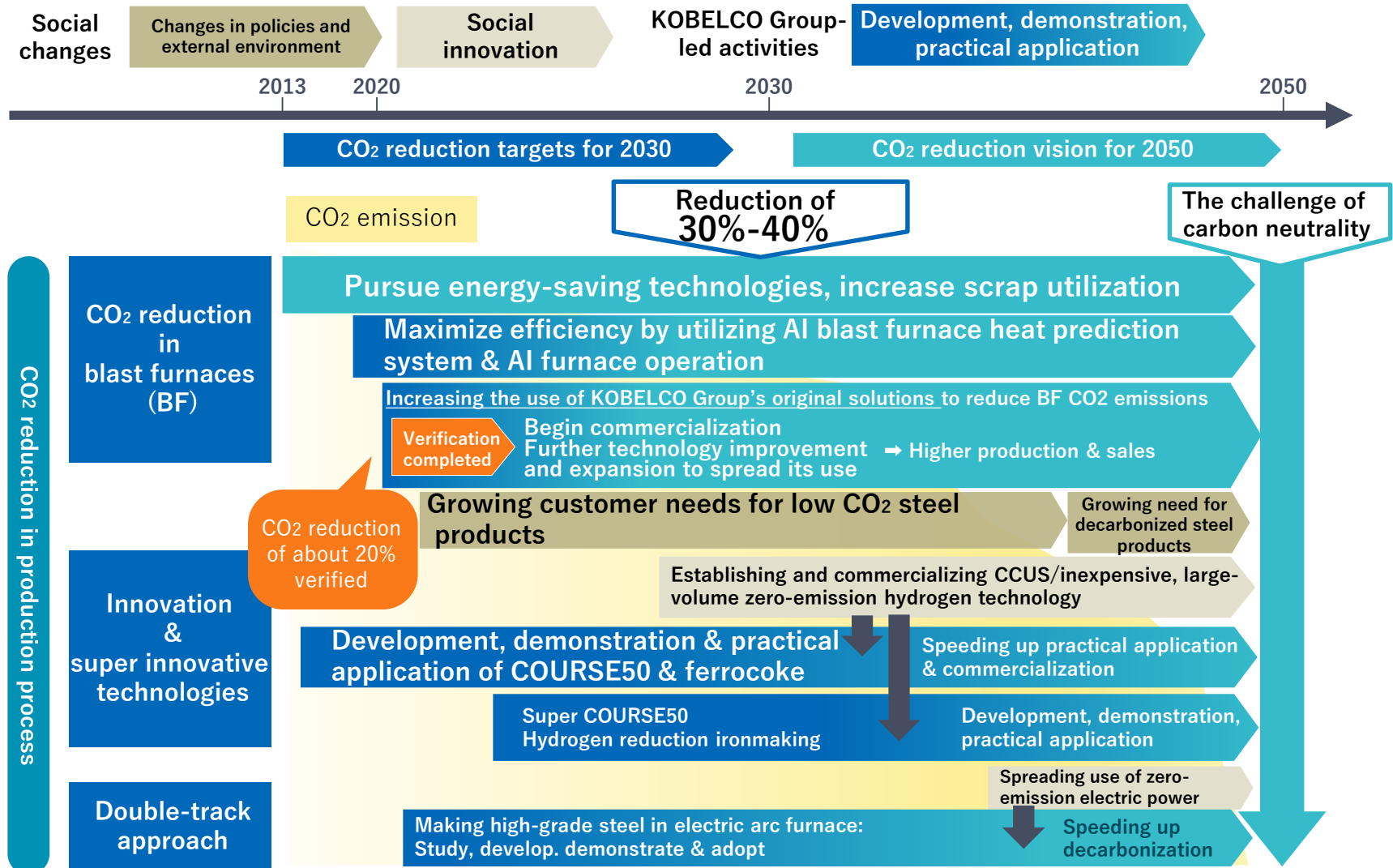
(*2) The KOBELCO Group contributes to the reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services.

(*3) Reviewed calculation formula announced in September 2020



The challenge of carbon neutrality

Ironmaking Process: Roadmap toward Carbon Neutrality

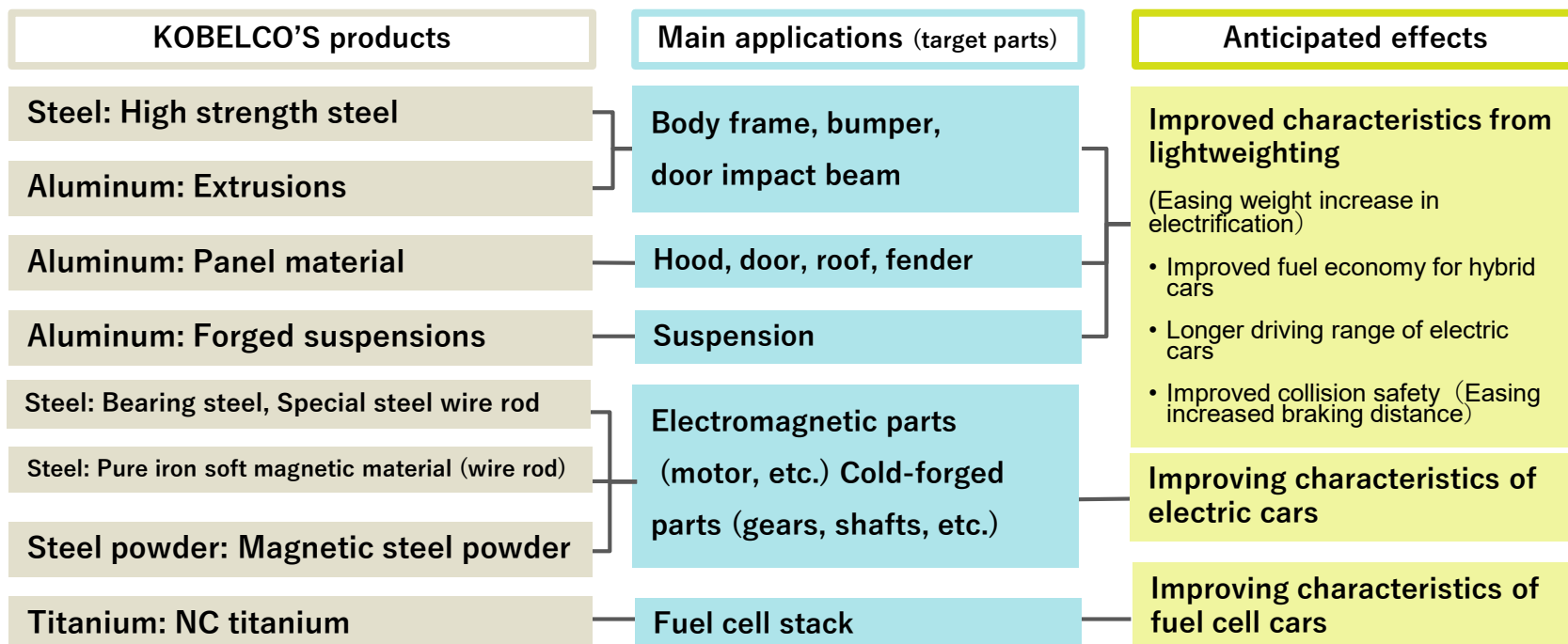


The challenge of carbon neutrality

Initiatives in the automotive field

- ❖ Many countries have set goals for electrification as an initiative for carbon neutrality. Automakers' initiatives for electrification will further accelerate in the future.
- ❖ Automotive weight reduction is not only about improving the fuel economy of gasoline cars, but it also plays an important role in improving the fuel economy of hybrid cars and extends the driving range of electric cars. Responding to the need for lighter materials, the KOBELCO Group contributes to accelerating electrification.
- ❖ We contribute to automakers' initiatives for carbon neutrality with a variety of products for electric cars, including wire rods/bars (bearing steel, special steel, pure iron soft magnetic steel), magnetic steel powder, titanium for fuel cell stacks.

KOBELCO Group's materials: Contributing to vehicle electrification

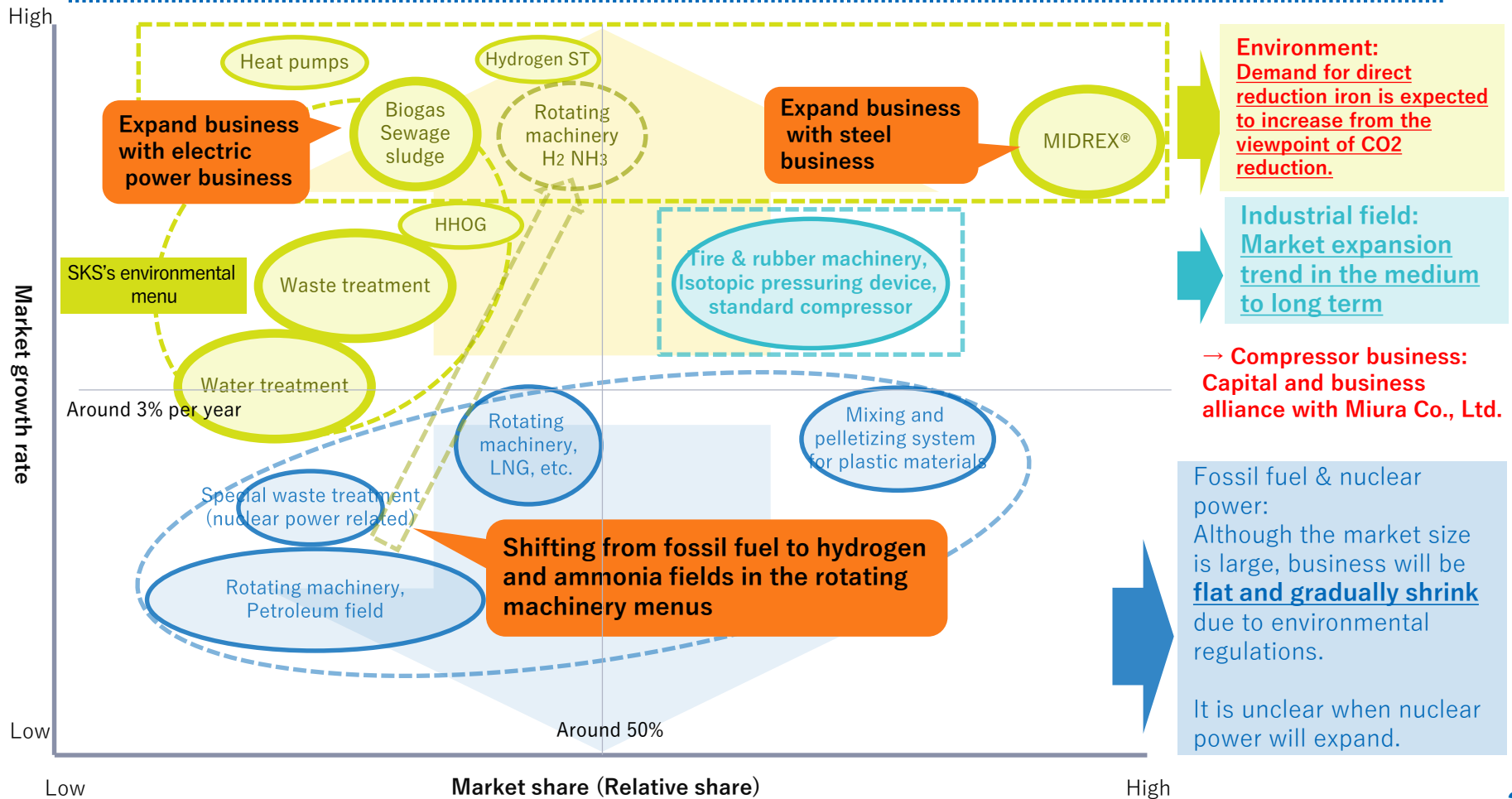


ICEV (Internal Combustion Engine Vehicle), HEV (Hybrid Electric Vehicle), PHEV (Plug-in Hybrid Vehicle), BEV (Battery Electric Vehicle), FCEV (Fuel Cell Electric Vehicle)

The challenge of carbon neutrality

Responding to Energy Conversion & Growing Markets

- ❖ Machinery Business: High dependence on the fossil fuel fields will be shifted to the hydrogen and ammonia fields
- ❖ Engineering Business: Extensive lineup of environmental contribution menus
- ❖ Demonstrating Group's collective strengths and creating value unique to our Group by promoting the mutual use of the management resources of the Machinery business and the Engineering business as well as collaboration among the Steel business, the Electric Power business and Kobelco Eco-Solutions Co., Ltd (called SKS below).



The challenge of carbon neutrality Roadmap for CO₂ reduction through MIDREX®

❖ Providing CO₂ reduction solutions for various steelmaking processes through MIDREX® and increasing earnings

Expanding EAF business /
Responding to shortage of iron

Providing CO₂ reduction solutions
for blast furnace

Challenge of realizing hydrogen reduction steelmaking
process (MIDREX H₂™)

Social
changes

Social innovation

Changes in policies and
external environment

KOBELCO
Group-led
activities

Development, demonstration and commercialization

2013 2020

2030

2050

CO₂ reduction targets for 2030

CO₂ reduction vision for 2050

Contribution to reduction of
CO₂ emissions

Contribution to CO₂ reduction:
45 million tons or more/year

Contribution to
CO₂ reduction:
100 million tons
or more/year

Increasing production of MIDREX NG™ (natural gas-based direct reduction),
which produces 60% of the direct reduced iron in the world

Increasing EAF production / increasing demand for reduced iron

Stricter CO₂-related restrictions

Switch from BFs to EAFs: Increasing demand for DRI
Shortage of high-grade iron ore suited for making DRI

Development, demonstration and practical application of
technology to utilize low-grade iron ore

Increasing demand for HBI for BFs

Completing
development and
demonstration

Beginning to provide solutions
Further technological
improvement

Expanding solutions

Approx.
20% CO₂
reduction

Gradual expansion from
countries and regions with
developed infrastructures

Establishment and commercialization of
low-cost, high-volume zero-emission
hydrogen technology worldwide

Development, demonstration and commercialization

The global steel industry's contribution to CO₂ emissions reduction

MIDREX NG™
(Natural gas-based
direct reduction)

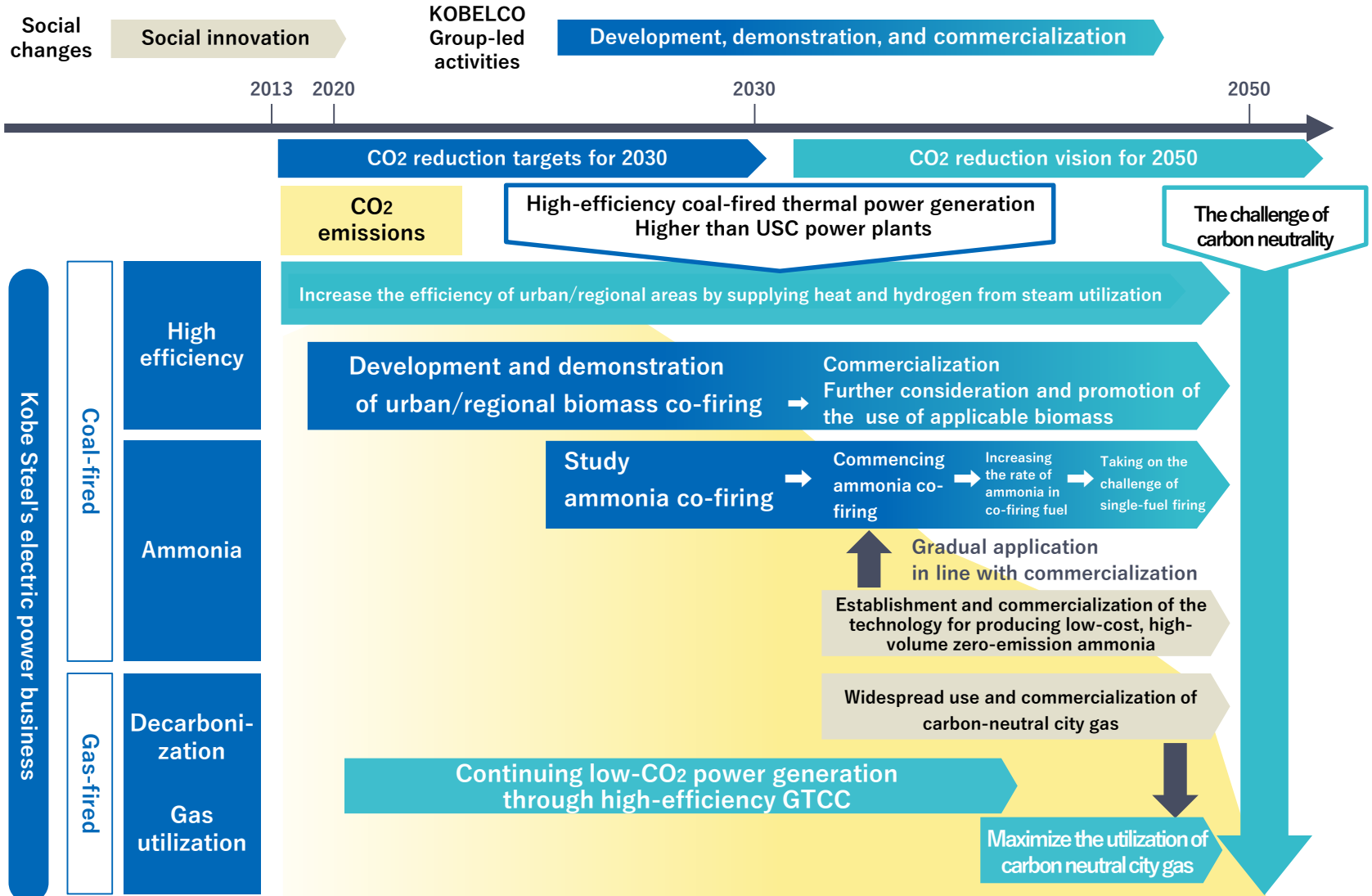
CO₂ reduction
solutions for
ironmaking
process

MIDREX H₂™
(100% hydrogen
direct reduction)

The challenge of carbon neutrality

Electric Power Business :

Roadmap toward carbon neutrality



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Changes in management structure

Further strengthening the monitoring function of the Board of Directors

- ① Revised drastically the criteria for matters to be discussed at the Board of Directors meetings : Delegate most of the decision-making of specific matters to executive officers.
- ② Internal directors are limited to those overseeing companywide functions. Executive officers in charge of businesses focus on business execution. Number of directors: Decreased from 16 to 13 (six of which are independent directors)
- ③ Established the Corporate Governance Committee to continuously study the structure of an ideal management system.

Board of Directors

Audit & Supervisory Committee

Meetings of Independent Directors

Advisory bodies

Compliance Committee

Nomination & Compensation Committee

Quality Management Committee

New

Corporate Governance Committee

Executive Council

Auxiliary bodies

New

Business Portfolio Management Committee

New

Investment and Loan Committee

Renamed, enhanced

Sustainability Management Committee

New

Risk Management Committee

Renamed, enhanced

DX Strategy Committee

R&D Committee

Pension Asset Management Committee

President, CEO and Representative Director

Head office, business divisions, Group companies

Strengthening the execution side

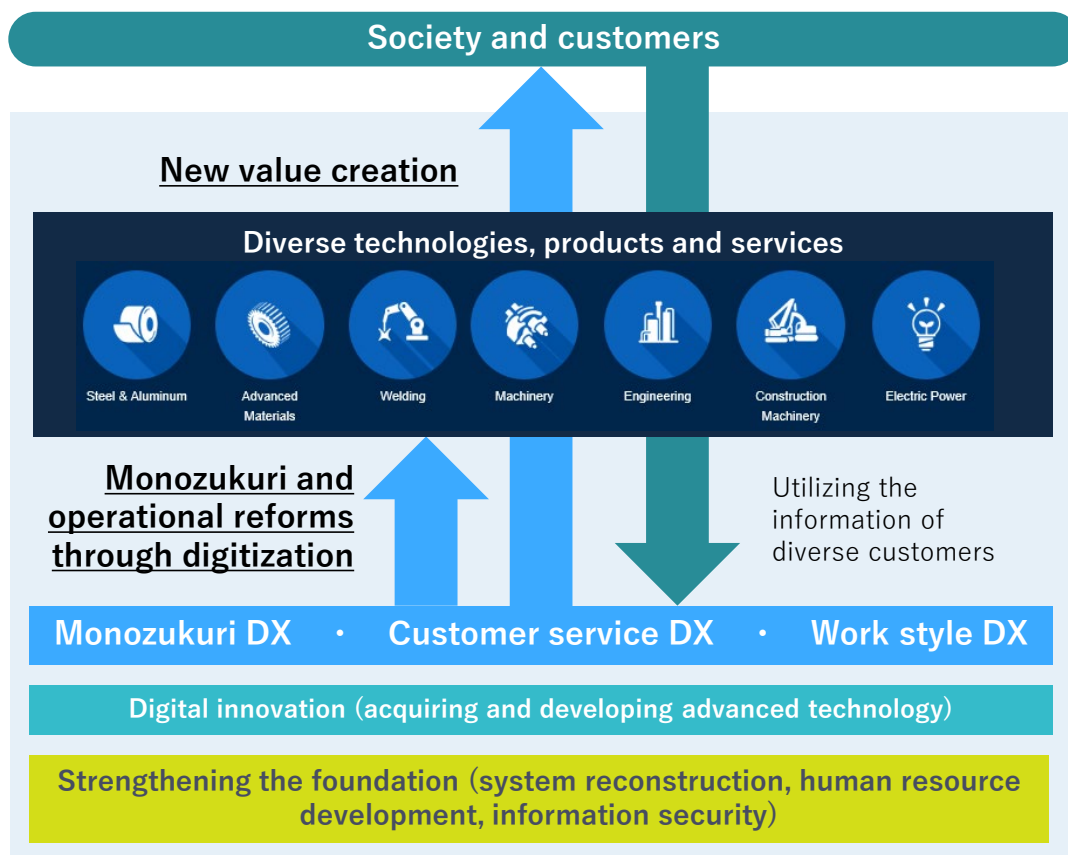
- ④ Review the structure of committees, which serve as auxiliary bodies to the Executive Council, in order to steadily advance important issues under the new Medium-Term Management Plan.
- ⑤ Review the organizational structure to realize business strategies, including the establishment of specialized departments for new business planning.
- ⑥ Implement organizational changes to improve operational effectiveness in the head office division (streamlining of operations, reorganization of businesses that have contact with business divisions, integration of headquarters-shared service companies) and strengthen companywide strategic functions.
- ⑦ Abolish the positions of Senior Managing Executive Officer and Managing Executive Officer in order to more flexibly appoint the right executive officers in the right places. Revise the executive compensation system to further enhance the link between roles and demonstrated results.

Management foundation area DX strategy management

- ❖ In April 2021, we newly established the Digital Innovation Technology Center to strengthen and accelerate technology development and business application in the fields of ICT and AI. In addition, we set up the DX Strategy Committee to plan and implement the overall DX strategy of the KOBELCO Group. We plan to make capital investment of 45 billion yen for IT infrastructure over 3 years from FY 2021.

Basic Policy

Providing solutions for customers and society by transforming our Group's value chain with digital technology and creating new value from the customer's perspective.



➤ Example of initiative in hydraulic excavator

Remote operation technology:
K-DIVE Concept

Telework system for construction sites, focused on the individual worker



Management foundation area Promoting active participation of diverse human resources

- ❖ Our Group's unique strength lies in having diverse human resources and technologies in a wide range of business areas, from materials and machinery to electric power.
- ❖ The following initiatives are being implemented to ensure the active participation of diverse human resources under the framework for sustainability management.

	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 	<p>Build a new personnel system to heighten awareness for "Change, Challenge and Achievement"</p> <ul style="list-style-type: none"> • Clarify expected roles and abilities • Review the seniority-based personnel system (with 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) 	<p>Encourage the growth of future generations and develop a spirit of taking on new challenges</p> <ul style="list-style-type: none"> • Early development and systematic placement of management personnel • Introduction and establishment of selective and independent education • Enhanced education to strengthen monozukuri capabilities
Diversity and inclusion	<ul style="list-style-type: none"> • Supporting women's active participation • Improving work-life balance of all employees 	<p>Utilize the diversity of individuals to create new value</p> <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* (*Cross-organizational platform to acquire knowledge of diversity promotion and to exchange ideas)
Work style reforms	<ul style="list-style-type: none"> • Promoting telecommuting • Increasing the number of paid days off taken • Improving meetings and email efficiency 	<p>Further promote work style reforms</p> <ul style="list-style-type: none"> • Establishment and penetration of business improvement and standardization • Improvement of the office work environment • Development of flexible working styles and employment systems

Management foundation area

Trust Improvement Project

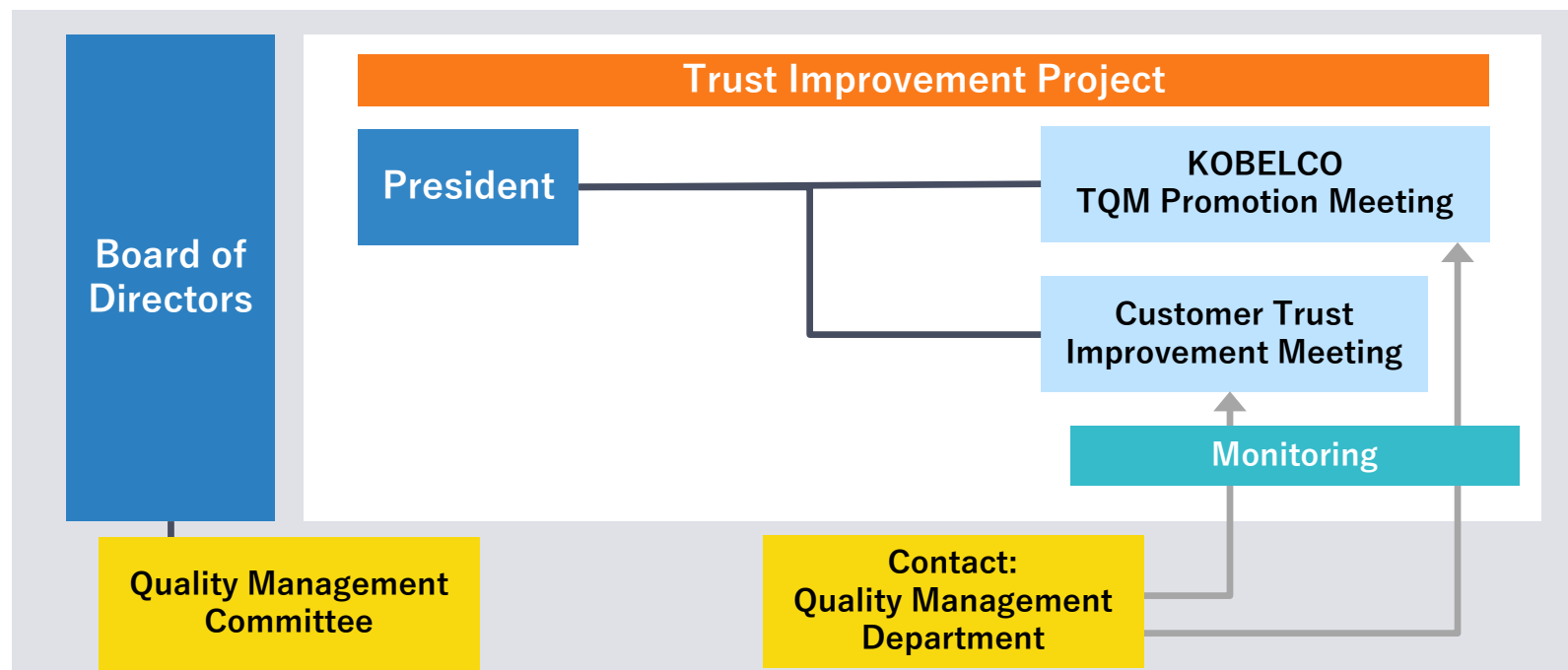
Measures to prevent recurrence of the quality misconduct have steadily progressed.

(<https://www.kobelco.co.jp/english/progress/index.html>)

Promoting the Trust Improvement Project to further restore customer trust and to prevent the quality misconduct from being forgotten.

- ❖ **KOBELCO TQM Promotion Meeting:** Aims to promote the “quality” in a broad sense covering the quality of work, organization, and management, etc., in addition to products and services.
- ❖ **Customer Trust Improvement Meeting:** Aims to monitor customer satisfaction survey results, follow up on activities to strengthen customer contacts, and promote the understanding of the significance of activities to improve trust at work sites.

Structure



*KOBELCO TQM : 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.

Conclusion

Identifying the Materiality of the KOBELCO Group

- In order to promote sustainability management more effectively, the KOBELCO Group has identified among various key issues the priority areas in which management resources should be invested.



Value Creation Area
Management Foundation Area

Materiality of the KOBELCO Group		Relevance to SDGs			
Contributing to a green society*1	Response to climate change				
	Response to resource recycling				
Ensuring safety and security in community development and manufacturing	Supplying energy focused on energy security, economic efficiency, environment, and safety (3E plus S) *2				
	Providing materials and machinery that meet needs				
	Improving safety and productivity				
Providing solutions for the future connecting people and technology	Reforms in manufacturing and operations through digital transformation				
	Fusion and innovation of diverse intellectual assets				
Promoting active participation of diverse human resources	Diversity and inclusion				
	Work style reforms				
	Human resources development				
Pursuing governance that supports sustainable growth	Compliance and risk management				
	Respect for human rights				
	Safety and health				
	Quality assurance				
	Corporate governance				

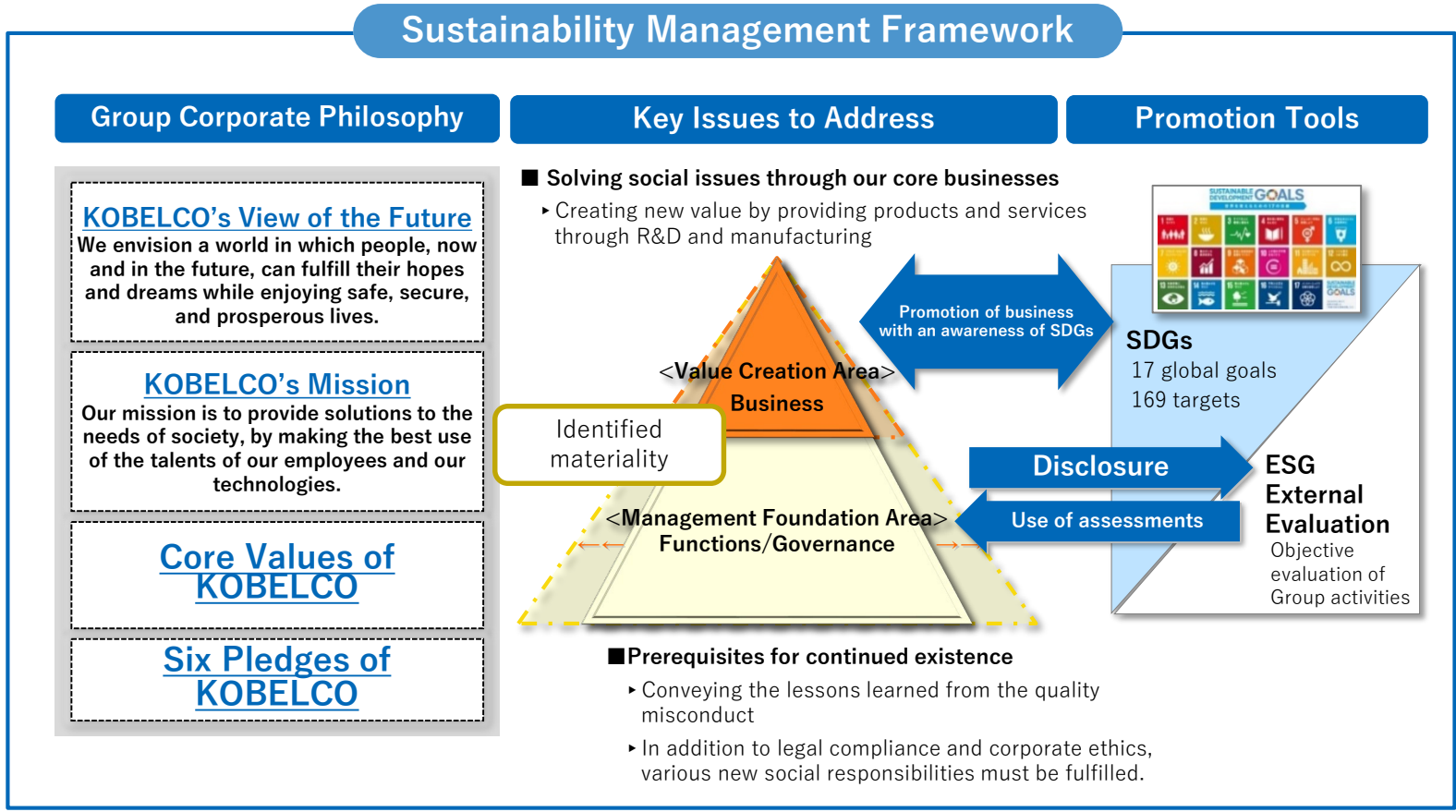
*1 A green society is not limited to the narrow meaning of a society merely using natural energy, but is defined as a society that deals with climate change issues and resource recycling

*2 3E+S=Energy Security, Economic Efficiency, Environment +Safety

Conclusion

Sustainability Management Framework

- ❖ Promoting sustainability management based on the Group Corporate Philosophy under the framework as provided below.
- ❖ Achieving sustainable growth and pursuing the medium- to long-term improvement of corporate value by fulfilling KOBELCO's Mission toward the realization of KOBELCO's View of the Future.



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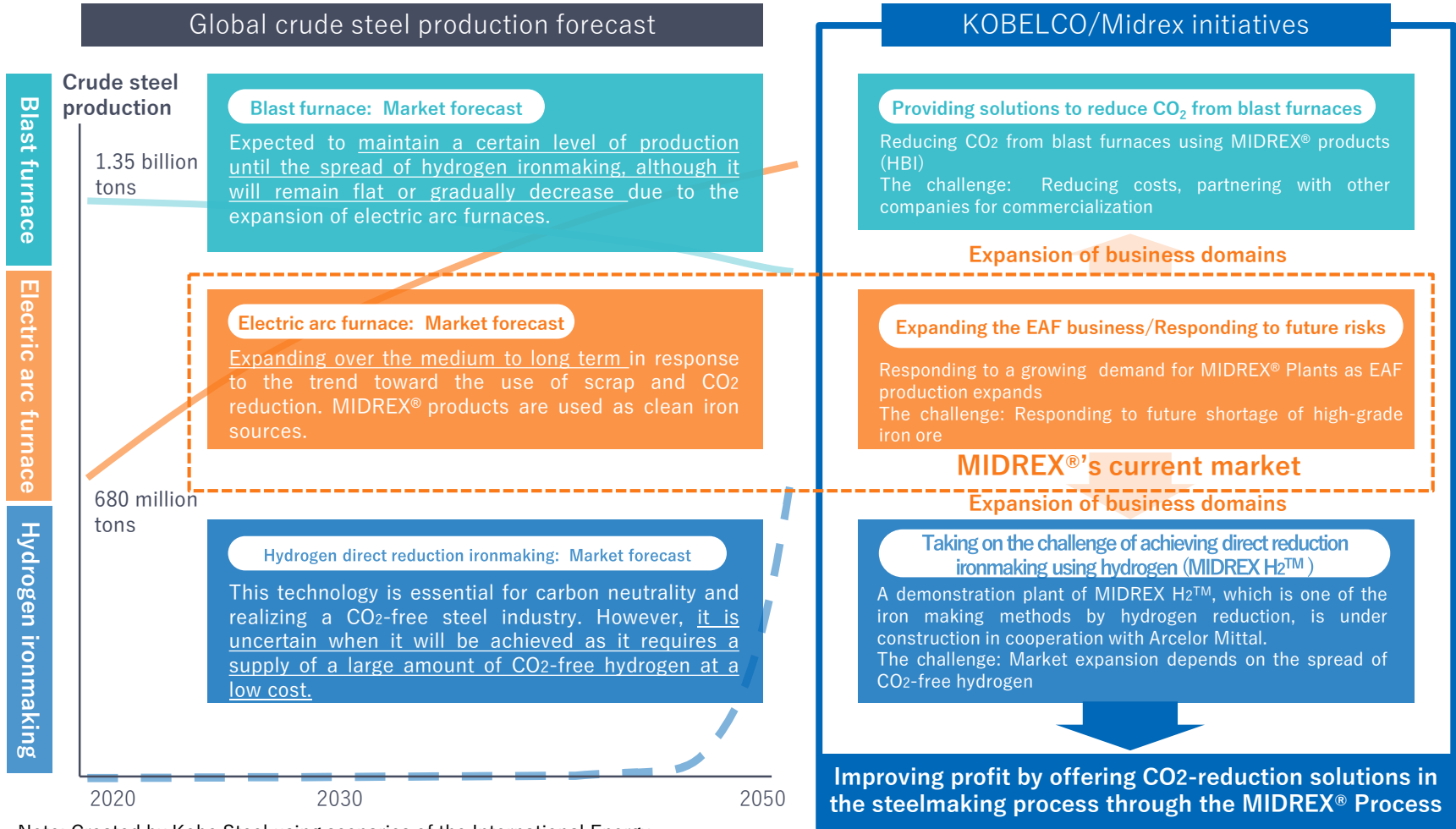
3. Reference Information

Steel	<ul style="list-style-type: none"> • See p.9.
Aluminum flat-rolled products	<ul style="list-style-type: none"> • Strengthen the earnings base of current core businesses (can stock, disk materials, plate, etc.) • Quickly increase revenue from automotive aluminum panel material (responding to expanding demand for aluminum panel material)
Advanced materials	<p>【Steel castings and forgings】 Review of business structure (Large-Scale reduction of personnel and withdrawal from unprofitable products)</p> <p>【Aluminum castings and forgings】 Expanding sales in IT and high-speed rail fields. Rebuilding the sand-casting business.</p> <p>【Titanium】 Review of the strategy for the aircraft business. Mass production of titanium foil for automotive fuel cells for increasing earnings</p> <p>【Suspensions】 Responding to demand by maximizing production at the three bases of Japan, the U.S. and China (strengthen manufacturing capabilities)</p> <p>【Aluminum extrusions】 Expand sales through product differentiation (automotive parts). Securing stable base cargo by promoting expansion of sales (railways, spot sales)</p> <p>【Copper rolled products】 Responding to growing demand for automotive terminals and semiconductors and securing stable earnings</p> <p>【Steel powder】 Responding to vehicle electrification</p> <p>【Copper tube】 Promoting differentiation from Chinese competitors' products by expanding high-value-added product menu</p>
Welding	<ul style="list-style-type: none"> • Strengthening earnings base through structural reforms • Increase earnings through practical application of welding solutions (proposing technical solutions and providing higher added value by combining materials, systems and processes)
Machinery	<ul style="list-style-type: none"> • See p.13
Electric Power	<ul style="list-style-type: none"> • Securing and maximizing earnings through stable operation of three power plants (Kobe Power Plant's No. 1 & 2 units, Moka Power Plant's No. 1 & 2 units, and Kobe Power Plant's No. 3 & 4 units) • Promoting low carbonization toward 2030 (biomass co-firing, ammonia co-firing etc.)

Reference information

Expanding Business with MIDREX®

- ❖ Providing CO2 reduction solutions for various steelmaking processes (for EAFs, BF, and hydrogen direct reduction ironmaking processes) through MIDREX® and increasing earnings



Note: Created by Kobe Steel using scenarios of the International Energy Agency and other sources as references

Reference information

Chronology of changes pertaining to the Board of Directors and governance



Initiatives to strengthen supervisory function

- Board of Directors
- Advisory committees
- Support to Executive Council

Board of Directors

- Established the Meetings of Independent Directors (FY2015)
- Transitioned to a company with an Audit & Supervisory Committee (FY2016)
- Revised executive remuneration system/
Introduced stock-type remuneration system (2016)
- Introduced evaluation system for the Board of Directors (FY2016)
- Changed the structure of the Board of Directors/Independent directors to make up one-third or more of the Board of Directors (FY2018)
- Appointed the Company's first female director (FY2019)

Advisory committees

- Established the Compliance Committee (FY2003)
- Established the Nomination & Compensation Committee (FY2018)
- The Independent Quality Supervision Committee (FY2018)
- Established Quality Management Committee (FY2019)

Support to Executive Council

- Established CSR Committee (FY2006)
- Established Information Security Committee (FY2017)
- Established IT Strategy Committee (FY2019)
- R&D Committee
- Pension Asset Management Committee

Changed the executive compensation system (FY2021)

Changed the structure of the Board of Directors/Strengthened monitoring functions (FY2021)

Established the Corporate Governance Committee

Established:
 Sustainability Management Committee
 Risk Management Committee
 Business Portfolio Management Committee
 Investment and Loan Committee
 DX Strategy Committee

Changed the executive officer system/Abolished the positions of senior managing executive officer and managing executive officer (FY2021)

Consolidated Head Office departments

Organizational changes

Reorganization of the Materials businesses

- Established the Quality Management Department
- Established the Compliance Management Department (Made independent from the Legal Department)

New changes

Changes in management structure

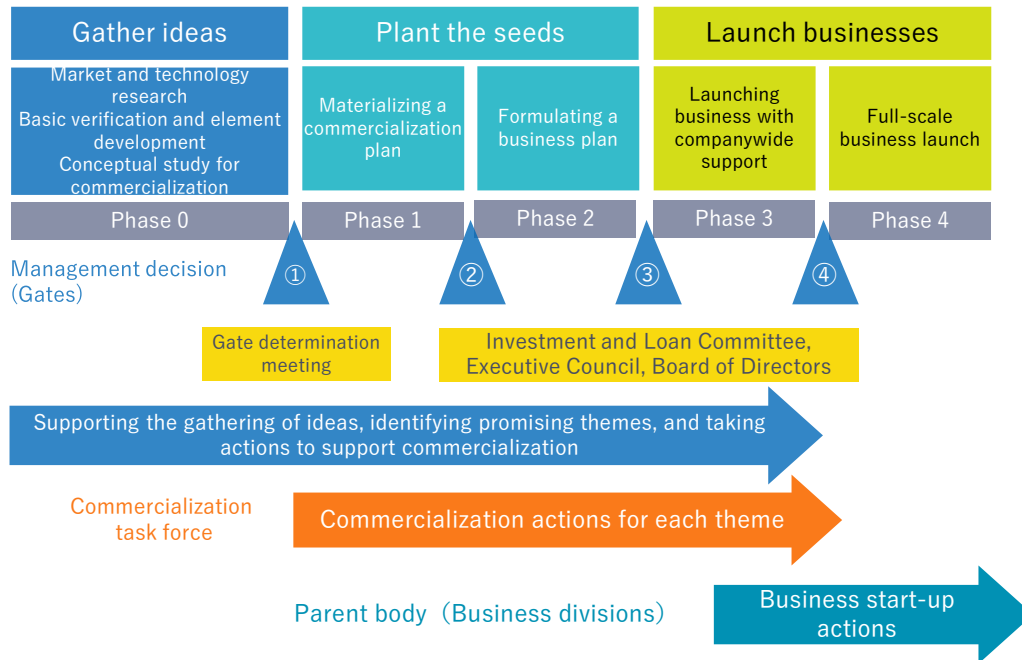
Key issues of the new plan	Implementation measures	Description
Business portfolio reform Strategic investment leading to earnings contribution New business creation Strengthening of financial governance	Newly established the Business Portfolio Management Committee	<ul style="list-style-type: none"> Formulation of optimal capital structure and cash allocation policies based on financial plan Planning of companywide business portfolio strategy Performance management by business units and Group companies Determining business direction based on monitoring of unprofitable businesses Determining management resources to be invested in new businesses
	Newly established the Investment and Loan Committee	<ul style="list-style-type: none"> Analysis of investment risks, evaluation of businesses targeted for investment Determining investment timing and feasibility in cooperation with the Business Portfolio Management Committee Strengthening the follow-up of ongoing investments and determining direction of plans that have not been achieved
	Organizational changes in head office: Finance and Accounting Department Business Development Department	<ul style="list-style-type: none"> Strengthening and centralizing management operations of calculation of figures Strengthening functions related to new business planning across the Company
Sustainability management Promoting active participation of diverse human resources	Sustainability Management Committee (former CSR Committee renamed with enhanced functions)	<ul style="list-style-type: none"> Planning and monitoring of action plans for sustainability management (including the challenge of carbon neutrality)
	Organizational change in head office: General Administration and CSR Department	<ul style="list-style-type: none"> Strengthening and centralizing functions for stakeholders
Improving the effectiveness of risk management	Newly established the Risk Management Committee	<ul style="list-style-type: none"> Formulating basic policies on overall risk management Accelerating companywide deployment through centralizing information
	Organizational change in head office: Internal Control and Audit Department	<ul style="list-style-type: none"> Unification of operations related to the development/operation and evaluation/auditing of internal controls, including risk management and compliance
Corporate governance enhancement	Newly established the Corporate Governance Department	<ul style="list-style-type: none"> Formulation of basic policies on corporate governance Examination of optimal management structure
Promoting DX strategy	DX Strategy Committee (former IT Strategy Committee with enhanced functions)	<ul style="list-style-type: none"> Planning and implementation of companywide DX strategy Visualization of companywide initiatives, progress management, and determining priority areas

Reference information

New Business Creation

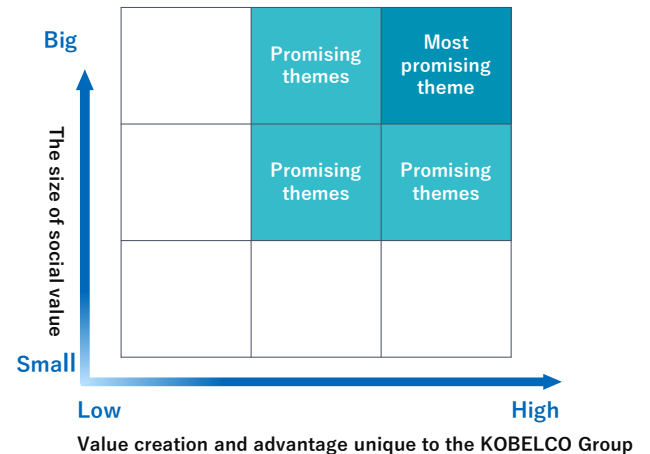
- ❖ On April 1, 2021, Kobe Steel established the Business Development Department in its head office division. The department has the function and authority to plan* new products and new businesses across the Company. *Combining the various intellectual assets (technology/ business assets) in the Group.
- ❖ Taking the shift to a hydrogen-based society as a growth opportunity, the KOBELCO Group established a hydrogen business study working Group to plan and promote social implementation and new businesses of systems that combine our Group's machinery and engineering technologies (equipment and infrastructure).

Companywide management system



Key points in the commercialization plan (Phase 0 to Phase 1)

- (1) The size of the social value to be created by the theme
- (2) The possibility of value creation unique to the Company
- (3) The assessment of whether it can generate profits
- (4) The precision of technical assessment and the degree to which it can combine intellectual assets
- (5) The prospect of business continuation and the potential of its development



Supporting the UN Global Compact and SDGs (Sustainable Development Goals)

The KOBELCO Group supports the initiatives
to realize a sustainable society.

WE SUPPORT



SUSTAINABLE DEVELOPMENT GOALS



KOBELCO Group's Corporate Philosophy

KOBELCO's View of the Future	<p>Our view of a society and future to be attained as we carry out KOBELCO's mission</p> <p>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.</p>
KOBELCO's Mission	<p>Our mission and the social significance of the KOBELCO Group that we must fulfill</p> <p>Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.</p>
Core Values of KOBELCO	<p>The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group</p> <ol style="list-style-type: none">1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live.2. We value, and support the growth of, each employee on an individual basis, while creating a cooperative and harmonious environment.3. Through continuous and innovative changes, we create new values for the society of which we are a member.
Six Pledges of KOBELCO	<p>Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter</p> <ol style="list-style-type: none">1. Uphold the Highest Sense of Ethics and Professionalism2. Contribute to the Society by Providing Superior Products and Services Quality Charter3. Establish a Comfortable but Challenging Work Environment4. Live in Harmony with the Local Community5. Contribute to a Sustainable Environment6. Respect Each Stakeholder

Cautionary Statement

- ◆ **Certain statements in this presentation contain forward-looking statements concerning forecasts, assertions, prospects, intentions and strategies. The decisions and assumptions leading to these statements were based on information currently available to Kobe Steel. Due to possible changes in decisions and assumptions, future business operation, and internal and external conditions, actual results may differ materially from the projected forward-looking statements. Kobe Steel is not obligated to revise the forward-looking contents of this presentation.**

- ◆ **Uncertain and variable factors include, but are not limited to:**
 - Changes in economic outlook, demand and market conditions
 - Political situation and trade and other regulations
 - Changes in currency exchange rates
 - Availability and market conditions of raw materials
 - Products and services of competing companies, pricing policy, alliances, and business development including M&As
 - Strategy changes of alliance partners