

To Continue to Be Indispensable to Customers and Society

The KOBELCO Group has been providing solutions to the needs of society through its diverse human resources, technologies, and customer base that it has cultivated over the course of its history of 116 years. Based on the Group Corporate Philosophy, we aim to be a corporate group that continues to be indispensable to customers and society, now and in the future.



Group 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 Professionalism 2. Contribute to the Society by Providing Superior Products and Services 3. Establish a Comfortable but Challenging Work Environment 4. Live in Harmony with the Local Community 5. Contribute to a Sustainable Environment 6. Respect Each Stakeholder

[Quality Charter](#)



Contents

Introduction

- 01 Group Corporate Philosophy
- 04 History of the KOBELCO Group, a Provider of Solutions for Society
- 06 At a Glance
- 08 Message from the President and CEO

KOBELCO Group's Value Creation Story

- 14 Framework for Sustainability Management
- 16 Materiality and Indicators/Targets
- 18 Value Creation Process
- 20 Business Model and Strengths
- 24 Business Model and Value Provided
- 26 Value Creation Examples
- 28 Financial and Non-Financial Highlights

Management Strategy and Management Resources for Medium- to Long-Term Growth

KOBELCO Group Medium-Term Management Plan

- 30 Progress of the KOBELCO Group Medium-Term Management Plan (FY2021–2023)
- 32 Establishing a Stable Earnings Base
- 38 Message from the CFO
- 42 Enhancement of Corporate Value
- 46 Taking on the Challenge of Realizing Carbon Neutrality

Business Strategy

- 54 Economic Environment by Customer Domain
- 56 Business Overview by Operating Segment
- 56 Materials Businesses
- 60 Machinery Businesses
- 64 Electric Power Business

Disclaimer Regarding Forward-Looking Statements

This Integrated Report contains forward-looking statements about the Company's forecasts, beliefs, expectations, aims, and strategies. These forward-looking statements are based on the Company's judgments and assumptions using currently available information, and these forecasts may differ substantially from actual results due to a variety of factors that may change over time, such as uncertainties within its judgments and assumptions, future business operations, and changes in conditions inside and outside the Group. Kobe Steel assumes no responsibility for revising these forward-looking statements or other contents in this report.

Below is a list of factors that may contribute to these uncertainties and changes. This includes but not limited to:

- Changes in economic conditions, demand, and prices in major markets
- Political situations in major markets and regulations, including trade regulations
- Fluctuations in foreign exchange rates
- Availability and prices of raw materials
- Products and services, price strategies of competitors, business developments including alliances and M&A
- Changes in strategies of the Company's alliance partners

Medium- to Long-Term Strategy

- 66 Climate-Related Disclosures Based on TCFD Recommendations
- 70 DX Strategy

Management Resources

- 72 Communication with Stakeholders
- 73 Core Values of KOBELCO—Next 100 Project
- 74 Human Resources Strategy
- 75 Human Rights
- 76 Diversity and Inclusion (D&I)
- 77 Safety and Health
- 78 Building Responsible Supply Chains
- 79 Quality

KOBELCO Group's Business Foundation

- 80 Roundtable Talk among Three Independent Directors
- 85 Messages from Newly Appointed Independent Directors
- 86 Directors
- 88 Corporate Governance
- 100 Risk Management
- 101 Compliance

Corporate Data

- 102 10-Year Financial and Non-Financial Data
- 104 Results by Operating Segment
- 106 Corporate Data and Stock Information

Editorial Policy

The KOBELCO Group is committed to dialogue with all of its stakeholders. As part of its commitment, the Group has been publishing integrated reports since fiscal 2018. The aim is to provide a comprehensive understanding of the economic and social value created by the Group through reporting on its management strategies, business activities, social activities, and environmental activities.

The purpose of this Integrated Report is twofold. The first is to clearly show what the Group aims for through the value creation process by unraveling the KOBELCO Group's corporate story with the keyword of "comprehensive strengths," which have been cultivated over its 116-year history. The second is to foster understanding about the KOBELCO Group's businesses and initiatives by presenting the progress of KOBELCO Group Medium-Term Management Plan (FY2021–2023) announced in May 2021.

We hope that this report will help our stakeholders understand our efforts to achieve sustainable growth through the promotion of sustainability management.

Period Covered	This Integrated Report covers fiscal 2021 (from April 1, 2021 to March 31, 2022). When necessary, this report makes reference to fiscal years before and after the period.
Guidelines Referenced	<ul style="list-style-type: none"> • Sustainability Reporting Standards of the Global Reporting Initiative (GRI) • ISO 26000 (Guidance on social responsibility) • International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) • Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI)
Initiatives We Value	<ul style="list-style-type: none"> • United Nations Global Compact • Sustainable Development Goals (SDGs) • Recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)
Production Process	<ol style="list-style-type: none"> 1. Since fiscal 2018 the former three reports—the Group Profile, the Annual Report, and the Sustainability Report—have been combined into the Integrated Report. 2. After publishing Integrated Report 2021, we asked analysts, institutional investors, Group employees, and other internal and external stakeholders to give their frank opinions and comments on the report. We also applied for awards offered by outside organizations for relative assessment of the report. 3. In light of these assessments for the previous report, the Integrated Report Editorial Subcommittee under the Sustainability Management Committee wrote a draft of this report in cooperation with the Head Office departments and business divisions. 4. The production of Integrated Report 2022 proceeded based on discussions with the management team through the Sustainability Management Committee, etc.

KOBELCO Group's Information Disclosure System

The KOBELCO Group disseminates diverse information using various tools in order to communicate with stakeholders. In addition to the information contained in this report, we provide a variety of information in the ESG Data Book and on our corporate website. Going forward, we will continue to actively disclose information so that stakeholders can gain a better understanding of the KOBELCO Group.

ESG Data Book
https://www.kobelco.co.jp/english/about_kobelco/outline/integrated-reports/index.html



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



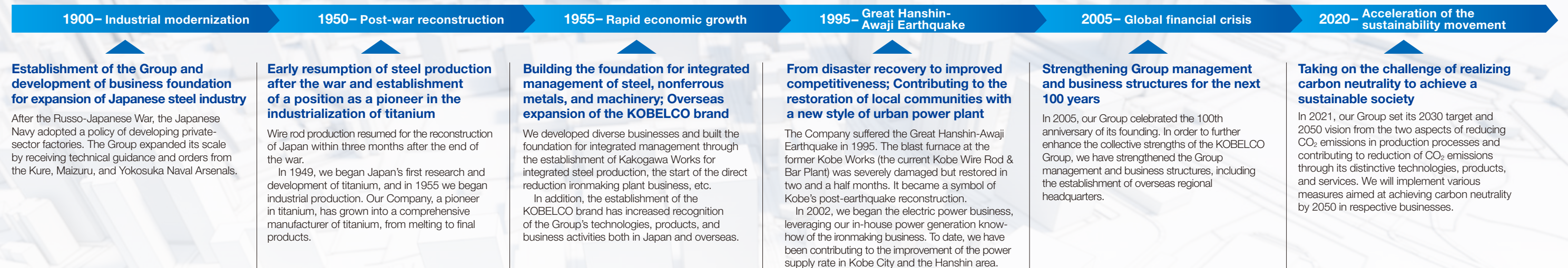
Sustainability
<https://www.kobelco.co.jp/english/sustainability/index.html>



Information Disclosure Scheme		Type of Information Disclosed (Ticks (●) indicate information disclosed.)	
		Financial Information	Non-Financial Information
Integrated Report	The Integrated Report contains the KOBELCO Group's management strategies, business activities, and ESG-related information to provide a comprehensive understanding of the economic and social value created by the Group.	●	●
ESG Data Book	The ESG Data Book contains detailed ESG-related information.		●
Securities Report	The Securities Report contains not only financial information disclosed in accordance with the Financial Instruments and Exchange Act, such as company overview, business situation, and financial statements, but also non-financial information including corporate governance structure.	●	●
Financial Results	Financial results are disclosed quarterly.	●	
Business Report Consolidated Financial Statements Non-Consolidated Financial Statements	Pursuant to the Companies Act, these documents contain financial information and the status of business operations (non-financial information).	●	●
To Our Shareholders	This biannual publication introduces topics on the KOBELCO Group's business performance as well as its ESG initiatives, in order to deepen shareholders' understanding of the Group.	●	●
Corporate Governance Report	The Corporate Governance Report contains information on Kobe Steel's corporate governance pursuant to the listing regulations of stock exchanges.		●
Kobe Steel Official Website	Our Company's official website provides information that cannot be included in the above information disclosure documents, such as more detailed ESG-related information. For more detailed ESG-related information, please refer to the "Sustainability" page on our corporate website.	●	●

History of the KOBELCO Group, a Provider of Solutions for Society

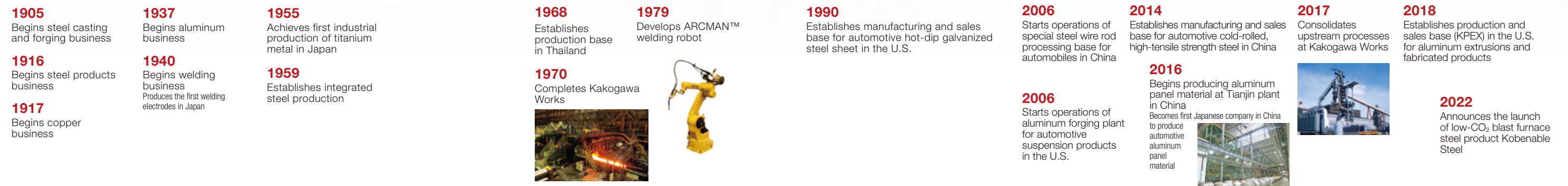
In 1905, the general partnership trading company Suzuki Shoten acquired a steel business in Wakinohama, Kobe, called Kobayashi Seikoshō, operated by Seiichiro Kobayashi, and changed its name to Kobe Seikoshō. Then, in 1911, Suzuki Shoten spun off the company to establish Kobe Steel Works, Ltd. in Wakinohamacho, Kobe. Over the 116 years since its founding the KOBELCO Group has been responding to the social issues and demands of the times through its materials, machinery, and electric power businesses.



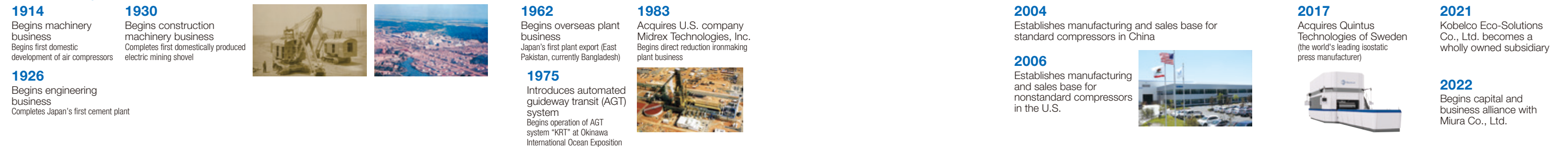
Groupwide



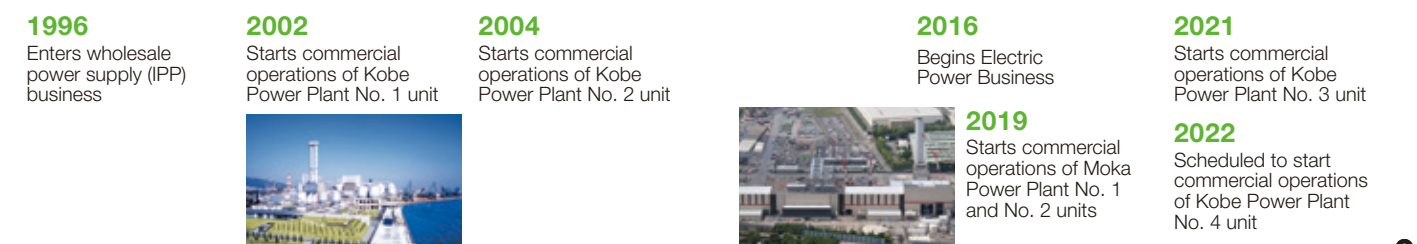
Materials Businesses



Machinery Businesses



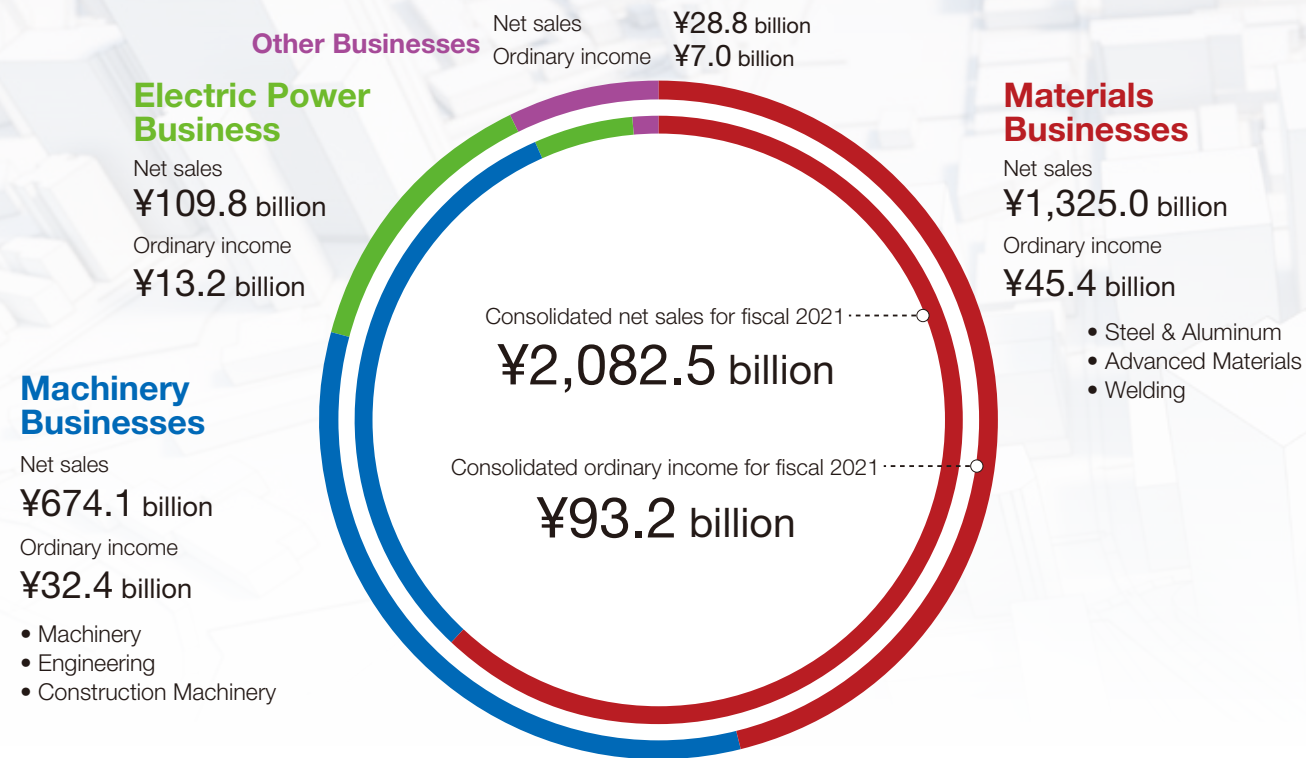
Electric Power Business



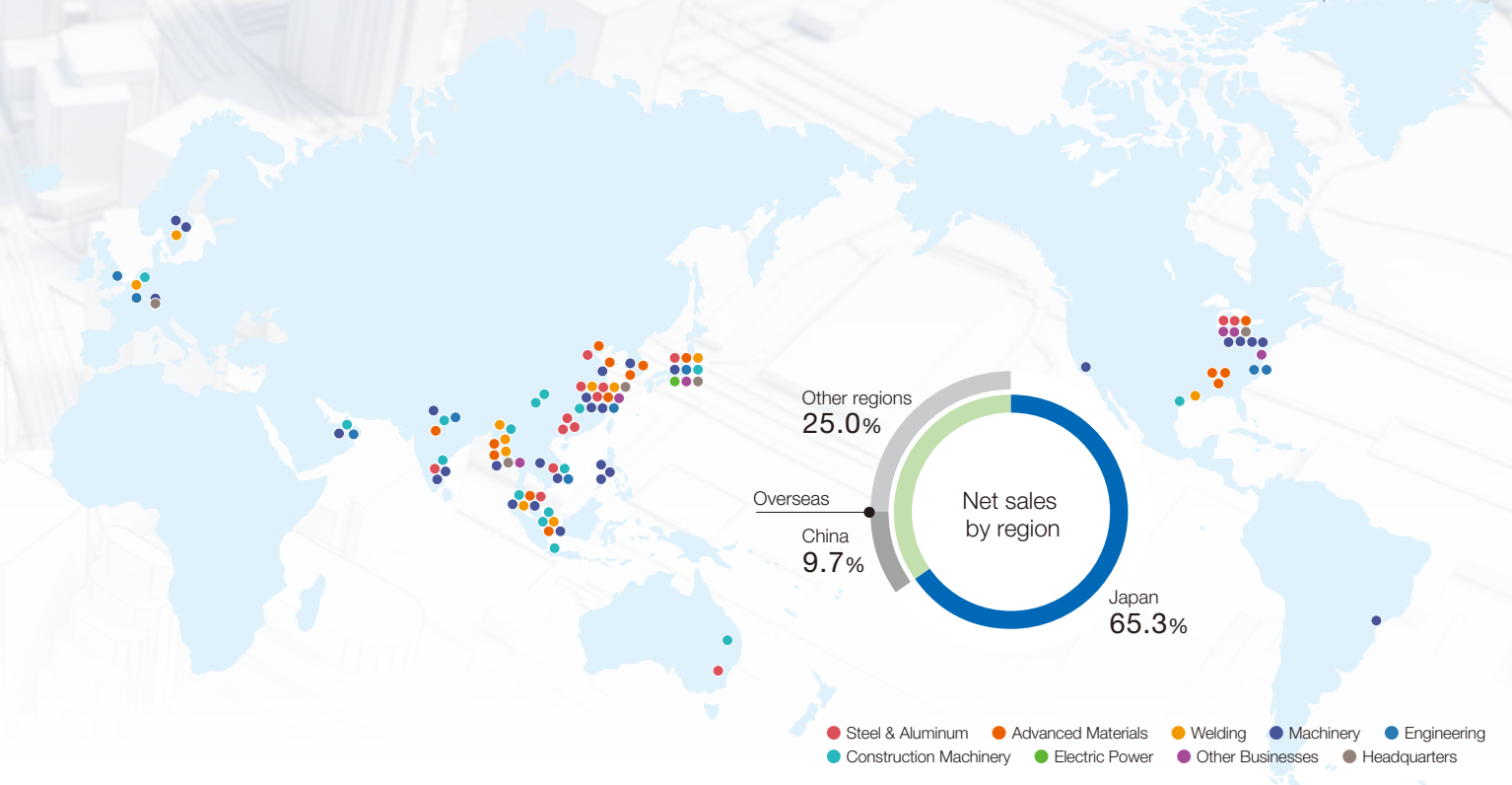
At a Glance (Fiscal 2021)

Established 1905	Capital (consolidated) ¥250.9 billion	Total assets (consolidated) ¥2,728.7 billion	Number of employees (consolidated) 38,106	Global operations (consolidated) 23 countries	Group companies 251 Subsidiaries 201 Affiliated companies 50	R&D expenses ¥33.2 billion	Number of intellectual property rights owned 8,319 Japan 3,576 Overseas 4,743
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Net Sales/ Ordinary Income



Global Locations



Business divisions	Main products and services	Net sales	Ordinary income	Total assets	Number of employees
Materials Businesses	Steel & Aluminum	¥914.9 billion	¥37.5 billion	¥1,089.0 billion	11,828
	Advanced Materials	¥333.2 billion	¥5.1 billion	¥244.4 billion	4,469
	Welding	¥76.9 billion	¥2.7 billion	¥79.4 billion	2,445
Machinery Businesses	Machinery	¥166.8 billion	¥12.5 billion	¥190.9 billion	4,716
	Engineering	¥135.6 billion	¥7.7 billion	¥132.5 billion	3,553
	Construction Machinery	¥371.6 billion	¥12.0 billion	¥361.9 billion	7,829
Electric Power Business	Electric Power	¥109.8 billion	¥13.2 billion	¥397.8 billion	272
Other Businesses	Special alloys and other new materials (target materials, etc.), material analysis and testing, high-pressure gas cylinder manufacturing, superconducting products, and general trading company	¥28.8 billion	¥7.0 billion	¥59.8 billion	1,542

Message from the President and CEO



Harnessing the Group's collective strengths to continuously contribute to future social development

Mitsugu Yamaguchi

President, CEO and Representative Director

Unwavering Mission of the KOBELCO Group

Over the 116 years since its founding in 1905, the KOBELCO Group has provided the world with products and technologies that contribute to the development of society together with its customers.

With the spirit of boldly taking on the challenge of contributing to society and realizing it amid changes in society and world trends, we have contributed to numerous industries and increased our global presence with our advanced technological capabilities, high-quality products, and price competitiveness through our business portfolio that harnesses our Group's unique collective strengths while expanding our business reach. Our stance of boldly tackling new challenges will never change.

The Group Corporate Philosophy states that 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.

Toward the realization of a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, we will continue to be a corporate group that boldly tackles various challenges and contributes to the development of society. In order to achieve this, we will pursue the ideal of our Group, which is to provide technologies, products, and services faithfully while maximizing our collective strengths.

Our Seven Business Domains and 21 Core Technologies Continue to Underpin the Industry

The KOBELCO Group has seven business segments: steel & aluminum, advanced materials, and welding in the materials businesses; machinery, engineering, and construction machinery in the machinery businesses; and the electric power business. Through these businesses, we provide technologies, products, and services to a wide range of customers in the fields of Mobility, Life, and Energy & Infrastructure. Underpinning this wide-ranging business development is the 21 core technologies, which constitute an integral part of the Group's strengths that we have developed over the years. By combining these businesses cross-functionally and developing and incorporating novel technologies, we have responded to social changes and the new needs of customers. Looking ahead, I believe the KOBELCO Group, with its diverse business domains and technological base, will continue to fulfill the expectations of customers well into the future.

First Year of Medium-Term Management Plan Off to Solid Start

In May 2021, the KOBELCO Group announced its Medium-Term Management Plan (FY2021–2023) with the two pillars of establishing a stable earnings base and taking on the challenge of realizing carbon neutrality.

With one year under our belts, we are making steady progress overall. In fiscal 2021, we recorded net sales of more than 2.0 trillion yen for the first time in 13 years, ordinary



income of 93.2 billion yen, and net income attributable to owners of the parent of 60.0 billion yen. In addition, we paid a dividend of 40 yen per share for the fiscal year.

Currently, the business environment is becoming more uncertain due to soaring commodity and energy prices caused by the Russia-Ukraine conflict, supply chain disruptions, yen weakness, etc. Nevertheless, we will continue working toward establishing a stable earnings base that can stably secure a return on invested capital (ROIC) of 5% by steadily addressing the five key issues set forth in the Medium-Term Management Plan.

At the same time, as we work toward our long-term goal of taking on the challenge of realizing carbon neutrality, we will continue to work to reduce CO₂ emissions in our production processes and contribute to the reduction of CO₂ emissions in society.

Establishing a Stable Earnings Base

We are working on five key initiatives to achieve a ROIC of 5% in fiscal 2023, the final year of the Medium-Term Management Plan, and a ROIC of 8% or more over the long term.

1. Strengthening the earnings base of the steel business

We aim to achieve stable earnings with crude steel production of 6.3 million tons and secure profitability even at 6.0 million tons by lowering the break-even point through reducing fixed costs, improving the product mix, and increasing marginal profit through raising product prices.

2. Smooth startup and stable operation of new electric power projects

The Kobe Power Plant started commercial operations of the No. 3 unit in February 2022 as scheduled and will start commercial operations of the No. 4 unit in the second half of fiscal 2022. From fiscal 2023, all power plants, including the Kobe Power Plant No. 1 and No. 2 units and the Moka Power Plant No. 1 and No. 2 units, will be fully operational and contribute approximately 40 billion yen to earnings annually.

3. Strategic investment in the materials businesses leading to earnings contribution

Although the timing of profit contribution has been pushed back from the initial forecast, there is no change in the strong demand for weight reduction in the

automobile industry over the long term. We will continue working to ensure our strategic investment contributes to earnings as soon as possible.

4. Restructuring unprofitable businesses

We are streamlining our business through measures such as withdrawal from unprofitable businesses and reducing workforce. The titanium business returned to profitability in fiscal 2021. We are working to achieve profitability in the forging and crane businesses as soon as possible.

5. Stabilizing earnings in the machinery businesses and responding to growing markets

The KOBELCO Group's machinery and engineering businesses offer diverse technological capabilities and product lineups. To date, we have demonstrated competitiveness in the fossil fuel and nuclear power fields. From now on, we will strengthen and expand our business in the environment-related fields, including initiatives toward the realization of a carbon-neutral society.

In the construction machinery business, we are working to transform our business model by promoting the departure from dependence on the Chinese market, and expanding the parts and maintenance business and the solutions business.

Taking on the Challenge of Realizing Carbon Neutrality

The KOBELCO Group is working toward carbon neutrality from two aspects: (1) Reducing CO₂ emissions from the production processes in its steel business, electric power businesses, etc.; and (2) Contributing to reduction of CO₂ emissions in society through the Group's technologies, products, and services.

In particular, the MIDREX[®] Process holds the key to achieving carbon neutrality in the steel industry.

Specifically, we can reduce CO₂ emissions in the ironmaking process by using the iron source produced with the MIDREX[®] Process, thereby enabling steel production with a lower CO₂ footprint. In May 2022, we announced the launch of a low-CO₂ blast furnace steel product Kobenable Steel.

In addition, the MIDREX[®] Process can greatly contribute to the reduction of the world's CO₂ emissions, and it is a vital process for the transition from the blast furnace to electric furnace and for the reduction of CO₂ emissions from blast furnaces. The MIDREX[®] Process is also capable of replacing natural gas with hydrogen as reducing gas in the future.

The KOBELCO Group's Strength Is Symbolized by Its Comprehensive Capabilities

Our Group is a unique corporate group, one of only a few in the world, that can provide high-value-added products and solutions based on its in-depth knowledge of 21 core technologies and customer base across a broad range of business areas.

In particular, KOBELCO's unique strength is demonstrated in solution proposals that combine steel, aluminum, and welding technologies in the fields of automotive weight reduction and electrification.

In addition to our efforts to reduce CO₂ emissions in the ironmaking process, we are working to achieve carbon neutrality by, for example, promoting the mutual utilization of management resources between the machinery and engineering businesses to conduct a demonstration test of a hybrid-type hydrogen gas supply system at Takasago Works with the aim of contributing to diverse applications for the future hydrogen society. Another example is Kobelco Eco-Solutions Co., Ltd., which turned into a wholly owned subsidiary of Kobe Steel in November 2021. The company is engaged in various environmental businesses, including water treatment, waste treatment, and chemical/food process equipment. In the future, we expect synergy effects from initiatives in the power generation business, such as CO₂ reduction through the use of biomass in the electric power business.

As shown in these examples, our Group's collective strength lies in our ability to provide solutions to the needs of society by integrating the Group's management resources. We will increase our Group's competitive advantages and refine the ability to achieve greater sustainable growth.

Today, with the introduction of artificial intelligence (AI), automation and unmanned operations are progressing in manufacturing sites that were once labor-intensive. In technological development, the trend toward digital transformation (DX) has become more prominent, such as material development using materials informatics (MI). We recognize that the promotion of DX is also essential for enhancing the collective strengths of the Group, which has diverse distinctive assets.

Implementing Sustainability Management throughout the Group

Based on the lessons learned from the quality misconduct of 2017, our Group has been steadily evolving in terms of its organizational foundation. Since I became president of the Company, I have focused in particular on changing the mindset of executives and employees. First of all, I began by removing barriers between organizations and restructuring organizational structures, systems, and mechanisms, and I have continued to stress the need to transform the way we think. Since 2018, I have actively created opportunities for dialogue with employees, and have already engaged in dialogue with approximately 1,500 employees. In my dialogues with leaders at the manufacturing sites, I underline the importance of reaffirming a sense of compliance, being aware of the role as a leader, and building up good communication.

In terms of governance, I have strong determination to advance and complete governance reforms, which include strengthening the monitoring function of the Board of Directors and establishing various committees that promote cross-organizational discussions, such as the Sustainability Management Committee, Business Portfolio Management Committee, and Investment and Loan Committee.

In May 2020, we established the new Group Corporate Philosophy, under which we identified key management issues and classified them into two categories: (1) a business foundation area that underpins business activities, and (2) a value creation area that drives business growth. As priority issues to be focused in these areas, we identified materiality in 2021.

I believe that the important thing in sustainability management is that sustainability is required not only for the company, but also for its employees. Our Group has been promoting diversity and inclusion (D&I) aimed at creating a flat workplace environment where every employee can openly and frankly express their opinions. In creating an organizational structure and developing human resources strategies to achieve this goal, we must consider how we can provide a mechanism that leads to the revitalization of the workplace and improved career opportunities for employees, rather than simply establishing a new personnel system.

During the 37 years until I became president, I had engaged in various businesses of the Company. From my observation, the steel and machinery business divisions were quite different in cultures and workplace atmosphere. The Head Office was also unique in that sense. I learned that each business division has its own unique characteristics, and I value this experience as it taught me to see things from different angles. I hope this experience will contribute to the Group's future organizational development and human resources strategy. To the members of our Group, I have always been saying that work is the accumulation of human communication. I believe it is essential for sustainable growth of the Group to build relationships that embrace diverse values and different ways of thinking and allow us to help each other.

Everything We Do Is for Moving Society Forward

There are still many hurdles to overcome in achieving sustainable growth of our Group. Looking at our history, however, we have always taken on challenges without being bound by organizational barriers or conventional frameworks. We believe that the results of these efforts can be seen in our broadly expanded business domains, diverse technologies, and the presence of many customers.

Leveraging our collective strengths, we will continue to provide solutions to the needs of society and aim to maximize corporate value while demonstrating the uniqueness of the KOBELCO Group.

