

KOBELCO

KOBELCO Group
Integrated Report 2020

KOBELCO

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Editorial Policy

The KOBELCO Group places importance on dialogue with all of its stakeholders. For this reason, the Group has been publishing integrated reports since fiscal 2018. The aim of the report is to provide a comprehensive understanding of the economic and social value created by the Group through its management strategies, business activities, social activities, and environmental activities.

We hope that this report will lead to a greater understanding among all of our stakeholders of our endeavor to restore the trust that was lost by our quality misconduct, and our efforts to sustain growth through sustainability management.

Integrated Report 2020 Production Process

1. In August 2018, the Group issued its first integrated report, *Integrated Report 2018*. Externally, we notified stakeholders about the issuance of the report at financial results briefings and other small meetings. In-house, we used digital signage and the intranet to inform employees about the report.
2. We asked analysts, institutional investors, Group employees, and other internal and external stakeholders to give their frank assessments and opinions of *Integrated Report 2019*.
3. The Integrated Report Editorial Subcommittee under the CSR Committee wrote a draft of the report, with cooperation from head office departments and business divisions, in light of the aforementioned assessments and opinions.
4. We prepared *Integrated Report 2020* based on discussions with the management team at meetings of such committees as the CSR Committee.

Referenced Guidelines

- 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

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 content in this report.

Below is a list of factors that may contribute to these uncertainties and changes. This is not a complete list of such factors.

- 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 partners with ties to the Company.

Scope of Reporting

In principle, this Integrated Report covers the activities of Kobe Steel and its domestic and overseas Group companies.

Period of Reporting

This Integrated Report covers fiscal 2019, from April 1, 2019 to March 31, 2020. However, when necessary, this Integrated Report refers to fiscal years before and after the period.

In fiscal 2020, Kobe Steel reorganized the Iron & Steel Business and the Aluminum & Copper Business into two new business divisions, the Steel & Aluminum Business and the Advanced Materials Business, to focus on materials and parts, respectively.



Group Corporate Philosophy



KOBELCO Group's New Corporate Philosophy

In May 2020, we established a new corporate philosophy of the KOBELCO Group by adding two new statements consisting of KOBELCO's View of the Future and KOBELCO's Mission to the Core Values of KOBELCO and Six Pledges of KOBELCO.

This new Group Corporate Philosophy forms the basis for all business activities undertaken by the KOBELCO Group serving as an anchor for all employees of the KOBELCO Group in making decisions. Based on the Group Corporate Philosophy, the KOBELCO Group promotes sustainability management. With the trust placed in it by all stakeholders, including shareholders, investors, customers, suppliers, local communities and Group employees, Kobe Steel aims to sustain growth while contributing to the environment and society through its business activities.

KOBELCO GROUP'S CORPORATE PHILOSOPHY

KOBELCO's View of the Future	<p><small>Our view of a society and future to be attained as we carry out KOBELCO's mission</small></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><small>Our mission and the social significance of the KOBELCO Group that we must fulfill</small></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><small>The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group</small></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 each employee and support his and her growth 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 Men and Women	<p><small>Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter</small></p> <ol style="list-style-type: none"> 1. Heightened Sense of Ethics and Professionalism 2. Contribution to the Society by Providing Superior Products and Services Quality Charter 3. Establishing a Comfortable but Challenging Work Environment 4. Living in Harmony with Local Community 5. Contribution to a Sustainable Environment 6. Respect for Each Stakeholder

KOBELCO's View of the Future
Our view of a society and future to be attained as we carry out KOBELCO's mission

KOBELCO's Mission
Our mission and the social significance of the KOBELCO Group that we must fulfill

Core Values of KOBELCO
The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group

Six Pledges of KOBELCO Men and Women
Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter

Materials
Steel & Aluminum
Advanced Material
Welding

Machinery
Machinery
Engineering
Construction
Machinery

Electric Power



Framework for Sustainability Management

Promotion of Sustainability Management Based on the Group Corporate Philosophy

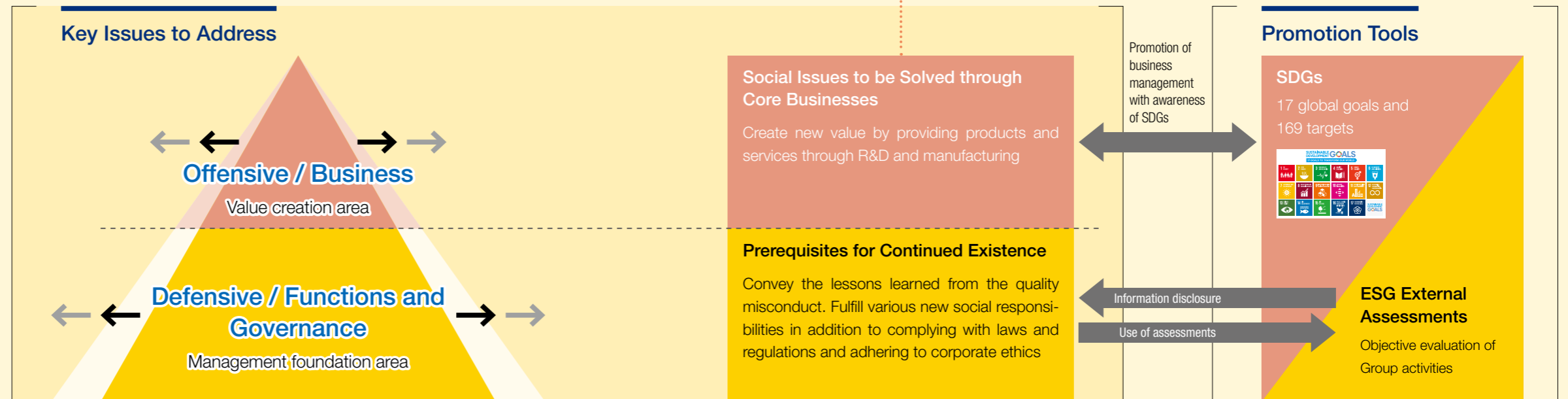
Sustainability management is an ongoing topic for the KOBELCO Group looking ahead toward the next medium-term management plan. The KOBELCO Group promotes sustainability management based on the Group Corporate Philosophy, identifying key management issues and classifying them into two categories: (1) a value creation area that contributes to the growth of business, and (2) a management foundation area that prevents erosion of corporate value.

Key management issues are divided into a value creation area and a management foundation area, both of which are addressed based on the Group Corporate Philosophy.

Group Corporate Philosophy

* Newly formulated in May 2020

- KOBELCO's View of the Future
- KOBELCO's Mission
- Core Values of KOBELCO
- Six Pledges of KOBELCO Men and Women



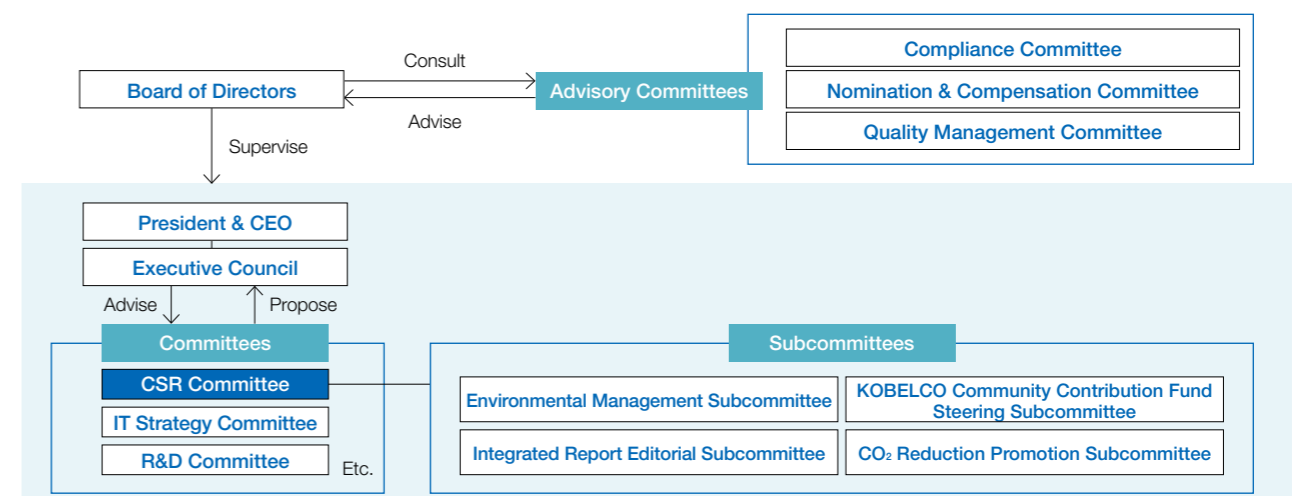
Framework for Promoting Sustainability Management

In promoting sustainability management, priority issues are addressed through a management cycle that centers on the Executive Council and the CSR Committee. While proactively disclosing information and utilizing promotion tools, such as ESG external assessments and SDGs, Kobe Steel has put into place a system that allows the Board of Directors to monitor sustainability management.

The CSR Committee's Structure and Functions

Chair (person in charge):	Hajime Nagara, Director, Senior Managing Executive Officer
Report to the Board of Directors:	Once every quarter
Meetings:	Once every quarter
Functions:	Create and follow up on the master schedule for CSR activities / Promote and monitor subcommittees and Group CSR activities / Assess the Company's CSR (ESG, SDGs) activities and identify issues / Examine and advise on the Group's Medium-Term Management Plan and annual CSR action plans / Disseminate information inside and outside the Company

Organizational Relationship of the CSR Committee

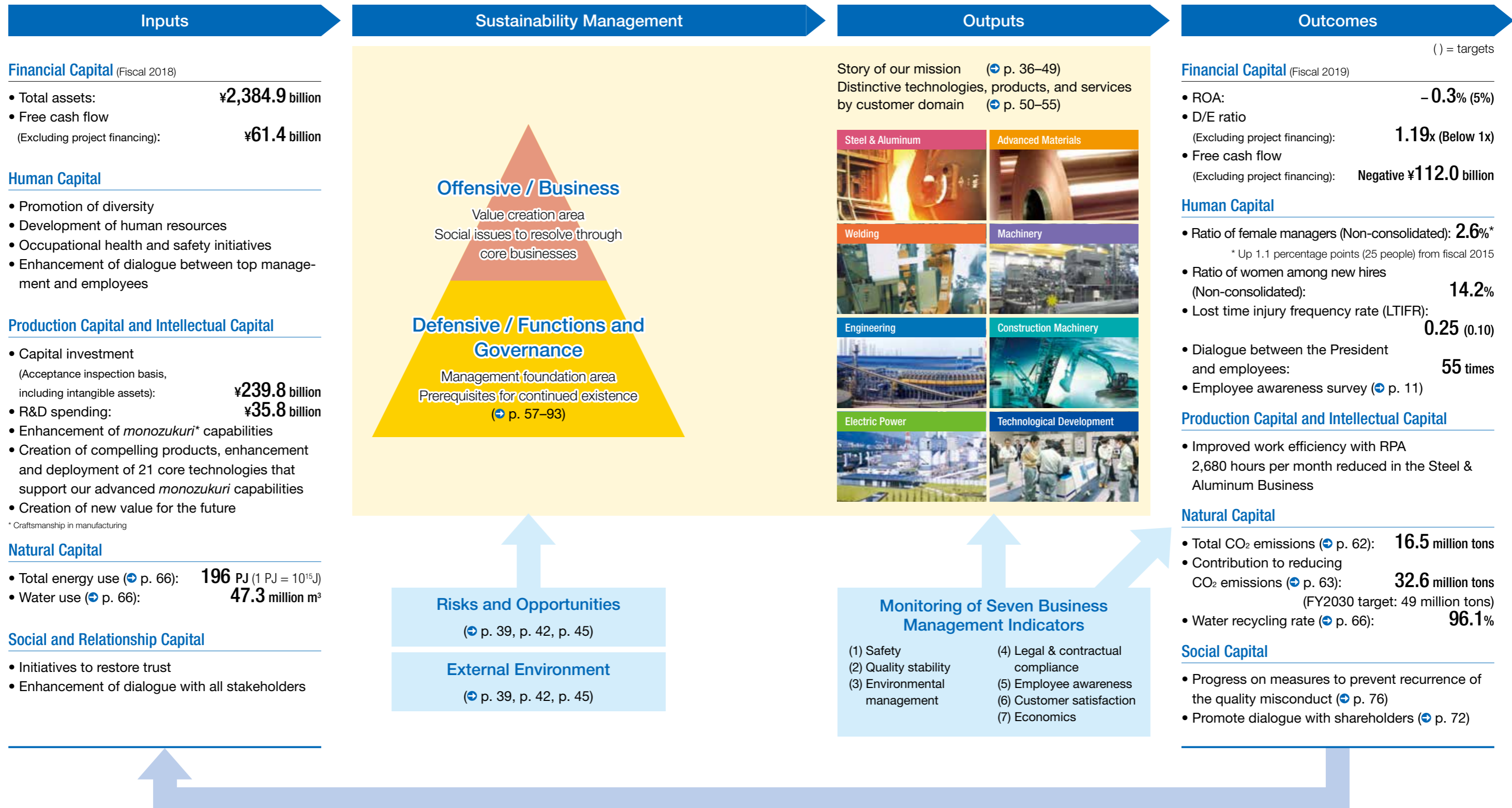


Value Creation Process

Providing Social and Environmental Value While Enhancing Sustainable Corporate Value

The KOBELCO Group contributes to the resolution of social issues by creating new value through the provision of technologies, products, and services based on a sustainability management framework rooted in its new Group Corporate Philosophy. At the same time, we aim to improve corporate value while fulfilling our various social responsibilities.

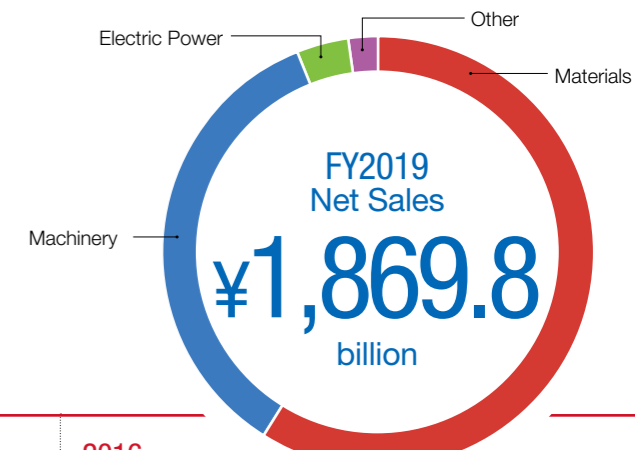
Group Corporate Philosophy



History of the KOBELCO Group

In 1905, the general partnership trading company Suzuki Shoten acquired a steel business in Wakinojima, 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. at Wakinojima-cho, Kobe.

Started as a steel casting and forging business, the KOBELCO Group contributes to resolving issues faced by customers and society by leveraging its expertise, technologies, and manufacturing capabilities fostered in a broad range of business fields that cover the Steel & Aluminum, Advanced Materials, Welding, Machinery, Engineering, Construction Machinery, and Electric Power segments.



Segment	Year	Event	Image
Materials	1905	Begins steel casting and forging business	
	1916	Begins steel products business Begins production of rolled steel products	
	1917	Begins copper business Begins production of copper tubes and bars	
	1937	Begins aluminum business Begins aluminum casting and forging business	
	1940	Begins welding business Produces the first welding electrodes in Japan	
	1955	Achieves first industrial production of titanium metal in Japan	
	1959	Establishes integrated steel production Starts up Nadahama No. 1 Blast Furnace	
	1968	Establishes production base in Thailand for welding electrodes	
	1970	Completes Kakogawa Works	
	1979	Develops ARCMAN™ welding robot	
Machinery	1914	Begins machinery business Begins first domestic development of air compressors	
	1926	Begins engineering business Completes Japan's first cement plant	
	1930	Begins construction machinery business Completes first domestically produced electric mining shovel	
	1937	Begins overseas plant business Japan's first plant export (East Pakistan, currently Bangladesh)	
	1955	Establishes manufacturing and sales base for standard compressors in China	
	1975	Introduces automated guideway transit (AGT) system Begins operation of AGT system "KRT" at Okinawa International Ocean Exposition	
	1983	Acquires U.S. company Midrex Technologies, Inc. Begins direct reduction ironmaking plant business	
	2004	Establishes manufacturing and sales base for standard compressors in China	
	2006	Establishes manufacturing and sales base for nonstandard compressors in U.S.	
	2014	Celebrates 100th anniversary of machinery business	
Electric Power	1955	Establishes manufacturing and sales base for standard compressors in China	
	1955	Establishes manufacturing and sales base for nonstandard compressors in U.S.	
	1955	Establishes manufacturing and sales base for standard compressors in China	
	1955	Establishes manufacturing and sales base for nonstandard compressors in U.S.	
	1955	Establishes manufacturing and sales base for standard compressors in China	
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	1955	Establishes manufacturing and sales base for nonstandard compressors in U.S.	
	1955	Establishes manufacturing and sales base for standard compressors in China	
	1955	Establishes manufacturing and sales base for nonstandard compressors in U.S.	
Companywide	1905	Founded when major pre-war conglomerate Suzuki Shoten enters heavy industry field	
	1937	Lists on stock exchanges in Tokyo, Osaka, and Kobe (Currently listed on stock exchanges in Tokyo and Nagoya)	
	1960	Opens office in New York	
	1979	Establishes KOBELCO as international unified trademark	
	1988	Establishes U.S. headquarters in New York (Integrates New York Office into headquarters. Consolidates headquarters with Detroit Office in 2017)	
	1995	Suffers damage in Great Hanshin-Awaji Earthquake Restarts blast furnace two and a half months after earthquake	
	2000	Establishes Corporate Code of Ethics	
	2005	Celebrates 100th anniversary	
	2006	Establishes corporate philosophy	
	2011	Establishes China headquarters	
2016	Establishes medium-to long-term business vision KOBELCO VISION "G+"		
2017	Launches Next 100 Project Discovers misconduct and establishes measures to prevent recurrence Establishes headquarters in Southeast Asia and South Asia		
2019	Establishes regional headquarters in Europe Launches Rolling of Medium-Term Management Plan (Fiscal 2019-Fiscal 2020)		
2020	Formulates Group Corporate Philosophy		

Notes: 1. Domestic sales have been calculated by deducting overseas sales (on the basis of monetary amounts of exports until 1998 and on the basis of consolidated overseas sales from 1999 onward) from net sales (on a non-consolidated basis until 1980 and on a consolidated basis from 1981 onward).
2. The pie charts' net sales breakdowns have been calculated based on the simple total for each segment, which includes intersegment transactions.

Next 100 Project

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, looking at the next 100 years. 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. We aim to achieve sustained growth and contribute to the environment and society through our business activities, responding to the trust of our stakeholders, along with our efforts to instill our new Group Corporate Philosophy in all of our corporate activities, spreading it within and outside the Group.



Fiscal 2019 Topics

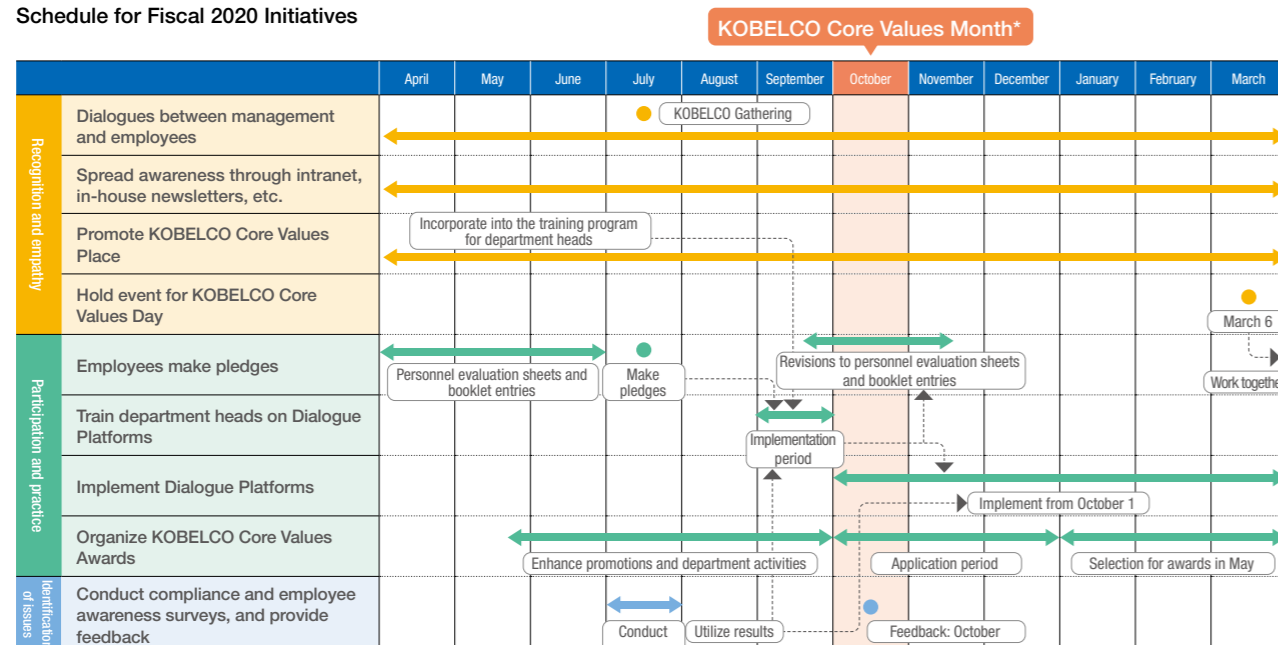
New Initiatives Adding Depth to Ongoing Efforts

In fiscal 2019, the Next 100 Project introduced new initiatives, which include the Mission Statement Project, the creation of the KOBELCO Core Values Awards, and the establishment of the KOBELCO Core Values Place, in addition to the ongoing efforts such as dialogue activities between top management and employees, Dialogue Platforms, and employee surveys. All of these new initiatives contributed to adding further depth to the activities that are being implemented. In the three years since the Next 100 Project began, we have seen some progress in the recognition and empathy among employees. Although there has been improvement in terms of participation and practice of each individual in the workplace, we believe further improvement is necessary. We will continue to promote these activities from fiscal 2020 onward to instill our corporate philosophy on a deeper level.

Bottom-Up Formulation of the New Group Corporate Philosophy

The quality misconduct discovered in October 2017 was a catalyst that led us to greater awareness of our customers and consumers at the end of the supply chain. We embarked on the Mission Statement Project to bring clarity to the KOBELCO Group's vision for society and to rediscover the KOBELCO Group's reason for existence in society. We took a bottom-up approach in the process of formulating a new Group Corporate Philosophy, creating opportunities for all employees, not just managers and specific members, to discuss and think about these issues at a Dialogue Platform held in each workplace and other occasions with the objective of deepening recognition and empathy among Group employees through this formulation process. After gathering the opinions and thoughts of Group employees, we created the new Group Corporate Philosophy in May 2020 (see page 3).

Schedule for Fiscal 2020 Initiatives



* Kobe Steel designated the month of October as the Core Values of KOBELCO Month, to provide an opportunity for all employees to think about how they can avoid breaches of compliance and prevent other employees from violating compliance.

Recognition and empathy

Dialogues between Management and Employees

President Yamaguchi and other senior executives continue to talk to employees at business locations in Japan and overseas to convey the meaning of the Group Corporate Philosophy and the messages incorporated in it, in an effort to proactively express management's commitment to these initiatives and reforms to restore trust. As of the end of April 2020, President Yamaguchi has engaged in dialogues on a total of 105 occasions at 70 business locations inside and outside Japan. Due to the COVID-19 outbreak, these dialogues were moved to online forums in fiscal 2020.



Dialogues with online tools

KOBELCO Core Values Place

The KOBELCO Core Values Place was set up in a KOBELCO Group's training facility in June 2019 for executives and Group employees to visit, with the aim of passing on to future generations the lessons learned from the quality misconduct that came to light in October 2017. As of the end of March 2020, approximately 2,000 people have paid a visit. In fiscal 2020, we plan to open similar training facilities at each business location and create opportunities for employees to virtually visit the facility with online tools.

Participation and practice

Dialogue Platforms

Dialogue Platforms are implemented in each department with participation of all employees working at Kobe Steel and its Group companies with the objectives of (1) instilling the Group Corporate Philosophy, (2) remembering the lessons learned from the quality misconduct, and (3) promoting two-way communication within the organization. In fiscal 2019, one of the topics of discussion was the KOBELCO Group's reason for existence in society, and all employees were given opportunities to discuss this topic. The Dialogue Platforms served well in drawing out the opinions of Group employees in formulating the new Group Corporate Philosophy. We will continue to hold Dialogue Platforms as a means of stimulating communication between managers and their subordinates.

Pledges by All Employees

To encourage each and every employee to participate and put into practice the Group Corporate Philosophy, Kobe Steel solicits all of its employees to make pledges with actionable targets in personnel evaluation sheets and

booklets about the Group Corporate Philosophy. In fiscal 2020, pledges made by senior management were shared with the entire Group over the intranet and in-house newsletters, and department heads also began to announce their pledges in their workplaces.

KOBELCO Core Values Awards

In fiscal 2019, KOBELCO Core Values Awards commenced as an initiative to instill the Corporate Philosophy throughout the Group with an aim to promote recognition of activities that exemplify the spirit of the Group Corporate Philosophy and help nurture a better corporate culture. For the first round of awards, a total of 250 applications were received and 15 activities were awarded, including those given the Grand Prix and Associate Grand Prix. By sharing good examples of activities throughout the Group, we aim to further participation and practice of the Group Corporate Philosophy.

Fiscal 2019: First round of Awards

Grand Prix	(Trust category) "KOBELCO WELDING WAY" by the Welding Business, Kobe Steel
Associate Grand Prix	(Trust category) "Giving Science Lessons at Schools" by Kobelco Construction Machinery
	(Collaboration category) "Thank You Diary" by the Iron & Steel Business, Kobe Steel
	(Innovation category) "KoCoLab Enhances Co-creation and Technology Fusion" by the Technical Development Group, Kobe Steel



Identification of issues

Employee Awareness Survey

Since fiscal 2018, Kobe Steel has conducted employee awareness surveys as part of a framework to comprehensively understand the current state and issues regarding the awareness of employees for their work and their company, as well as the state of organizations. In fiscal 2019, the employee awareness survey was also conducted at domestic Group companies. The results of the fiscal 2019 survey at Kobe Steel show overall improvement from the previous fiscal year, but some issues still need to be addressed. The survey will be conducted every year to monitor changes in employee awareness and the state of organizations, while continuously making improvements for sustainable development.

Summary of Survey Conducted in Fiscal 2019

Period:	July 16-31, 2019
Scope:	All employees working at the Company (excluding Board members and new hires after April 2019)
Response rate:	90.0%
Summary of the results:	Overall improvement was seen with a majority of categories showing improvement. Many categories did not reach the level targeted in absolute terms.

Note: Results of the survey for fiscal 2020 are currently in preparation.

Message from the President and CEO



Mitsugu Yamaguchi
President, CEO and
Representative Director

As we strive to prosper and sustain growth, the true value of the KOBELCO Group's comprehensive capabilities with diverse technologies is being tested in this unprecedentedly challenging business environment. We are pushing ahead with reforms, including a shaking up of our business portfolio, for the next 100 years without being afraid of change.

Our Response to the COVID-19 Pandemic

Our first and foremost priority is the safety and health of all our stakeholders

The KOBELCO Group believes its highest priority is to protect the safety and health of its customers, employees and their families. While making every effort to prevent the spread of the novel coronavirus, the Group is continuing operations to ensure an uninterrupted supply of essential products and services for social infrastructure. Recognizing this as our social responsibility and mission, we are working diligently to this end.

We established a Companywide COVID-19 response office in January 2020. This organization was upgraded in April to a Companywide response headquarters (headed by the president) and charged with ensuring appropriate business continuity while taking measures in response to COVID-19 based on the three basic policies. On May 25, the Japanese government decided to completely lift the state of emergency. Meanwhile, Kobe Steel is continuing to implement measures at all of its bases in Japan so that employees can work remotely from home. We are encouraging our employees to telework to the extent possible by making necessary arrangements to continue business operations unimpeded. Head offices, branch offices and sales offices are to reduce the ratio of employees coming to

work to less than 50%, and similar targets were set by respective divisions at other business locations. If they come to work, employees have been instructed to commute during off-peak hours, always wear masks, and take other measures to prevent the spread of the novel coronavirus. In principle, all business trips inside Japan that require transportation by bullet train or airplane are prohibited. All international travel is forbidden. Additionally, the Board of Directors and Executive Council have moved to online conferences for making important decisions that affect the entire company.

Since the KOBELCO Group also has bases in China, we were able to rapidly assess the outbreak in China and set up the response office at an early stage.

Steelworks operate 24 hours a day. This is why it is essential that we make every effort to prevent infections, avoid closed and crowded spaces, and limit to the extent possible close contact among people across the entire Group. We are keenly aware that the Group's responsibility to society entails operating its manufacturing sites and ensuring a reliable supply of products. We will fulfill this responsibility while making sure our employees stay safe.

Three Basic Policies

1. We place the highest priority on safety and health for all stakeholders in Japan and overseas, including customers, business partners, community members, employees of the KOBELCO Group and others working on company premises, and their respective families.
2. In order to fulfill our social responsibility, we continue to provide products and services necessary to maintain the social infrastructure and other aspects, while carrying out thorough preventive measures against infection.
3. We implement timely and appropriate information disclosure to fulfill our accountability to stakeholders.

The Rolling of the Medium-Term Management Plan (Fiscal 2019–Fiscal 2020) Urgent Issues to Address with a Sense of Crisis

Progress on the Rolling of the Medium-Term Management Plan has been beset by challenges arising from external conditions, mainly deterioration in demand, while also encountering numerous issues caused by internal factors.

Under the current Medium-Term Management Plan, Kobe Steel aims to establish a business enterprise centered on the three core business areas of materials, machinery and electric power, and has implemented measures to achieve this objective through fiscal 2018. Key initiatives included measures to establish a stable earnings foundation by consolidating upstream operations in the steel business and advancing new power generation projects, in addition to pursuing growth opportunities through automotive weight reduction strategies. Furthermore, the Company strengthened corporate governance and reinforced its business foundation through the Core Values of KOBELCO Next 100 Project (activities looking ahead to the next 100 years).

Kobe Steel laid out investment plans for its automotive weight reduction strategies, pursuing growth opportunities, but has not yet earned a return on these investments due to major changes in demand in a deteriorating external business environment.

In the Rolling of the Medium-Term Management Plan, announced in May 2019, Kobe Steel identified and then

enacted measures for two key themes in fiscal 2019–fiscal 2020, namely (1) strengthening profitability with a focus on materials, and (2) making efficient use of management resources and strengthening the business base. In fiscal 2019, the Company made more progress than anticipated on increasing the efficient use of management resources in terms of reducing strategically held shares, among other plans. With regard to strengthening profitability with a focus on materials, however, fixed costs have not been reduced as much as we had intended, despite being able to cut costs as planned (mainly variable costs) through the consolidation of upstream operations at Kakogawa Works. This slow progress is attributable to an increase in maintenance work costs to ensure stable output and issues with our *monozukuri** capabilities, notably production issues at an aluminum-related business unit.

As evidenced by the significant amount of impairment losses on fixed assets the Company booked in fiscal 2019, Kobe Steel has not made adequate progress on strengthening its *monozukuri* capabilities or improving sales prices in the materials businesses, in addition to delays in achieving returns on strategic investment projects. The KOBELCO Group's most pressing issue now is to strengthen profitability with a focus on materials.

* Craftsmanship in manufacturing

KOBELCO Group's Strengths and Future Issues Facing Reality, Embracing Change without Fear

We are facing an unprecedentedly challenging business environment, with flagging demand due to U.S.–China trade friction and the COVID-19 pandemic. In order to prosper and sustain growth, the KOBELCO Group must directly face reality and embrace change without fear.

In the materials businesses, where we are addressing pressing issues with a sense of crisis, management has identified the following three factors behind the deterioration in earnings.

1. Changes in Industry Structure

Kobe Steel increased its cost competitiveness in the steel businesses by consolidating upstream operations at steelworks in 2017. However, earnings worsened owing to

structural problems arising from higher raw material costs and lower product prices, in addition to fixed costs remaining stuck at high levels. Despite these circumstances, Kobe Steel has maintained its competitive advantages in special steel wire rod and ultra-high-strength steel sheets for automobiles.

Looking ahead, Kobe Steel will rapidly work to reduce fixed costs while monitoring profitability and production volume, in addition to improving sales prices by focusing on products that have competitive advantages in the market. In light of shrinking production of crude steel in Japan, management is also examining changes to the production structure. Instead of chasing profits by selling commodity products on a large scale, the Company aims to steadily

generate profits by focusing on its fields of expertise, such as special steel and ultra-high-strength steel sheets.

2. Delayed Expansion in Demand

In the aluminum sheet business, Kobe Steel's strengths are derived from its technological advantages and high market share in automotive materials. Despite a decision made by management to invest (capital expenditures and strategic investments) in automotive materials, we have seen a delay in aluminum applications in the industry and a slowdown in sales of automobiles in China since then. For these reasons, the Company was forced to downgrade its forecasts for demand, and as a result, returns on these investments will take much longer to materialize than initially anticipated.

To rectify this issue, Kobe Steel newly established the Application Technology Center in April 2020 to lead efforts for improving solutions proposed to customers. At the same time, the Company aims to increase profits by reducing fixed costs, including emergency measures to improve profitability, in addition to expanding overall sales mainly focusing on beverage can stock.

3. Issues with *Monozukuri* Capabilities

In fiscal 2019, we recorded impairment losses on fixed assets in the titanium, aluminum suspension and aluminum

casting and forging businesses, where the Company has high shares of markets with strong growth potential. Such earnings deterioration is attributed mainly to our *monozukuri* capabilities on the productivity and cost side, despite strenuous efforts to win orders to expand business and market share. In the relatively large materials businesses of steel, aluminum and copper, another problem was a delay in establishing a management structure to expand the parts business, where markets and business customs are different. Starting with the Advanced Materials Business, which was created in the April 2020 reorganization, the Company aims to secure stable sources of earnings through business management that emphasizes profitability, including the streamlining of product lines, in the titanium, aluminum suspensions and aluminum casting and forging businesses. More specifically, with a focus on strengthening business management, we will reinforce business planning and management functions, including monitoring of order-taking decisions, while improving *monozukuri* capabilities and parts business strategies for each demand field centered on parts.

In the steel casting and forging business, where changes in the industry structure have undermined earnings, we aim to secure steady profits by reducing fixed costs to match demand and improving prices to maintain business continuity.

Promotion of Sustainability Management Based on the Group Corporate Philosophy Taking on challenges to solve social issues for continued value creation

Over the past few years, the concepts of ESG and SDGs have caught on as values shared around the world. These shared goals aim to enhance the sustainability of society and corporations. As the world confronts a variety of social issues, corporations have become increasingly oriented toward sustainability management that strikes a balance between economic value and social value, in their position as global enterprises. Here, it is important for companies to sustain growth in their corporate value through an approach of providing value to both society and the environment. Sustainability cannot be truly achieved unless value is provided to both society and the environment, while companies generate sustainable profits.

In May 2020, the KOBELCO Group created a new Corporate Philosophy for the Group. Starting with the Core Values of KOBELCO and the Six Pledges of KOBELCO Men and

Women as the basis, KOBELCO's View of the Future and KOBELCO's Mission were incorporated into the new corporate philosophy. KOBELCO's View of the Future and



Message from the President and CEO

KOBELCO's Mission were carefully crafted from the bottom up over the course of a year, reflecting various opinions gleaned from discussions by employees on the Dialogue Platform at their workplaces.

Furthermore, the KOBELCO Group updated its framework for sustainability management, making its approach to sustainability management more presentable and easily understood by people both inside and outside the Company. The idea behind this is to divide all of the KOBELCO Group's activities into either the value creation area, which realizes business growth, or the business foundation area, which prevents damage to corporate value, and to advance all of these activities based on the Group Corporate Philosophy.

For employees, this framework is designed to accelerate

the PDCA cycle for checking the current status of issues and initiatives being undertaken and taking actions for solutions. It also serves as a compass for connecting initiatives undertaken by organizations and individuals with the Group Corporate Philosophy. Additionally, this framework is shared externally with stakeholders as an essential part of the KOBELCO Group's value creation process of creating both economic and social value.

The promotion of sustainability management based on the Group Corporate Philosophy will be a recurring theme in the next Medium-Term Management Plan. To be an indispensable company to customers and society, we believe the mission of the KOBELCO Group is to continue creating new value while addressing social issues.

expansion of businesses that help reduce the environmental load and the search for growth opportunities in the machinery businesses. We will pursue growth opportunities that translate into value that only the KOBELCO Group can offer, by fusing together technologies accumulated in various fields such as the Company's electric power business, the initiatives for water treatment, waste processing, and effective biomass power generation undertaken by the consolidated subsidiary Kobelco Eco-Solutions Co., Ltd., as well as the unsurpassed direct reduction ironmaking process at the U.S. consolidated subsidiary Midrex Technologies, Inc. From the lessons we learned from our quality misconduct, the Company is pushing forward coordinated efforts across

business divisions at an organizational level while increasing such awareness among employees. As our cross-divisional task force has made progress on efforts to reduce CO₂ emissions, we have come to have heightened awareness of utilizing resources available Companywide.

Kobe Steel will introduce ROIC metrics to strengthen management of its business portfolio, in an aim to further evaluate business within the context of (1) specializing in truly competitive products and services and (2) tackling future growth fields and new fields.

The third step is (3) reexamining the business foundation and organizational structures that support our businesses to enable organic connections across diverse businesses.

Concepts and Framework of the Next Medium-Term Management Plan Priority on specializing in truly competitive products and services

Toward the upcoming Medium-Term Management Plan, Kobe Steel is working to keep fixed costs as low as possible while curtailing expenditures on investment by screening capital investments and financing as a part of emergency measures to increase earnings and cash flow due to the uncertain outlook brought about by the COVID-19 pandemic.

We will begin by (1) specializing in truly competitive products and services, objectively evaluating the position, strengths

and weaknesses of products and services provided by the KOBELCO Group with an eye on increasing earnings power. This will necessarily entail a sweeping review of all operations, including unprofitable businesses, without designating any business as a sanctuary.

The next step is (2) tackling future growth fields and new fields, in pursuit of value creation that leverages our unique advantages and diverse technologies. This initiative includes

To Our Stakeholders Transforming KOBELCO into a company indispensable to customers, society and employees

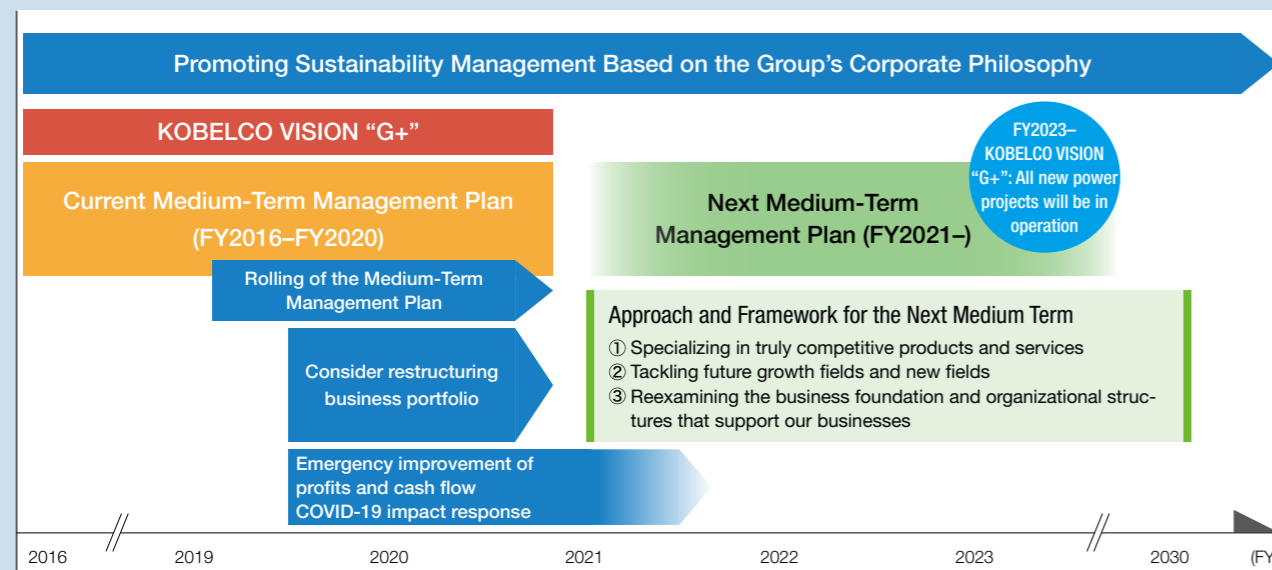
Two years have passed since I was appointed president in 2018. As president, my first mission was to restore trust in Kobe Steel after the quality misconduct was discovered and then implement measures to prevent a recurrence on all fronts. I focused my own efforts in particular on restoring the confidence of employees that had been lost due to the quality misconduct, by engaging in dialogue with employees at business locations in order to close the gap between management and employees. In this context, I believe proactive measures taken under the Next 100 Project have led to tangible results, and I will continue to move forward with these initiatives.

However, I realize that we have not made adequate progress toward our earnings targets and objectives in the Medium-Term Management Plan, with some businesses still dealing with structural issues and other businesses needing more time to see returns on investments. I am also well aware that investors are quite disappointed with our performance so far.

The business environment has become even more challenging than before, with demand softening due to U.S.–China trade friction and the COVID-19 pandemic. In order to prosper and sustain growth, the KOBELCO Group takes this new reality seriously and is working on all kinds of reforms, such as selectively focusing the business portfolio and implementing measures to leverage its collective strengths. The process industry, like the materials businesses at the KOBELCO Group, requires massive amounts of energy to transform its business operations. However, we must change ourselves for the next 100 years as the world around us also changes. I believe it is my current mission to transform KOBELCO into a company indispensable to customers, society and employees. To achieve this goal, we will continue to promote sustainability management based on the Group Corporate Philosophy and create economic and social value by providing solutions to the needs of society.

We ask for the continued guidance and support of our stakeholders as we move forward.

Approach and Framework for the Next Medium-Term Management Plan



M. Yamaguchi

Mitsugu Yamaguchi
President, CEO and
Representative Director

Special Feature: KOBELCO's Mission Story

Using the Group's Collective Strengths to Reduce CO₂ Emissions



The KOBELCO Group Takes on the Challenge of Solving Social Issues with Its Unique Strengths and Technologies.

Long-Term Initiatives to Address Climate Change

Around the world, the movement toward addressing climate change is gaining momentum with the start of the Paris Agreement from 2020, which was adopted at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21).

By reducing CO₂ emissions throughout its value chain, the KOBELCO Group contributes to the achievement of goals in the Paris Agreement, as well as Japan's long-term vision and government policies, such as those embodied in Japan's Draft Commitment and Strategic Energy Plan. These ambitions also align with KOBELCO's View of the Future, which was integrated in the Group Corporate Philosophy in May 2020, stating "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." We recognize our commitment to society is tested

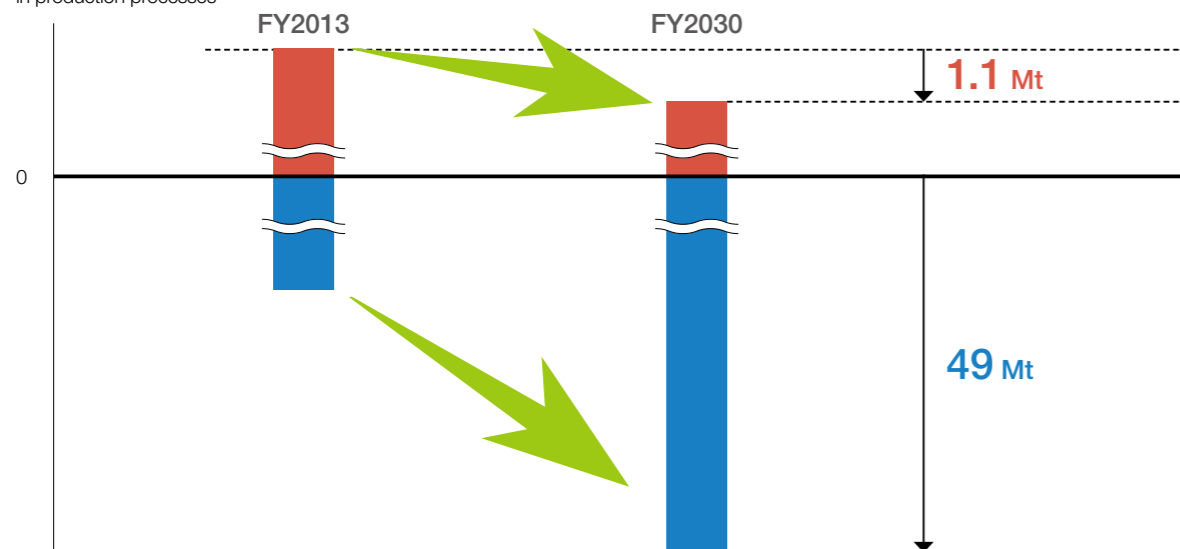
through our efforts to reduce CO₂ emissions, as we affirm it in KOBELCO's Mission, which states "Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies."

In addition to reducing its own CO₂ emissions, the KOBELCO Group helps reduce CO₂ emissions at the stage of use in various areas of society through its innovative technologies, products, and services. In a new development, the Company has created objectives for fiscal 2030 and set two management metrics, consisting of (1) Reduction of CO₂ emissions in production processes and (2) Contribution to reduction of CO₂ emissions through technologies, products, and services.

Taking the long-term view, we are keen to reduce CO₂ emissions and achieve KOBELCO's View of the Future.

The KOBELCO Group's FY2030 CO₂ Reduction Objectives

Reduction of CO₂ emissions in production processes



Contribution to reduction of CO₂ emissions through technologies, products, and services

1 Reduction of CO₂ Emissions in Production Processes

Over 95% of the KOBELCO Group's CO₂ emissions come from the Steel & Aluminum Business and the Advanced Materials Business, making the reduction of CO₂ emissions in their production processes a key issue. The Group's steel, aluminum, and other products are used by a broad range of industries. As such, we have a responsibility to reduce CO₂ emissions while maintaining cost competitiveness in order for our products to truly contribute to society.

The Company has endeavored to reduce CO₂ emissions at its business locations, such as by installing high-efficiency power generation facilities at Kakogawa Works. We aim to reduce 1.1 million tons of CO₂ by FY2030 (vs. BAU in FY2013) by continuing to conserve energy and invest in more efficient facilities.

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

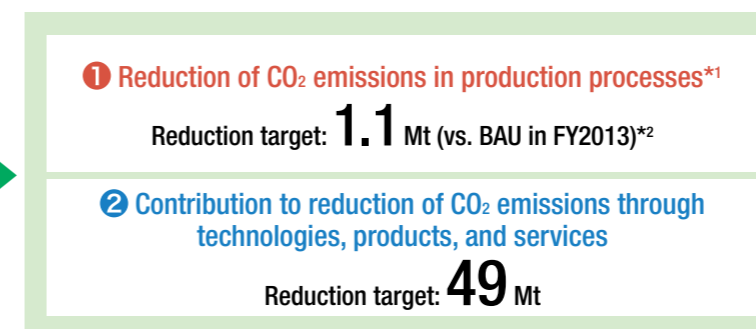
Through its innovative technologies, products, and services, the KOBELCO Group helps reduce CO₂ emissions at the stage of use in various areas of society. With the global population poised to expand, it has become increasingly necessary for society as a whole to reduce CO₂ emissions. We therefore believe reducing CO₂ emissions is an important link to our growth strategy. As more automobiles are driven, cars need to become lighter in weight to improve their fuel economy. As a leading manufacturer of steel, aluminum and welding materials, the Group can make a significant contribution to automotive weight reduction in a wider range of fields.

Midrex Technologies, Inc., a wholly owned subsidiary of Kobe Steel, has developed the MIDREX® Process, a method for making direct reduction iron (DRI) using natural gas, which emits less CO₂. The MIDREX® Process produces over 60% of the DRI in the world. We believe demand for DRI will only increase as industries move to combat climate change.

By expanding sales of MIDREX® plants, we are thus able to help reduce CO₂ emissions in the future. Midrex Technologies also has technology for a direct reduction process that uses hydrogen and is working on the development of hydrogen reduction ironmaking.

Through these initiatives, the KOBELCO Group aims to reduce 49 million tons of CO₂ by FY2030 through its technologies, products, and services.

The KOBELCO Group's FY2030 Objectives



*1 Scope of the reduction target consists of business locations of Kobe Steel and Kobelco Construction Machinery.
*2 BAU: Business as usual; emissions of greenhouse gases, or emissions per unit, assuming no additional measures are taken

Contribute to the Paris Agreement and Japan's long-term vision and government policies by reducing CO₂ emissions throughout the value chain

FACT Our Solutions to Social Issues

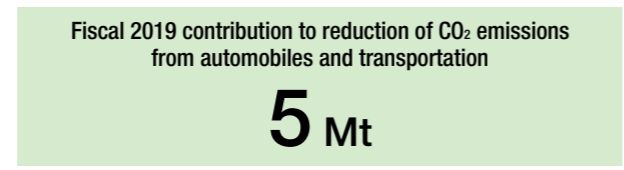
1 Contribution to Reduction of CO₂ Emissions in Automotive Field

As the importance of protecting the global environment mounts, automakers have been working to electrify and reduce the weight of automobiles in order to achieve goals for reducing CO₂ emissions (i.e., improve fuel economy). Regulations for fuel economy and exhaust gas are likely to become stricter through 2030, adding momentum to the transition to lighter weight vehicles and electric vehicles. Environmentally friendly vehicles, such as hybrid and electric cars, often have heavy batteries, making it necessary to reduce the weight of the vehicle. However, collision safety or the rigidity of the car body cannot be sacrificed just to save weight.

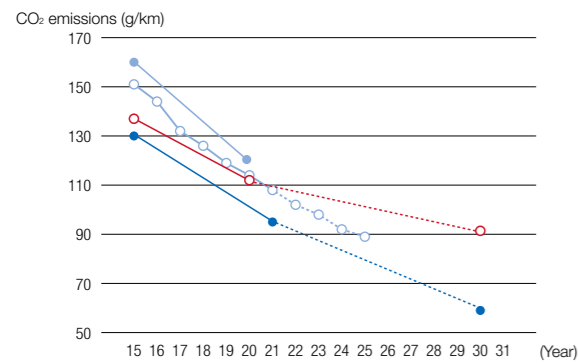
In April 2020, the KOBELCO Group reorganized the materials businesses and established the Application Technology Center to further support its customers as the only manufacturer in the world to provide steel, aluminum, and welding materials and dissimilar material joining technologies. The Company proposes ideas for weight reduction in a bid to provide value as a company with technologies for joining dissimilar materials. In fiscal 2019, we helped

reduce CO₂ emissions by an estimated 5 million tons through products that contribute to weight reduction in automobiles.

In addition to automotive weight savings, the KOBELCO Group has diverse technologies, products, and services that satisfy the need to comply with regulations on fuel economy and exhaust gas that are becoming stricter as vehicle electrification progresses. We will continue to help reduce CO₂ emissions further. Our ongoing efforts include developing compressors and heat exchangers for hydrogen stations that will facilitate the proliferation of fuel-cell vehicles (FCVs) and more.

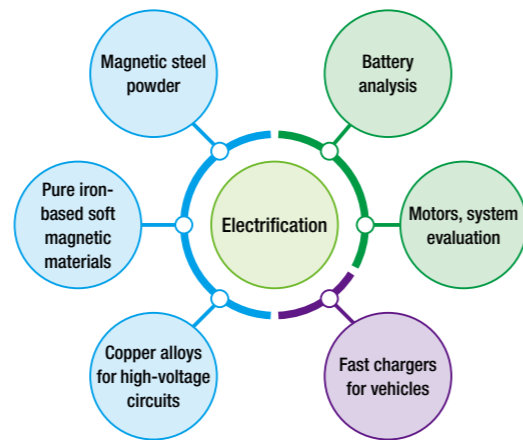


Fuel Economy Regulations by Region (CO₂ emission equivalent)



Europe: Decided to further tighten fuel economy and emissions regulations with a view to 2030
 Japan: Laws currently being revised for 2030 regulatory values
 Note: Created by Kobe Steel based on data from regulatory authorities in each country and region

Contribution to Automobile Electrification



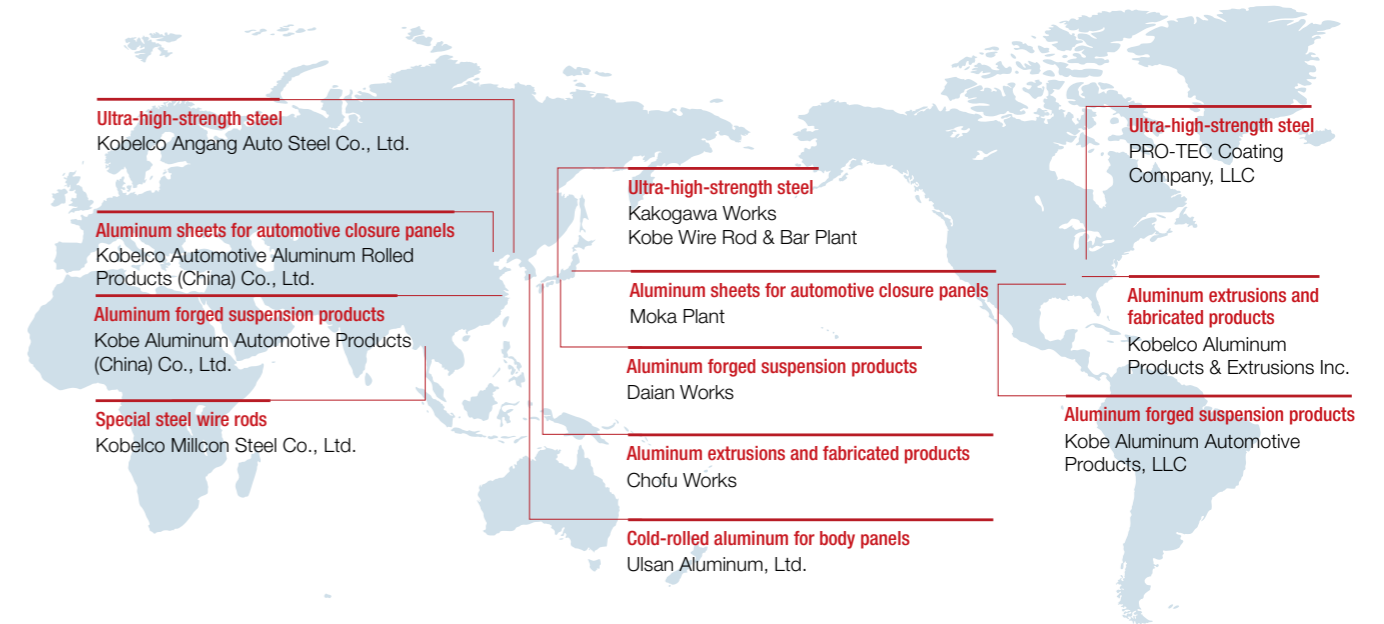
Multi-Materials That Contribute to Automotive Weight Reduction

- Hoods, fenders, doors, roofs, etc.**
Aluminum: Aluminum sheets for automotive body panels
- Body frame**
Steel: Ultra-high-strength steel
Aluminum: Aluminum extrusions
- Bumpers, door impact beams**
Steel: Ultra-high-strength steel
Aluminum: Aluminum extrusions
- Engine power trains**
Steel for high-strength bolts
High-strength steel powder for sintering gears
- Joining and analysis**
Joining: Welding materials, dissimilar material joining technology
Analysis: Structure, processing, joining analysis
- Underbody parts**
Aluminum: Aluminum forged suspensions

Expansion of Global Supply Structure

The KOBELCO Group has been expanding its global supply structure since automotive weight reduction is a worldwide issue. The Company is making strategic investments in materials for reducing the weight of automobiles, such as automotive valve spring steel

with a global market share of 50%, ultra-high-strength steel with a leading share of the industry, and forged suspensions for automobiles with a top share of the domestic market.

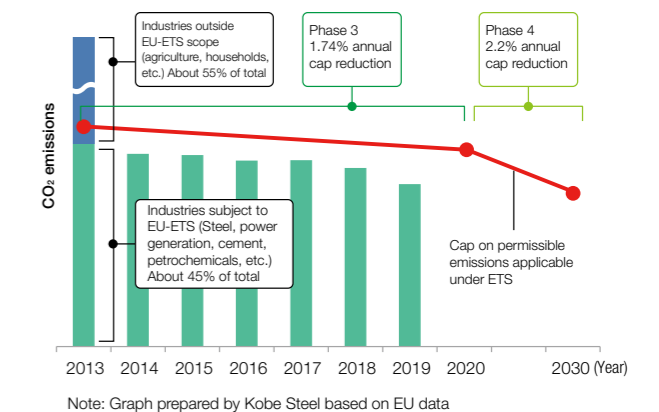


2 Reduction of CO₂ in Ironmaking Field: Direct Reduction Ironmaking by MIDREX® Process

Steel has many excellent qualities as a basic material, in terms of resource abundance, production cost, and functional diversity. Steel supports our lifestyles as a core material used in social infrastructure and durable consumer goods. It is also a highly recyclable material. However, as the world population grows and society develops, steel scrap recycling cannot satisfy all of the demand for steel. Scrap steel has many impurities, such as copper and tin, making it difficult to produce high-grade steel. Clean sources of metallics are needed to dilute impurities in recycled steel. For these reasons, new steel will still have to be produced from iron ore in the future.

Steel helps reduce CO₂ emissions at the stage of use in various products. One example is ultra-high-strength steel, which reduces the weight of automobiles. On the other hand, the steel industry is one of the largest emitters of CO₂, and reducing these emissions has been a hot topic. New steel is mainly produced by the blast furnace method, in which coke is used to reduce the iron ore. A drawback of this reduction process is emissions of large amounts of CO₂. Around the world, CO₂ emission trading systems have gained momentum, as seen in the European Union and the Republic of Korea, where the steel industry is subject to cap-and-trade emission trading systems (ETS). Companies that emit

Volume of and Limit for Emissions Applicable Under European Union Emissions Trading System



greenhouse gases in excess of their emission framework must obtain emission credits from other companies or markets. In these regions, the need to reduce CO₂ emissions has been increasing.

Special Feature: KOBELCO's Mission Story

Against this backdrop, the direct reduction process is drawing attention as a next-generation ironmaking process that can substantially lighten the burden on the environment. Direct reduction plants, which use natural gas to reduce iron ore, emit less CO₂ than the blast furnace method. Direct reduction plants are not as large as blast furnaces and do not require coke. This is why they have mainly been constructed in developing countries that have their own natural gas resources. In advanced countries as well, electric arc furnace steelmakers have been using DRI as an alternative to high-grade scrap and pig iron in recent years, since DRI is a clean source of iron with few impurities. Especially in Europe, the use of DRI has been attracting attention as a way to reduce CO₂ emissions.

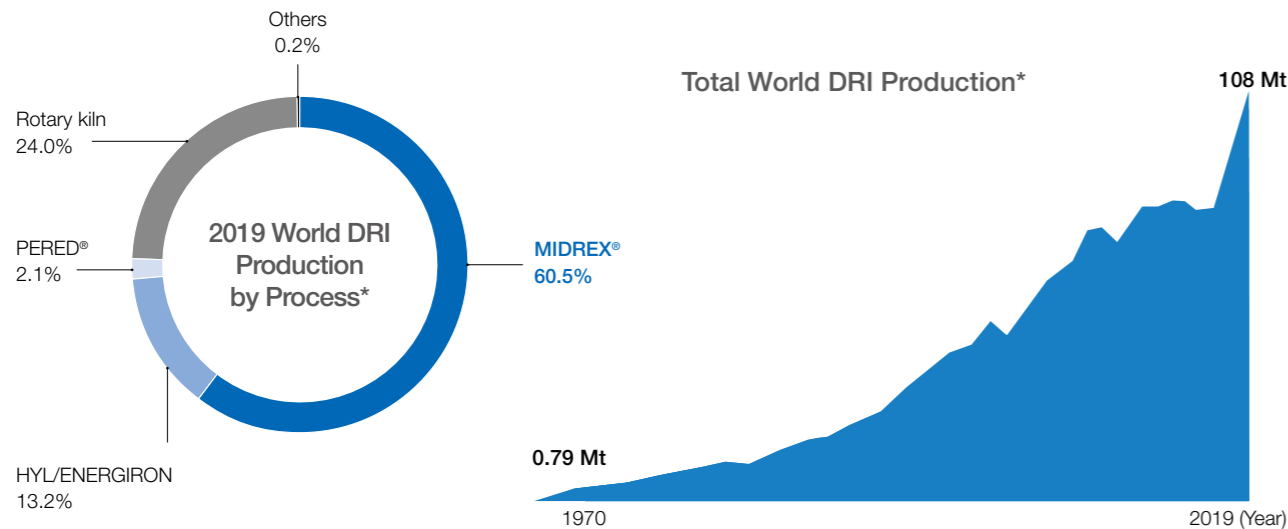
The annual global DRI production has grown dramatically, from roughly 0.8 million tons in 1970 to over 100 million tons in 2019, and it is expected to continue growing. Around two-thirds of the DRI in the world today is produced using the MIDREX® Process.

In 1983, Kobe Steel acquired U.S.-based Midrex Technologies, Inc., the company that developed the MIDREX® Process, and turned it into a wholly owned subsidiary. In the 40 years or so since then, we, as the process owner, have been promoting the MIDREX® Process around the world.

Fiscal 2019
Contribution to CO₂ reduction from MIDREX® Process
23 Mt



voestalpine's direct reduction plant in the U.S. in operation since mid-2017



* Created by Kobe Steel based on data from 2019 World Direct Reduction Statistics

NEWS Midrex Technologies, Inc. Collaboration on Low CO₂ Metallics and Low CO₂ Ironmaking Solutions with Vale S.A. and Mitsui & Co., Ltd.

Along with Midrex Technologies, Kobe Steel has agreed to collaborate with Vale S.A., the world's largest iron ore producer, and Mitsui & Co., Ltd., a global trading company with a diversified business portfolio that includes resource businesses, on providing the global steel industry with low CO₂ metallics and low CO₂ ironmaking solutions.

The KOBELCO Group will leverage its collective strengths in diverse technologies, including the MIDREX® Process, as well as its products, services and human resources, while collaborating with Vale and Mitsui & Co. on solutions for the social issue of reducing CO₂ emissions in the global steel industry.

TOPICS

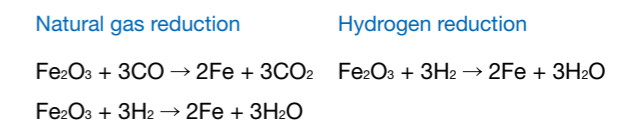
Direct Reduction Ironmaking Using Hydrogen

Some CO₂ is inevitably released during ironmaking because the iron ore reduction process requires coke to be used in blast furnaces, while natural gas is used in the direct reduction process. Around the world, the commercialization of hydrogen reduction ironmaking is highly anticipated because CO₂ is not released during the iron reduction process that uses hydrogen as the reducing agent. The KOBELCO Group has world-class technologies for hydrogen reduction ironmaking.

The MIDREX® Process is an ironmaking technology that uses natural gas, so it emits less CO₂ than blast furnaces. The advantages of the MIDREX® Process are not limited to being a low CO₂ ironmaking method. The MIDREX® Process can reduce CO₂ emissions even more by replacing, in stages, the natural gas with hydrogen. Furthermore, without a large additional investment, it

is possible to transition to a hydrogen-based reduction ironmaking process that uses 100% hydrogen gas as the reducing agent. In this respect, the MIDREX® Process is an ideal technology for flexibly transitioning to a carbon-free society because the ratio of hydrogen can be increased in stages while keeping additional costs at a minimum, together with the proliferation of hydrogen made from renewable energy sources and improvements in cost performance.

• Reduction reaction in the MIDREX® Process



NEWS Midrex Technologies, Inc. Collaboration Agreement Signed with ArcelorMittal for Hydrogen Steel Production

Midrex Technologies has signed a Framework Collaboration Agreement (FCA) with ArcelorMittal S.A., the world's leading steelmaker, to collaborate on the research and development of low CO₂ ironmaking using hydrogen. Midrex Technologies will provide a direct reduction technology using hydrogen.

As a part of their agreement, Midrex Technologies has been commissioned to design a demonstration plant to produce direct reduced iron using hydrogen. The demonstration plant will be constructed inside ArcelorMittal's steelworks in Hamburg, Germany.

This demonstration plant will perform verification of hydrogen reduction by recovering the hydrogen contained in the top gas emitted from the existing direct reduction plant that uses natural gas as the reducing agent. The plant will produce about 100,000 tons of direct reduced iron per year, making it the world's largest direct reduction plant that uses only hydrogen as the reducing agent.



ArcelorMittal's existing direct reduction plant at its steelworks in Hamburg, Germany

Roundtable Talk Among Three Independent Directors



Takao Kitabata
Independent Director
Chairman of the Board



Hiroyuki Bamba
Independent Director



Yumiko Ito
Independent Director

Roundtable
Talk on
Corporate
Governance

In an increasingly challenging business environment, characterized by the COVID-19 pandemic, the KOBELCO Group is facing a pivotal moment in its history. How should we link the benefits of corporate governance reforms undertaken over the past few years with efforts to reinforce the business foundation? How should we sketch a roadmap for healthy and sustainable growth? Independent directors Mr. Takao Kitabata (Chairman of the Board and Head of the Nomination & Compensation Committee), Mr. Hiroyuki Bamba, and Ms. Yumiko Ito sat down for a candid discussion from a wide range of perspectives.

What has been unveiled by COVID-19?

Ito Kobe Steel's response to the COVID-19 outbreak was swift overall, in my opinion. In January 2020, when it was still unknown whether COVID-19 would become a pandemic, the Company rapidly set up a Companywide COVID-19 response office, and the Board of Directors discussed measures at an early stage, focusing on cash flow.

Bamba Kobe Steel quickly moved to implement thorough preventive measures to counter the spread of COVID-19. From the detailed reports at the Board of Directors about how the Company responded to this crisis, I could see management gave clear instructions about business trips and meetings, such as limiting the number of people who gather together. I believe such response underscores the significant progress that has been made in strengthening risk management as an organization in the wake of the quality misconduct discovered in fiscal 2017.

Kitabata Management has promptly addressed individual issues and we independent directors received reports about them in emails frequently. I was particularly impressed by the message conveyed by the president that the health of all employees and their families is the highest priority. I believe Kobe Steel's response to this crisis has been above and beyond the base guidelines for the steelmaking industry.

It was also impressive that teleworking and video conferencing have gone unexpectedly smoothly. Remote working conditions have not impeded the duties of the Board of Directors or daily business execution, and have positive aspects as well. Although companies had been slow to introduce work-style reforms and teleworking options, the pace of change seems to have significantly accelerated. I believe it is important to be willing to change areas that should be changed, as we look back at this experience.

Ito Underlying issues tend to get exposed in a crisis situation. I hope Kobe Steel takes this opportunity to advance reforms without forgetting the issues that have come to the surface. IT will be a key to facilitating improvements on many fronts, such as diversity and business efficiency.

Kitabata Teleworking can help employees increase productivity and achieve a work-life balance. For example, it could be beneficial especially for employees struggling to balance work with child-rearing. Through teleworking, some employees may be able to complete their tasks more efficiently by concentrating on their work, reducing the required time from eight hours at the office to five hours at home. Taking it one step further, this new normal may shed light on a variety of problems with the current functions of headquarters including the need to retain large head offices in major cities and obligate employees to commute to work at scheduled times.

Drastic Improvement of Profitability

Bamba Kobe Steel is currently facing major challenges on the earnings front. The next two to three years will truly test the Company, especially on whether it can persevere in the materials businesses. The external business environment is quite challenging indeed, but this is the time for the Company to return to the basics and reassess its internal conditions. Taking a factory as an example, it is necessary to check that production lines are being operated with specified volumes, costs, quality, and delivery schedules. Also, it is important to quickly identify any divergences from the set goals by visualizing the progress made in daily business activities. The key is ratcheting up the precision of these efforts.

The KOBELCO Group has steadily improved its corporate structure while responding to the quality misconduct. Quality management and daily business management are common components in the structural foundation, so the benefits of various reforms can be shared across the entire organization. Kobe Steel has plenty of excellent components and strengths in fields other than steel. I am confident that the Company will emerge from this crisis as an even stronger company.

Kitabata In my opinion, inadequate communication inside the Company was partly to blame for the quality misconduct. Major strides have been made in improving communication since then. If the sales side can communicate even better with the production side, I think it would drastically strengthen profitability, and allow Kobe Steel to leverage its strengths further, as Mr. Bamba said.

However, Japan's steel industry is coping with extremely challenging business conditions. Since 1990, new factors have arisen, namely the steel glut in China and, more recently, the geopolitical confrontation between the U.S. and China. Given these changes in the business environment, I understand why Kobe Steel needed to update its Medium-Term Management Plan on a rolling basis. I believe the Company should use this opportunity to broaden the scope of its business plans, by incorporating broader perspectives such as trends in international politics and digital transformation in society.

Ito The Rolling of the Medium-Term Management Plan centers on two points: (1) strengthen profitability with a focus on materials, and (2) make efficient use of management resources and strengthen the business base. Of these, strengthening the business base is connected to the problem of restoring trust, and I have high praise for Kobe Steel's series of initiatives to invite external experts as needed to join the meetings of the Quality Management Committee and the Compliance Committee, while facilitating communication with the Board of Directors.

Roundtable Talk Among Three Independent Directors



I believe the new Group Corporate Philosophy, which was formulated through a bottom-up process, will have the power to bring all employees together.

Takao Kitabata

With regard to strengthening profitability, I have an impression that the Company is still at the halfway mark. Fostering common understanding to be shared within the Company is crucial in this context. In other words, numerical targets should be unified to some degree in each business. I believe our monitoring duties would also be easier if there was a shared awareness about customers, competitors, and internal conditions across the entire Group.

One more idea concerns the effective utilization of human resources across organizational boundaries. Being engaged in various businesses, Kobe Steel is rich in human resources with diverse knowledge. I would recommend that Kobe Steel enhance the horizontal deployment of human resources, for instance, by identifying employees who have good skills to launch a new business from a project and assigning them to a promising project in a different business division. Through such initiatives, the Company could gain better leverage over the strengths of its diverse business portfolio. Some managers have actually voiced this opinion inside the Company.

In the context of digital transformation, Kobe Steel needs to update its IT infrastructure. How to move it forward is a complex issue.

Kitabata Updating IT infrastructure is rather costly, and the technology quickly becomes obsolete.

Bamba Determining how long it will take to see a return on capital investments is also a hard problem. Even though it is a problem unique to this industry, I believe it is necessary to set shorter timelines for returns on investments and increase responsiveness to changes in the business environment. I believe the KOBELCO Group can maneuver more flexibly and effectively than its competitors.

Ito In these times of rapid change, it may be necessary to move first and then change course later, without being bound by conventional practices in the industry.

Bamba Each individual strategy, such as digital transformation, is a means toward the larger goal of what a

company aims to achieve. Medium-term plans are the vehicle for setting these goals. By reviewing how daily work is carried out and the logic that connects goals to strategies, the organization can steadily change. I hope we can have a deeper discussion about this for the next Medium-Term Management Plan.

Bottom-Up Approach to the Creation of the Group Corporate Philosophy

Kitabata Over the past few years, Japanese companies have introduced a variety of frameworks for corporate governance. This is a welcome trend in principle, but some parts need more polishing. In the past, Japanese people came up with the saying “Japanese spirit with Western learning.” To truly improve organizations, it is essential to incorporate the soul of the organization into a framework formed of outside elements. Corporate philosophies and business creeds have nurtured this soul component of Japanese companies.

In other countries, they call it SDGs, ESG and similar concepts, but Japanese companies have implemented this concept for a long time as a natural course of business. The same concept is also found in the idea that companies exist for their employees. In ancient Japan, Omi merchants held dear a business concept called *Sanpo-Yoshi* (three-way fulfillment, where the seller, buyer and society at large are satisfied). This was a forerunner of the SDGs.

Kobe Steel also must have inherited this philosophy, so it is wonderful to see that the Group Corporate Philosophy was created to codify the Company's basic principles. I believe this corporate philosophy will have the power to bring all employees together because it was formulated in a bottom-up process.

Ito Every company has a corporate philosophy in some shape or form. By putting it into words, a corporate philosophy becomes an effective compass for navigating a world that is going through dramatic changes. At young companies,

corporate philosophies are typically drawn up by the founders. With more than 100 years of history, the KOBELCO Group employed a bottom-up approach to create its corporate philosophy, facilitating the engagement of all employees in the process. I believe the substance of the corporate philosophy has strong affinities with the concepts of the SDGs and ESG.

This philosophy is the essence of the entire Group and is its greatest common divisor. With that said, I believe this corporate philosophy needs to be broken down a little bit more in order to infuse it into specific actions taken on the front lines. While steadily taking these next steps and combining approaches to business and social contributions, I believe Kobe Steel's future as a 200-year company will take shape.

Bamba I also think that it was an opportune time to craft a corporate philosophy, because companies need the grounds to rely on especially in challenging times, rather than in profitable times. Putting into words why our company exists, what it aims to accomplish, and where its competitive strengths lie will be certainly a positive force for the sustained growth of the Company.

By defining the vision of a company and sharing these goals with employees, employees become more motivated and focused on their work. This is another major benefit that a corporate philosophy brings.

Meetings of Independent Directors and Their Missions

Kitabata Meetings of Independent Directors assume a variety of functions, but they basically exist to augment the functions of the Board of Directors. Since deliberations by the Board of Directors are limited by time, it is difficult for independent Board members to reach decisions on the spot on matters like large-scale investment projects. Therefore, it is useful to have preliminary meetings and receive detailed explanations on these matters from management.

In addition to business visions, medium-term plans and investment projects, we have discussed individual strategies such as those for weight reduction of automobiles. Through a lively exchange of opinions, it is possible to draw out perspectives that may differ from those inside the Company, and when these matters are presented to the Board of Directors, we will be prepared to give our own precise opinions on the matters being discussed. For these reasons, the Meetings of Independent Directors are intended to dispel any information gaps between insiders and outsiders, with no need to reach a consensus of opinions.

Ito As expressed in the Corporate Governance Code (Supplementary Principle 4.8.1.), I believe securing a forum for discussion among solely the independent outside directors is important from the standpoint of facilitating deliberations at the Board of Directors meetings and making better decisions. The Board of Directors has certain restrictions in terms of time and rules for discussing and reporting matters. It is my understanding that the Meetings of Independent Directors were set up as a forum for exchanging opinions without being bound by these restrictions.

Looking ahead, I would suggest exploring a greater role for the Meetings of Independent Directors, beyond that of a channel for inputting information. For example, I would like to have meetings to exchange ideas on matters related to rebuilding the business portfolio and approaching sustainability management.

Toward Healthy and Sustained Growth

Bamba In the next Medium-Term Management Plan, it will be important to horizontally introduce across business divisions the practice of doing ordinary tasks thoroughly, which demonstrated positive results in the recovery from the quality misconduct. While paying attention to the details, I believe it is necessary to further advance the strategic management of the business portfolio. Kobe Steel began using return on invested capital (ROIC) as a business

Every company has a corporate philosophy in some shape or form. By putting it into words, a corporate philosophy becomes an effective compass for navigating a world that is going through dramatic changes.



Yumiko Ito

Roundtable Talk Among Three Independent Directors



I see considerable potential in Kobe Steel, with its very advanced level in each and every resource, especially its technologies and human resources.

Hiroyuki Bamba

management indicator in fiscal 2020. When using this indicator, however, the Company will have to carefully monitor whether the current state of a business unit expresses future potential or whether it is attributable to problems in business management.

Regarding the Group's current organization, I expect the variety of reforms already implemented to lead to the movement of employees within the Group and more interaction among employees. I think the greater rotation of employees among business units, head offices, and subsidiaries would allow employees to gain more experience and come up with ideas for specific reforms. By implementing such policies for human resources on all fronts, the strengths of the KOBELCO Group's business portfolio will be demonstrated, in my opinion.

Ito The profitability of business units is predicated on eliminating losses in every area. Along with this, in implementing management focused on capital cost, ROIC-based management is essential.

Some aspects of earnings can be controlled, while other aspects cannot. The controllable aspects, as Mr. Bamba said so well, hinge on a thorough analysis of how much improvement can be made. Depending on the situation, changes to the business portfolio may have to be considered. For the uncontrollable aspects of earnings, it is important to monitor the impact from changes in the business environment and other factors while using sensitivity analysis and other methodologies to assess the situation.

Such response to change is intertwined with overall management plans. Instead of sticking with a plan once it is made, if the underlying assumptions change, it is necessary to flexibly respond with updates to plans.

Kitabata Unified indicators are essential for monitoring business execution, and for the head office to steer and advance overall management. ROIC is an important benchmark for evaluating capital efficiency as well. While keeping pace in these times of rapid change, it is necessary to form a consensus inside the Company in order to make nimble management decisions in response to prevailing conditions.

Bamba I see considerable potential in Kobe Steel, with its very advanced level in each and every resource, especially its technologies and human resources. With some creative thinking on business management, the Company will certainly have any number of opportunities. I hope the next medium-term plan will go one step closer to the Company realizing its full potential.

Kitabata In Japan, there are around 46,000 companies that were founded more than 100 years ago, including Kobe Steel, representing about 50% of the world total. One reason why there are so many in Japan is because Japanese firms have prioritized their continued existence. With this priority in mind, Japanese companies take care of the employees they hire and fulfill their obligations to financial institutions and investors.

This directly relates to the concept of sustainability management. In order to contribute to the sustainability of society and the global environment, Kobe Steel must remain sustainable as a corporation. What should a company do to realize healthy and sustainable growth? While being mindful of the major trends today, I hope to focus on this issue and promote further discussions with everyone.

Message from the Newly Appointed Independent Director



Masaaki Kono

Independent Director
Chairman of Audit &
Supervisory Committee

Actions for Change Opens a New Page in the History of Kobe Steel

In its history of over 110 years, the KOBELCO Group has contributed to the development of Japan by fulfilling the expectations of its customers and society in a broad range of business fields. Today, however, the Group is facing unprecedented challenges in the business environment, including weakening demand and declining steel prices due to trade friction between the U.S. and China, persistently high prices for raw materials, and the COVID-19 pandemic. Now is a pivotal moment for Kobe Steel, as it must surmount these tough conditions and create a new history while plotting a course toward the next stage of growth.

The KOBELCO Group's history and traditions are our pride and we should continue to value them as an integral part of our organization. On the other hand, amid rapid and sudden changes in the business environment, the Company must be willing to reform itself in order to adapt to changes around the world. While honoring its history and traditions, the KOBELCO Group needs to begin a new chapter in its history by boldly taking actions for change.

Sustained Growth Hinges on a Universal Corporate Philosophy Shared Across Group Companies

The KOBELCO Group formulated a new Group Corporate Philosophy in May 2020 based on the lessons learned from its quality misconduct in October 2017. This new philosophy aims to heighten awareness of how we are connected to society and

stakeholders and promote a deeper understanding and sharing of KOBELCO's View of the Future and KOBELCO's Mission among all employees. Starting with this universal corporate philosophy commonly shared across Group companies, the KOBELCO Group aims for sustained growth along with society by providing solutions for social issues while rapidly adapting to changes around the world.

In my career at banks and consumer finance companies, I have had the opportunity to come into contact with a large number of customers. By being involved in the management of these financial institutions, I have dealt with the daily struggles in corporate governance and strategies to sustain growth. Although the industries are different, there is a common thread in their corporate missions to serve society and stakeholders.

Making Improvements in Corporate Value from the Viewpoint of Society and Stakeholders

At the KOBELCO Group, strengthening corporate governance is an ongoing management priority. From the perspective of society and stakeholders, corporate governance is a necessary stepping-stone for the next stage of growth.

As an independent director and an Audit & Supervisory Committee member, I intend to frankly voice my opinions from an independent perspective and help the KOBELCO Group improve its corporate value over the medium to long term by not only auditing, but also evaluating and monitoring the fairness of business plans and management strategies.

Message from the CFO

Our first and foremost priority is to shore up our financial health by rapidly and steadily executing measures to increase capital and asset efficiency and cash flow.

Taking a medium- and long-term perspective, we are rebuilding our business portfolio with a strong commitment to change.

Yoshihiko Katsukawa
Director, Senior Managing Executive Officer



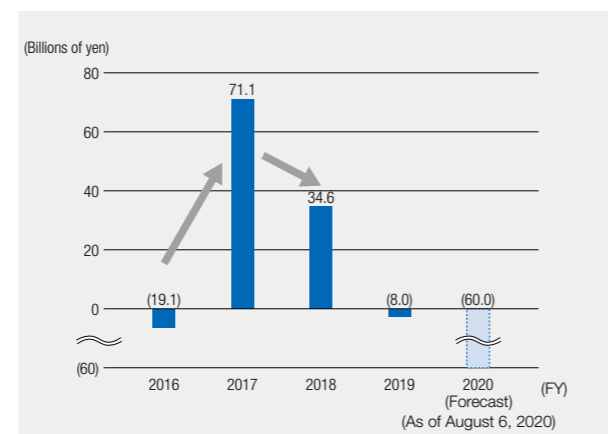
Summary of Accomplishments in the Rolling of the Medium-Term Management Plan Steady Execution of Emergency Measures to Increase Earnings and Cash Flow

When the Rolling of the Medium-Term Management Plan was originally created, Kobe Steel targeted savings of ¥50 billion from greater capital and asset efficiency over two years, fiscal 2019 and fiscal 2020. During fiscal 2019, the Company was unwinding cross-shareholdings and reorganizing Group companies at a pace that surpasses this target. At the end of fiscal 2019, however, the D/E ratio worsened to 1.19x, despite our intent to keep it below 1x, owing to a decline in cash flow (especially operating cash flow) caused by deteriorating earnings and working capital, as well as the booking of impairment losses on fixed assets.

In fiscal 2019, when it eventually became apparent that the Company would incur heavy losses in mainly the steel, aluminum and copper businesses, we established the Special Committee for Emergency Profit Improvement in February 2020 as an entity to study emergency measures and monitor their execution. The committee formulated emergency measures to improve profits by ¥27 billion through cuts in directors' remuneration and fixed costs, in addition to measures to increase cash flow by ¥130 billion, by reducing inventories and selling assets. These emergency measures are being steadily implemented in fiscal 2020. Approximately ¥23 billion in cost reductions, centered on variable costs, are being planned and executed for

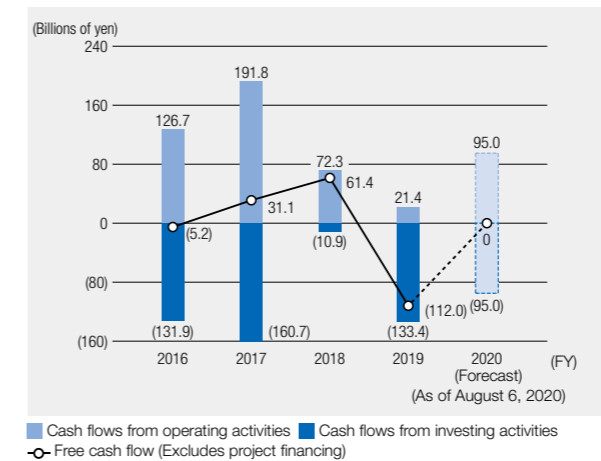
steel, aluminum, and raw materials. We are considering additional cost cuts due to the impact from COVID-19. In the materials field, automakers slashed their production plans by roughly 40% in the April-June quarter. Looking at individual products, Kobe Steel supplies some steel products directly to automakers, as well as to secondary processing manufacturers. We see the possibility of a time lag occurring for steel products to these secondary processors and the risk of a further impact on our business.

Ordinary Income (Loss)



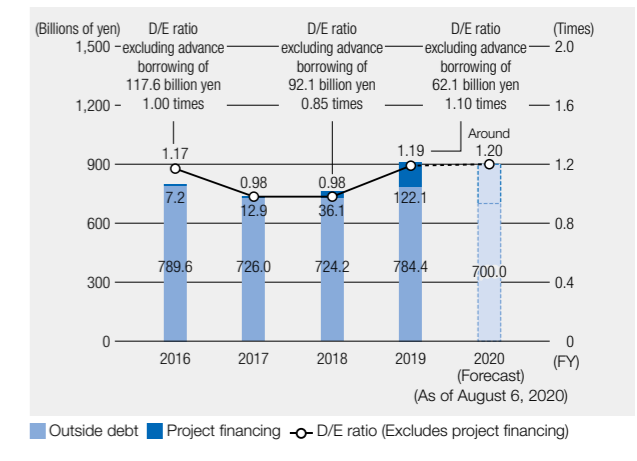
The KOBELCO Group will continue to take emergency measures until an end to the COVID-19 pandemic comes into sight, by curtailing expenditures as much as possible while matching production to demand, and temporarily freezing capital investments and other investments and loans, except for those essential for business operations. The Special Committee for Emergency Profit Improvement continues to examine and execute all possible measures

Free Cash Flow



for reducing costs further and creating additional cash flow, such as continuing the temporary leave program that began in May 2020. As of March 31, 2020, Kobe Steel had ¥146 billion in cash and cash equivalents and ¥150 billion in commitment lines. Management is sparing no effort to improve the monitoring of cash flow while utilizing emergency financial support systems that banks have set up in response to COVID-19.

Outside Debt & D/E Ratio

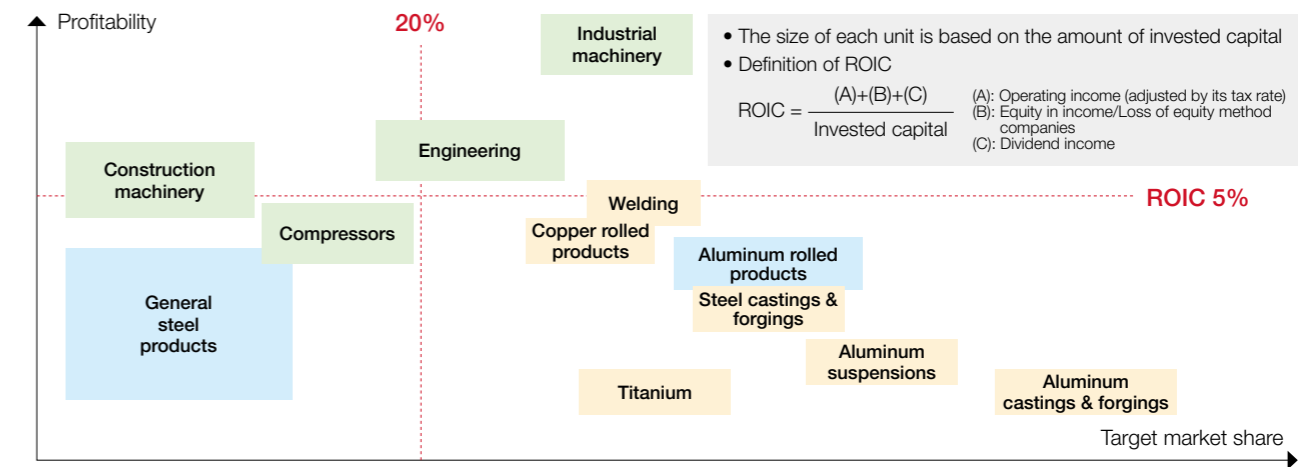


Objectives and Framework of the Next Medium-Term Management Plan Rebuilding the Business Portfolio to Transform the KOBELCO Group

At an investor briefing in May 2020, management showed a matrix of the KOBELCO Group's business portfolio in fiscal 2019, with "target market share" on the horizontal axis and "profitability" on the vertical axis. The Group has a mix of businesses, with some businesses very profitable but having low market shares, and other businesses having high market shares but weak profitability. Although the Company has invested management resources in growth fields with

the intention of expanding market share, its initial assumption for production costs has tended to be overly optimistic. Even though we had some influence over prices thanks to high market shares, we accepted orders at low prices in pursuit of greater volume. Taking seriously the impairment losses on fixed assets, we believe we can overcome these challenges by improving and strengthening the management of our businesses in the future.

FY2019 Business Portfolio



Message from the CFO

Kobe Steel is clarifying the current position of each business unit in terms of the cost of capital by introducing ROIC-based management at the business-unit level. At the same time, the Company is reassessing its future direction from a business and financial perspective while taking into account growth potential and global goals, such as the SDGs, which are commonly shared by the international community. While responding to the severe impact on its operations from COVID-19, in the next medium-term management plan, Kobe Steel will chart its future direction at an early stage with the objective of creating an optimal business portfolio from a Companywide perspective down to

the individual business unit level. In the past, our analysis was not sufficiently detailed in terms of the growth potential of individual business units, but we will pursue a different approach from now on. With an eye on the future, Kobe Steel will increase scrutiny of the allocation of management resources, abandon unprofitable businesses and refocus resources in businesses with growth potential that are truly able to generate profits. In this regard, we believe the KOBELCO Group must enter new business domains. Rebuilding the business portfolio will be a key theme in the next medium-term management plan.

Monitoring of Non-Financial Indicators as KPIs

Kobe Steel has reconfigured its business management indicators to align with the objective of achieving sustainable improvement in corporate value, and to remedy management approaches that overemphasize profitability, a problem that was highlighted in the *Report on Misconduct in Kobe Steel Group*, issued on March 6, 2018. We began to use these seven new indicators in April 2019: (1) safety, (2) quality stability, (3) environmental management, (4) legal & contractual compliance, (5) employee awareness, (6) customer

satisfaction, and (7) economics. Six of these seven indicators are non-financial indicators, and all of them are essential requirements for a company to survive.

While monitoring non-financial indicators in addition to financial indicators, the Company will establish a structure that enables the early identification of risk and an appropriate response, with sound internal controls functioning throughout the organization.

(1) Safety	Key objectives: Zero accidents leading to death or serious injury, and lost time injury frequency rate (LTIFR) of 0.10 or less
(2) Quality stability	Management indicator: Cost of quality failures. The Quality Management Committee was created in April 2019, with external experts forming a majority of members, to monitor activities to improve quality management throughout the Group.
(3) Environmental management	KOBELCO Group's FY2030 Objectives (see pages 18, 19, 62, and 63 for information on targets) 1. Reduction of CO ₂ emissions in production processes Reduction target: 1.1 million tons (vs. BAU in FY2013) 2. Contribution to reduction of CO ₂ emissions through our technologies, products, and services Contribution target: 49 million tons
(4) Legal & contractual compliance	Management indicator: Employee compliance awareness survey
(5) Employee awareness	Management indicator: Employee awareness survey
(6) Customer satisfaction	Management indicator: Customer satisfaction survey filled out by customers. Survey results are shared with business division and efforts are made to improve customer satisfaction.
(7) Economics	Management indicator: ROIC (return on invested capital)

Medium- and Long-Term Financial Strategy
Shoring Up Our Financial Health Is Our Foremost Priority

Cash in: (1) Operating cash flow + (2) Greater capital and asset efficiency
Cash out: (3) Growth investments and spending on maintenance and upgrades
+ (4) Shareholder returns

In fiscal 2020, Kobe Steel plans to return (1) operating cash flow to normal levels through the aforementioned emergency measures to improve profits and measures to increase earnings in mainly the materials businesses. In addition, the Company aims to thoroughly increase "cash in" by advancing measures to improve cash flow through (2) greater capital and asset efficiency, such as by reducing inventory and selling assets. By being more selective in (3) growth investments and spending on maintenance and

upgrades, the Company will curtail expenditures on investments. Our first and foremost priority is to improve our financial health.

Taking our financial condition, earnings trends, and future capital needs into comprehensive consideration, management aims to restore dividend payments as early as possible, targeting fiscal 2023, the year when all new projects in the electric power business should be operating.

To Our Stakeholders
Building a Healthy Financial Foundation and Fulfilling Expectations for the KOBELCO Group's Future

Kobe Steel has been receiving harsh evaluations from investors, and we believe this is for two main reasons. The first reason is our inability to secure adequate earnings. The other reason is a lack of confidence in our ability to create new value in the future. We believe fixing these two problems is a key priority for management.

We are well aware of the vulnerabilities in the financial foundation of the KOBELCO Group. As the director in charge of financial affairs, my primary responsibility is to build a healthier financial foundation by (1) increasing capital and asset efficiency, and (2) carefully selecting capital investments.

While screening investment projects, we will continue to plant the seeds for future growth. Amid changes in the demand structure and market scale, it will also be important to leverage the collective strengths of the KOBELCO Group and take on new business opportunities.

The materials businesses are process industries that require medium- and long-term investment plans. In contrast, the machinery businesses are knowledge-intensive

industries that require less capital investment but more human resources and technological capabilities. Kobe Steel is also engaged in the electric power business, utilizing the operational know-how it has accumulated in process industries. Looking to the future through the lens of ROIC, for example, machinery businesses seem to have an advantage over the process industries. However, new value can still be created even when ROIC is low. We must reallocate our resources considering the characteristics of each business.

The KOBELCO Group will marshal its collective strengths and strive to create new value while flexibly adapting to the changing times from a medium- and long-term perspective. In this way, I am confident our Group will remain indispensable to society.

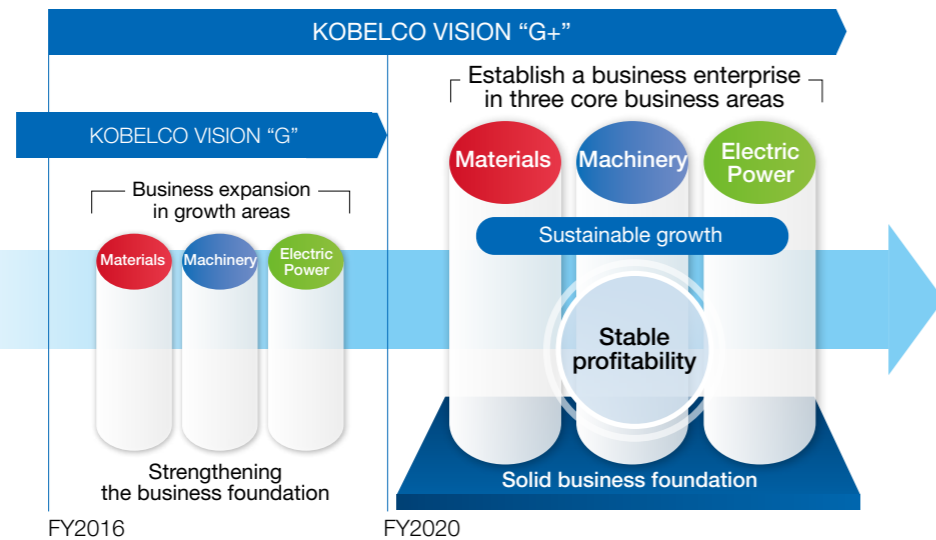
We value the opportunities to engage in dialogue with all of our stakeholders, including shareholders and investors, and reflect these external viewpoints in management. Once again, we ask for your candid opinions and ongoing support.

Outline of the Fiscal 2016–Fiscal 2020 Group Medium-Term Management Plan

KOBELCO Group's Medium- to Long-Term Business Vision

KOBELCO VISION “G+”

The KOBELCO Group formulated the Fiscal 2016–Fiscal 2020 Group Medium-Term Management Plan to realize the KOBELCO VISION “G+” business vision for establishing a solid business enterprise and furthering growth strategies centered on the three core business areas of materials, machinery, and electric power. The Group aims to contribute to society while expanding and advancing its businesses by concentrating management resources on growth fields likely to expand over the medium to long term, such as energy and infrastructure, as well as strategies to reduce the weight of vehicles.



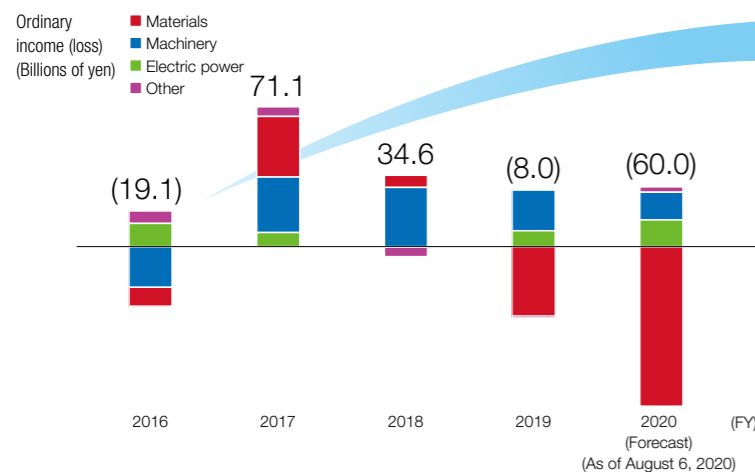
Growth Strategies for the Three Core Business Areas

Materials	Machinery	Electric Power
<ol style="list-style-type: none"> Initiatives for weight reduction of vehicles Strengthening profitability in the steel business 	<ol style="list-style-type: none"> Initiatives in the fields of energy and infrastructure Strengthening profitability in the construction machinery business 	Initiatives to stabilize profitability in the electric power business

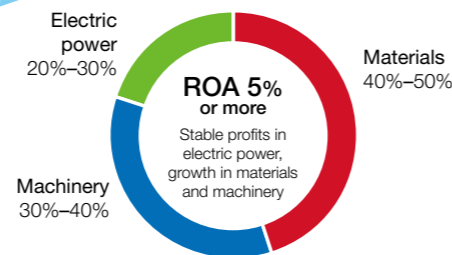
Strengthening the Business Foundation

- Strengthening corporate governance
- Securing and developing human resources
- Strengthening technical development and *monozukuri* (manufacturing) capabilities

Earnings Forecast



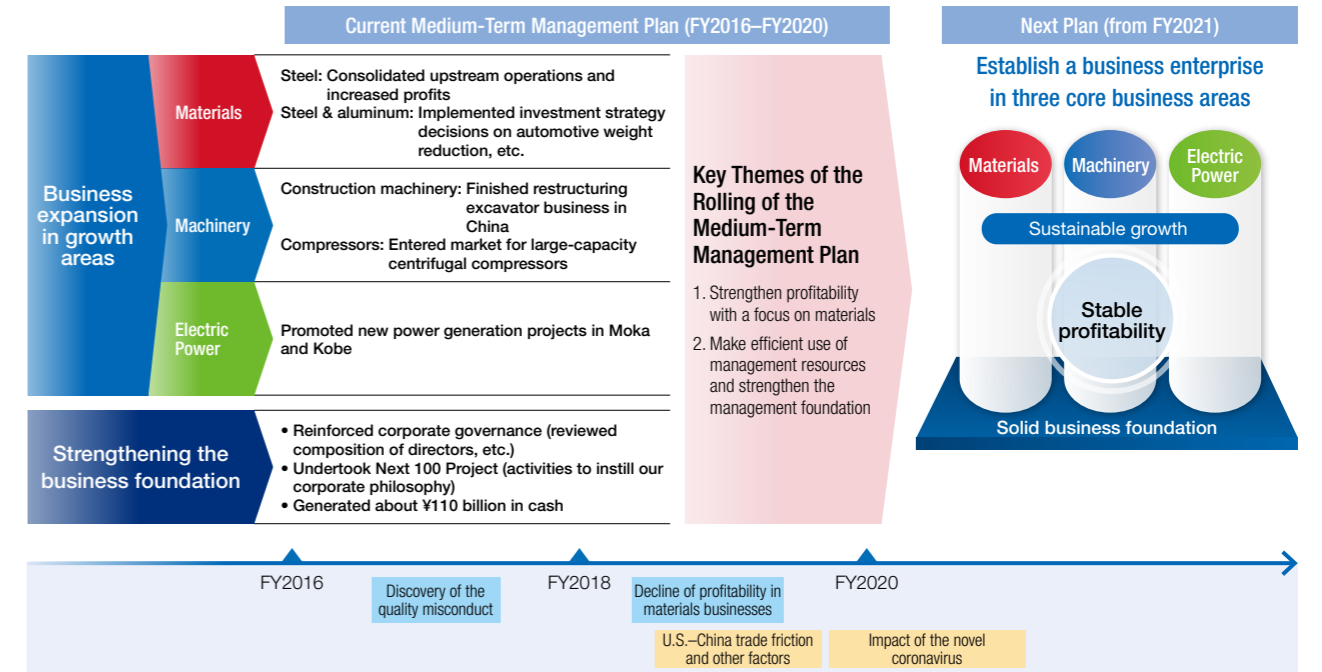
Target business portfolio



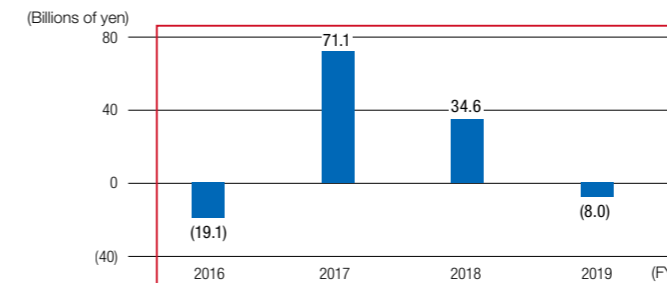
Overview of business enterprise based on three core business areas
(After start-up of new electric power projects currently in progress)

The Rolling of the Medium-Term Management Plan (announced in May 2019)

Rolling update to the current Medium-Term Management Plan to reflect changes in demand and other conditions since the plan's inception



Ordinary Income (Loss) in Fiscal 2016–Fiscal 2019



Ordinary Income (Loss) by Segment and Net Income (Loss) Attributable to Owners of the Parent (FY)

		2016	2017	2018	2019
Materials	Iron & Steel	(29.5)	17.3	4.7	(21.3)
	Welding	6.8	4.9	3.6	2.9
	Aluminum & Copper	12.0	11.8	(1.5)	(20.4)
	Subtotal	(10.7)	34.0	6.8	(38.8)
Machinery	Machinery	5.8	2.3	1.2	9.6
	Engineering	2.8	6.9	6.5	5.7
	Construction Machinery	(31.3)	21.9	25.5	7.5
Subtotal	(22.7)	31.1	33.2	22.8	
Electric Power	Electric Power	13.0	7.9	(0.3)	8.9
Other Businesses	Other Businesses	7.6	5.4	2.3	3.3
Adjustment	Adjustment	(6.4)	(7.5)	(7.5)	(4.4)
Total	Total	(19.1)	71.1	34.6	(8.0)
Net Income (Loss) Attributable to Owners of the Parent		(23.0)	63.1	35.9	(68.0)

* Actual ordinary income (loss) of Steel & Aluminum flat-rolled products (excluding inventory valuation & special factors): Of the (21.3) in Iron & Steel, about (9.5) for steel products and about (9.0) for advanced materials. Of the (20.4) in Aluminum & Copper, about (3.0) for aluminum flat-rolled products and about (5.0) for advanced materials.

Cash Flows and D/E Ratio in Fiscal 2016–Fiscal 2019

(Billions of yen)	2016	2017	2018	2019
Operating cash flow	126.7	191.8	72.3	21.4
Investing cash flow	(131.9)	(160.7)	(10.9)	(133.4)
Free cash flow*	(5.2)	31.1	61.4	(112.0)
* Excludes project financing				
D/E ratio (Times)	1.17	0.98	0.98	1.19
(Excludes advance procurement of borrowings) (Times)	1.00	—	0.85	1.10

Measures to Improve Earnings and Cash Flow in Fiscal 2020 (as of August 6, 2020)

Kobe Steel will implement the following measures in response to the economic slowdown caused by the COVID-19 pandemic and deceleration in the world economy due to trade friction between China and the United States.

Measures to Improve Earnings

- Emergency measures to improve earnings centered on reductions in fixed assets (i.e., reducing labor costs, regulation costs, R&D spending, and maintenance costs)
 - Measures to improve earnings centered on materials (improving base costs, expanding sales, etc.)
- In total for 1. and 2., improve earnings by about ¥50 billion

Measures to Improve Cash Flow

The Company will take measures to improve cash flow by about ¥130 billion, by improving working capital through inventory reductions, etc., selling assets, and postponing capital investments.

To further reduce fixed costs and improve cash flow, the Company will examine and implement measures without excluding any specific businesses, and prioritize efforts to enhance financial soundness.

Mission Story

KOBELCO's Mission Story

The KOBELCO Group's business operations are centered on three core business areas comprising materials businesses, which include steel & aluminum, advanced materials and welding; machinery businesses, which encompass machinery, engineering and construction machinery; and the electric power business, an outgrowth from its own in-house power generation facilities at steelworks.



Materials Businesses



Koichiro Shibata
Executive Vice President and Representative Director

My Third Year as Director in Charge of Materials Businesses

Three years have passed since I was appointed as the director in charge of the materials businesses. After reaching this position of responsibility, I have prioritized the restoring of trust, which was undermined by the quality misconduct, with determination to return Kobe Steel to the basics of manufacturing and bring employees together to overcome hardships. My resolve has not changed even now. Our initiatives to restore the trust of our customers, suppliers, and other stakeholders are never-ending endeavors that we will single-mindedly pursue while sparing no effort.

The Rolling of the Medium-Term Management Plan we announced in May 2018 identified “strengthen profitability with a focus on materials” as a key theme for the two years spanning fiscal 2019–fiscal 2020. In fiscal 2019, however, as it has been reported already, the Iron & Steel and Aluminum & Copper segments each posted ordinary losses in excess of ¥20 billion, while ¥50 billion in impairment losses on fixed assets was recorded, centered on the materials businesses. Although the external environment changed, our initiatives to improve *monozukuri** capabilities and sales prices remain insufficient, and strategic investment projects were slow to turn a profit. All of these factors resulted in little improvement in profitability. As the director in charge of the materials businesses, I recognize that strengthening profitability is the foremost issue that we must urgently address as a company.

The factors behind the impairment losses booked in fiscal 2019 that worsened earnings in the materials businesses can be broadly put into four categories (see p. 38): changes in the industrial structure, delayed growth in demand, issues with *monozukuri* capabilities, and insufficient increases in sales prices.

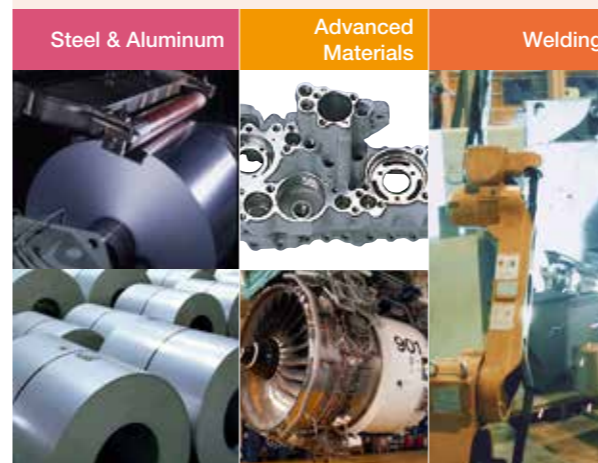
In the steel business, Kobe Steel made progress on the consolidation of upstream operations at Kakogawa Works ahead of other companies, securing downside elasticity during times of deterioration in business conditions, but the Company was unable to reduce fixed costs as planned. If fixed costs had been cut as initially planned, we would have been at a profitable level in fiscal 2019. I believe one of our most urgent issues now is to reduce fixed costs in the current structure (actual losses in fiscal 2019 were about ¥9.5 billion in steel products and ¥9.0 billion in advanced materials). Another issue to address is an ongoing increase in long-term contract prices, especially in the automotive industry. From a medium- to long-term perspective, I believe Kobe Steel must reexamine its production structure to align with the contraction in crude steel output in Japan, and we will look for the best solution to this issue.

In addition, demand was adversely affected by the COVID-19 pandemic, resulting in weak production volumes and performance in the materials businesses in the first quarter of fiscal 2020. Management is keenly implementing emergency measures to improve earnings while keeping an eye on trends.

* Craftsmanship in manufacturing

Advancing Sustainability Management Based on the Group Corporate Philosophy

Strengthening profitability in the materials businesses is an urgent issue in the short term. At the same time, it is also important for the KOBELCO Group to engage in sustainability management. To this end, we must



Mission Story

continue to ask ourselves how we can create new value and contribute to solutions for social issues through the products and services of the materials businesses.

The materials businesses have customers in a broad range of major industries, such as automobiles, aircraft, shipbuilding, railways, food containers, electronics, construction and civil engineering. I believe the technologies, products, and services in the materials businesses can help fix social issues in our customers' sectors as well. (For details about our initiatives by customer sector, see the special feature on p. 20 and table on p. 39.)

In May 2020, the KOBELCO Group formulated a new Group Corporate Philosophy, with the new additions

of KOBELCO's View of the Future and KOBELCO's Mission, which states "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." KOBELCO's Mission tells us the importance of creating synergies beyond the boundaries of the materials businesses, not limited to synergies generated by the reorganization of the materials businesses. It will lead us to solving even more complex problems providing support for the foundations of society. We will harness the collective strengths of the KOBELCO Group to advance sustainability management based on the Group Corporate Philosophy to put us back on a growth trajectory again.

Materials Businesses: Cause of Earnings Deterioration and Future Measures

Steel & Aluminum

In steel products, Kobe Steel has sharpened its cost competitiveness by consolidating upstream operations at Kakogawa Works, but earnings deteriorated because fixed costs have remained stubbornly high amid weakening demand, while raw material prices have risen and product prices have declined faster than anticipated. In aluminum flat-rolled products, earnings worsened as a result of returns on investments taking far longer to materialize than initially anticipated, and we had to downgrade our demand forecasts in light of the slowdown in automobile sales in China and delays in the adoption of aluminum products versus our estimates when we decided to invest in automotive materials. However, Kobe Steel has competitive offerings in special steel wire rod and ultra-high-strength steel, as well as an edge in aluminum sheet and plate stemming from its market dominance and technological advantages. With this situation in mind, we are implementing the following initiatives.






	Issues	Initiatives
Steel	Respond to changes in industry structure <ul style="list-style-type: none"> High fixed costs Rising raw material prices, declining product prices Weaker demand 	<ul style="list-style-type: none"> Increase reproducible prices with an eye on profitability and volume Cut fixed costs Consider reviewing production structure in response to decreasing crude steel output in Japan
Aluminum flat-rolled products	Respond to major delays in arrival of demand growth phase (aluminum sheets for automotive body panels)	<ul style="list-style-type: none"> Established Application Technology Center to enhance solutions for customers Expand sales in all fields, with a focus on beverage can stock Cut fixed costs

Advanced Materials

After booking impairment losses in fiscal 2019, Kobe Steel was keen to win orders with the aim of expanding business and securing market share in titanium, aluminum suspensions, and aluminum castings and forgings, in which the Company has high market dominance and sees strong market growth potential. However, earnings deteriorated owing to major problems with its *monozukuri* capabilities, including productivity and costs. One reason for this, I believe, was delays in bringing management up to speed on foreign markets and business customs when we tried to expand the parts businesses of the relatively large-scale materials businesses, represented by the former Iron & Steel and Aluminum & Copper segments. In castings and forgings, earnings worsened on account of changes in the industry structure, namely a prolonged slump in shipbuilding demand. In light of this situation, we are moving forward with the following initiatives.

	Issues	Initiatives
Titanium Aluminum suspensions Aluminum castings and forgings	Rebuild and strengthen <i>monozukuri</i> capabilities (reinforce business management)	<ul style="list-style-type: none"> Reorganize to reinforce <i>monozukuri</i> collaboration and planning and administration functions* Improve <i>monozukuri</i> capabilities and advance strategies for each demand field based on product lines Enhance planning and administration functions, including monitoring of order-taking decisions Business management with emphasis on profitability (including streamlining product lines)
Castings and forgings	Respond to changes in industrial structure (Respond to prolonged slump in demand)	<ul style="list-style-type: none"> Cut fixed costs to match demand Undertake improvements to make prices sustainable

* On April 1, 2020, the Iron & Steel Business and the Aluminum & Copper Business were reorganized into the Steel & Aluminum Business and the Advanced Materials Business to handle materials and parts, respectively.

Customer sector	Market environment (including risks), growth opportunities	Main products	Initiatives to address issues, growth strategies	Vision, solutions for social issues
Mobility				
Automobiles	<ul style="list-style-type: none"> Market environment Weak demand around the world. Recovery will take time. Opportunities Ongoing trend to reduce weight of automobiles Progress on development of self-driving technologies, electrification of automobiles gaining momentum 	<ul style="list-style-type: none"> Wire rods for automotive engine valve springs High-strength steel sheets Aluminum sheets for automotive body panels Steel powder Aluminum suspensions Aluminum extrusions Copper alloys for automotive terminals and connectors Welding materials Welding processes 	<ul style="list-style-type: none"> Contribution to CO₂ reductions in automotive field (➔ p. 20) Initiatives to address issues in steel & aluminum plates (➔ p. 38) FACT 1 Establishment of Application Technology Center as well as Materials Processing Technology Center (➔ p. 49) 	Aim for a global environment where everyone can lead safe, secure and prosperous lifestyles by helping to reduce CO ₂ emissions and improve fuel economy in transportation field 
Aircraft	<ul style="list-style-type: none"> Market environment Demand is anticipated to increase over the medium to long term, but COVID-19 pandemic has restricted travel, dampening expectations for new demand for a while. Opportunities Progress on technological development to reduce the weight of aircraft to improve fuel economy 	<ul style="list-style-type: none"> Titanium for aircraft engine components Aircraft gearboxes 	<ul style="list-style-type: none"> Initiatives to address issues in materials businesses (➔ p. 38) 	
Shipbuilding	<ul style="list-style-type: none"> Market environment Large volume of new ships were ordered during demand boom, and recently handed over with capacity exceeding marine cargo volume. It will take some more time for supply-demand balance to improve. Opportunities Demand is likely to shift to high-value-added ships that are less likely to succumb to price competition, and development of energy-saving ships. 	<ul style="list-style-type: none"> Structural steel for ship hulls Crankshafts Flux-cored wires Robotic welding systems for assembling large blocks in shipbuilding 		
Life				
Food containers	<ul style="list-style-type: none"> Market environment Robust demand is likely to remain. Opportunities Plastic waste problems are renewing interest in metal containers. 	<ul style="list-style-type: none"> Aluminum cans and bottle can stock 	<ul style="list-style-type: none"> FACT 2 	Aim to protect marine environments by realizing a recycling society 
IT & semiconductors	<ul style="list-style-type: none"> Market environment Despite cyclical changes in demand, this field is anticipated to grow over the medium to long term. Opportunities Digital shift is likely to accelerate with advances in IT, teleworking, and cashless payments. 	<ul style="list-style-type: none"> Aluminum disks Aluminum alloy plates for precision processing Materials for semiconductor lead frames 	<ul style="list-style-type: none"> FACT 3 	Aim to support accelerating shift to a digital society through technological innovation in IT and semiconductor fields 
Energy & Infrastructure				
Construction & civil engineering	<ul style="list-style-type: none"> Market environment Construction projects will be delayed by COVID-19 pandemic; demand is anticipated to remain weak for a while. Opportunities Advances in technological development related to corrosion performance, higher strength, and labor savings 	<ul style="list-style-type: none"> Eco-View steel plates for longer-lasting paint on bridges KOBEMAG® steel sheets with excellent corrosion resistance REGARC™-equipped structural steel welding systems 	<ul style="list-style-type: none"> FACT 4 	Aim to create communities where everyone can live safe, secure and prosperous lifestyles through provision of advanced materials and innovations in labor-saving robot technologies  

Mission Story

FACT Examples of Solutions for Social Issues

Mobility

1 Soft Magnetic Steel Material (Wire Rods), Magnetic Steel Powder, Copper Alloys for High Voltage Circuits



Amid the growing importance of protecting the global environment, automakers have taken various steps to reduce CO₂ emissions. Of these, electric vehicles have caught on in various countries around the world, and automakers have been developing a variety of technologies to bring to market even better-performing electric vehicles.

The KOBELCO Group contributes to the reduction of CO₂ emissions by supplying special steel wire rods, steel powder and copper alloys with unique characteristics that support the proliferation of better-performing electric vehicles.



Life

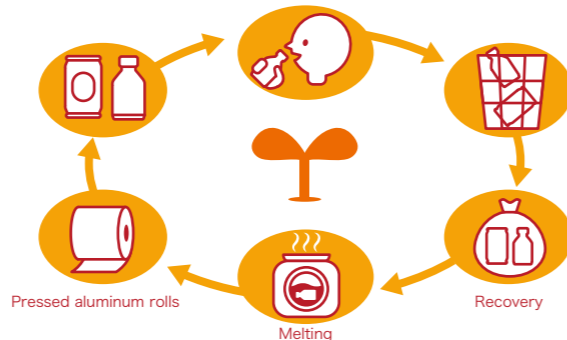
2 Aluminum Cans



A key social issue today is the realization of a recycling-oriented society (a society where the burden on the environment is reduced as much as possible by restricting the consumption of natural resources), which was codified into law in Japan in 2000.

The KOBELCO Group aims to help preserve marine environments by slowing the increase in plastic waste, especially plastic bottles, which has become a big concern of late, through the production of highly recyclable* aluminum can stock.

* In Japan, the aluminum can recycle rate was 97.9% in 2019.



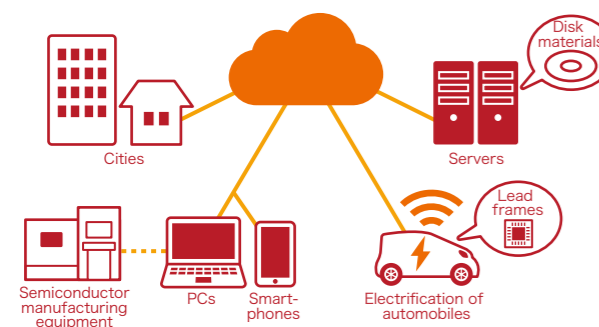
Life

3 Aluminum Disks, Aluminum Flat-Rolled Products, Lead Frames



Digital technology has rapidly caught on in society today. In a majority of countries, initiatives are underway to spur innovation based on national strategies looking at the future transformation of society and industry driven by digital technologies. Changes are moving at a faster pace in society, including changes in our work styles and lifestyles, as a result of the COVID-19 pandemic.

The KOBELCO Group supports technological innovation on the various fronts of digital society by supplying excellent aluminum and copper materials.



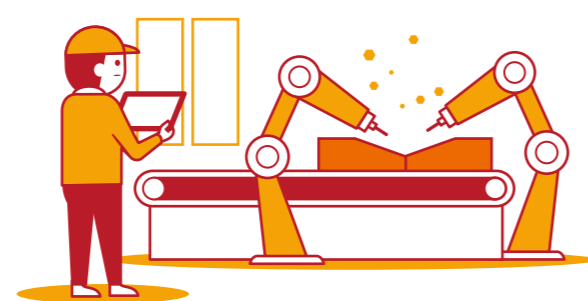
Energy & Infrastructure

4 Welding Robots



Industrial robots for welding have the potential to change the way we work by reducing the workload amid labor shortages at worksites, while also ensuring the health and safety of workers.

The KOBELCO Group supplies REGARC™-equipped structural steel welding systems, mainly in Japan, in the face of falling birthrates and an aging population. In the future, we aim to solve issues affecting global society by tapping into potential demand for welding robots overseas.



Machinery Businesses



Kazuto Morisaki

Executive Vice President and Representative Director

Appointment as Director in Charge of Machinery Businesses

Since joining the Company, I have belonged to the Engineering Business and have been involved in a variety of projects as a project manager and other positions, mainly in the energy and chemical fields, both inside and outside Japan. One of my most memorable moments was working on a fertilizer plant construction project in Malaysia, my first experience of being engaged in a project at Kobe Steel. When I saw the pure white fertilizer produced by the plant for the first time, after surmounting many hardships with my coworkers from different countries, I was emotionally overjoyed and celebrated the successful completion with my coworkers. This precious experience became a cornerstone for me and has lasted to this day. While leveraging my experiences like this one, as the new director in charge of machinery businesses, I place the highest priority on solving issues for our customers and society by gathering the knowledge and technologies of the KOBELCO Group from various fields and multiplying our strengths and capabilities. The Group possesses knowledge and technologies in various fields. However, to ensure that our technologies and products better satisfy customer needs, we must search globally for technologies and services we do not possess and work to integrate them into our operations.

In fiscal 2019, all machinery, engineering and construction machinery segments of the machinery businesses remained profitable. In fiscal 2020, we must be wary of the impact from the COVID-19 pandemic on business activities and earnings in the machinery businesses.

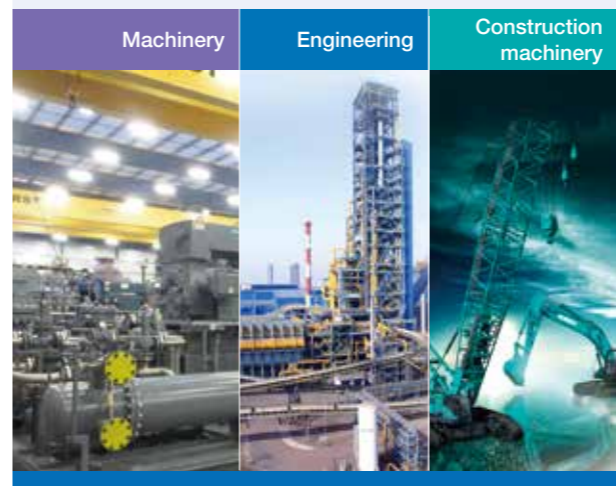
Advancing Sustainability Management Based on the Group Corporate Philosophy

Behind every crisis, there are always hints about trends in the future. During these challenging times, the KOBELCO Group's comprehensive strengths will truly be tested.






Our machinery businesses operate globally for customers in a diverse range of fields, including automobiles, aircraft, shipbuilding, construction and engineering, social and industrial infrastructure, and environment and energy. Furthermore, our machinery businesses cover a broad range of technologies, products, and services that help reduce CO₂ emissions and ease the burden on the environment. On a worldwide basis, I believe these businesses have the potential to contribute to the environment and society by solving the social issues faced by our customers. (See p. 42 for details about our initiatives by sector.)

In May 2020, the KOBELCO Group formulated the new Group Corporate Philosophy. KOBELCO's Mission states: "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." This mission aims to attain KOBELCO's View of the Future, which states: "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." These words express my most cherished belief as the director in charge of machinery businesses, which I mentioned earlier. And, these statements also tell us we must take on new challenges without being bound to organizational boundaries and conventional thinking, in order to solve increasingly complex problems while supporting the foundations of society.

Amid growing respect for value systems commonly shared internationally, such as the SDGs, I firmly believe that the driver for medium- to long-term growth of the machinery businesses will be sustainability management based on the Group Corporate Philosophy, which will be realized by the creation and deepening of our global development of technologies, products, and services in the machinery businesses through multiplying our diverse strengths.



Mission Story

Customer sector	Market environment (including risks), growth opportunities	Main products	Initiatives to address issues, growth strategies	Vision, solutions for social issues
Mobility				
Automobiles	<ul style="list-style-type: none"> Market environment Weak demand globally; recovery will take time. Opportunities Ongoing trends to improve fuel economy, safety and comfort 	<ul style="list-style-type: none"> Flexform™ hydraulic presses PVD coating systems Rubber mixers HyAC compressor units for hydrogen refueling stations Multi-dismantling machines for automobiles 	Initiatives to reduce weight of automobiles (➔ p. 20)	Aim for a global environment where everyone can lead safe, secure, and prosperous lifestyles by helping reduce CO ₂ emissions and improve fuel economy in transportation equipment field
Aircraft	See materials businesses	<ul style="list-style-type: none"> Isostatic presses 		
Shipbuilding	See materials businesses	<ul style="list-style-type: none"> Compressors for LNG-fueled ships 	➔ FACT 1	
Energy & Infrastructure				
Construction & civil engineering	<ul style="list-style-type: none"> Market environment COVID-19 is likely to cause delays in construction projects, and demand should remain weak for a while. Opportunities Growing needs for telework systems at construction sites, and labor-saving solutions using ICT 	<ul style="list-style-type: none"> Hydraulic excavators NEXT building demolition machines with main boom TK-G series of telescopic boom crawler cranes Dig Nav ICT-enabled construction machinery 	➔ FACT 2	Aim to solve social issues by enhancing safety, saving labor, and improving productivity through teleworking systems for people working at construction sites 
Social & industrial infrastructure, environment & energy	<ul style="list-style-type: none"> Market environment and opportunities Over the short term, COVID-19 is likely to adversely affect capital investment budgets. 			
	(Water treatment, waste treatment fields)	<ul style="list-style-type: none"> Water treatment, waste treatment fields Water treatment Municipal waste treatment Special waste processing 	➔ FACT 3	
	(Oil refining, petrochemical fields)	<ul style="list-style-type: none"> (Oil refining, petrochemical fields) Mixing & pelletizing systems for plastics Nonstandard screw compressors 		Aim to create communities where people can live in safety, security, and prosperity through technologies, products, and services that reduce environmental load   
	(Industrial machinery, renewable energy fields)	<ul style="list-style-type: none"> Emeraude standard compressors Micro channel heat exchangers (DCHE) Heat pumps LNG-related equipment Power generation business Hydrogen-related equipment 		
	(Urban transit field)	<ul style="list-style-type: none"> (Urban transit field) Urban transit systems 	➔ FACT 4	
(Direct reduced iron field)	<ul style="list-style-type: none"> Despite excessive steel production capacity mainly in China, there is potential demand in some regions, such as the Middle East, North Africa, and CIS. Interest has been increasing in the direct reduction ironmaking method, which emits less CO₂ than the blast furnace method. 	<ul style="list-style-type: none"> (Direct reduced iron field) Direct reduction ironmaking (MIDREX® Process) 	Initiatives to reduce CO ₂ emissions with MIDREX® direct reduction ironmaking (➔ p. 21)	

FACT

Examples of Solutions for Social Issues

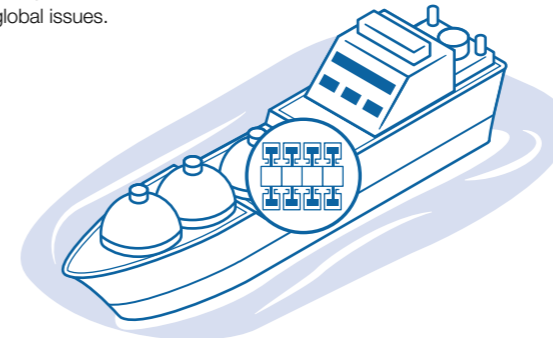
Mobility

1 Compressors for LNG-Fueled Ships



Tighter environmental regulations have led to major changes around the world for large ships that are the backbone of marine transportation. Needs are increasing for better fuel economy and energy conservation in the operation of large ships.

Demand is growing for LNG-fueled ships, which have a smaller environmental footprint than traditional ships in response to tightening environmental regulations for SOx and NOx emissions. Kobe Steel has supplied a large number of compressors used in LNG-fueled ships and holds a large share of the market for these compressors. Through providing these products, we will continue to contribute to solutions for global issues.



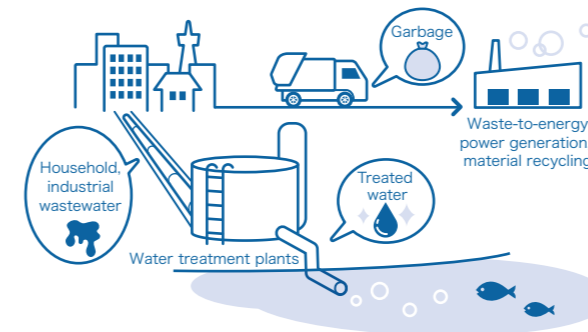
Energy & Infrastructure

3 Water Treatment and Waste Processing Technologies



People's health and living environments depend on the proper maintenance of waterworks infrastructure and disposal of waste.

For many years, Kobe Steel has been engaged in special waste processing operations, including nuclear waste and chemical weapons disposal. At Kobelco Eco-Solutions Co., Ltd., we are involved in businesses around the world for detoxifying PCBs, treating municipal waste, and treating water, both water supply and wastewater. In the water and waste treatment businesses, we have contributed to securing safe water sources and the creation of sustainable communities.



Energy & Infrastructure

2 Hydraulic Excavators



In the construction industry, Kobe Steel has played a vital role in upgrading and maintaining regional infrastructure, responding to emergencies during natural disasters, and creating local employment, while dealing with the major issue of labor shortages caused by the declining population and aging workforce in Japan.

Kobelco Construction Machinery Co., Ltd. has been advancing R&D for its K-DIVE CONCEPT under the slogan of realizing a teleworking system centered on people who work at construction sites. If successful, this system will enable on-site work without being restricted to specific people, location or time, helping to eliminate shortages of skilled construction workers and improving productivity through on-site automation.



Energy & Infrastructure

4 Urban Transit Systems



Maintaining transportation infrastructure has a major impact on economic development, as well as the improvement of living conditions.

Kobe Steel owns self-driving technologies that have been developed through supplying new transit systems like the Port Liner and Yurikamome. We are expanding these technologies across not only Japan but also other Asian countries. Kobe Steel participated in the construction of Indonesia's first subway line, the North-South Line of the Jakarta Mass Rapid Transit system, which opened in April 2019, contributing to core infrastructure that eases chronic traffic jams in Jakarta and improves the urban environment.



Electric Power Business



Jiro Kitagawa

Director, Senior Managing Executive Officer



Review of Fiscal 2019 and Key Measures for Fiscal 2020

Fiscal 2019 was a remarkable year for the electric power business with operations starting up as planned for the No. 1 and No. 2 units at the Moka Power Plant, Japan's first full-fledged inland thermal power plant. At the same time, the No. 1 and No. 2 units at the Kobe Power Plant continued to operate reliably, and progress was made on the new projects at the Kobe Power Plant, the No. 3 and No. 4 units, as scheduled. In fiscal 2019, we are pleased to report the business booked ordinary income of ¥8.9 billion.

Lately, in the face of the COVID-19 pandemic, we have been taking thorough measures to ensure stable operations of the No. 1 and No. 2 units at the Kobe Power Plant and the No. 1 and No. 2 units at the Moka Power Plant, two large-scale power plants that are a cornerstone of social infrastructure. There have been no delays in the construction of the No. 3 and No. 4 units at the Kobe Power Plant, and we continue to prepare for the start-up of full operations in fiscal 2022.

In fiscal 2020, we are continuing to shore up support for earnings with stable operations of the No. 1 and No. 2 units at the Kobe Power Plant and the No. 1 and No. 2 units at the Moka Power Plant and are carrying out the construction of the No. 3 and No. 4 units at the Kobe Power Plant as planned.

Advancing Sustainability Management Based on the Group Corporate Philosophy

In May, management formulated the Group Corporate Philosophy and defined KOBELCO's Mission, which states "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."

Amid changes in the world energy landscape and growing concern about climate change, resource-poor Japan must tackle the enormous question of how to realize a low-carbon society while ensuring the stable supply of energy.

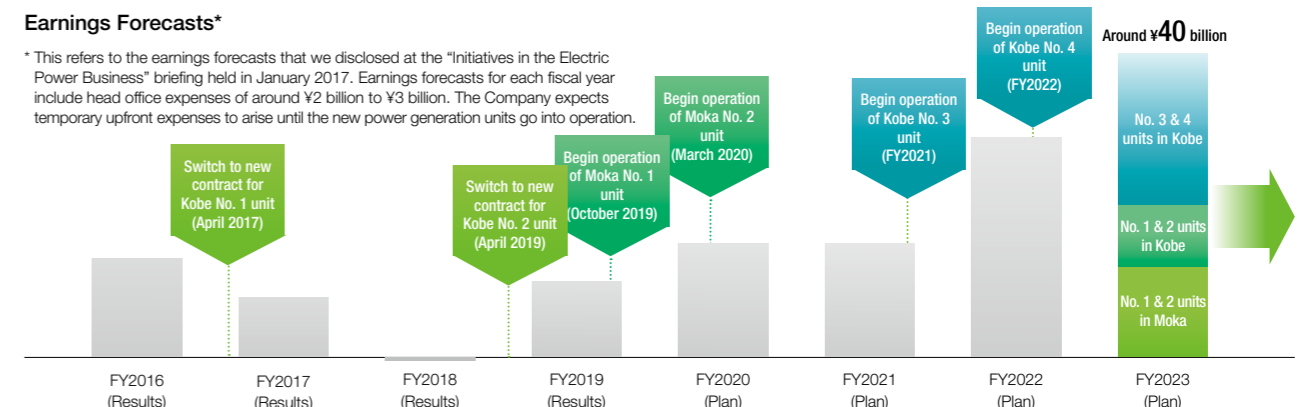
Heading this national policy, I believe our electric power business must strengthen efforts to further reduce carbon emissions from its thermal power plants. We must ensure stable operations at the Kobe Power Plant, a clean and highly efficient urban power plant that makes us proud, and the inland Moka Power Plant, which adds to the resiliency of the nation.

We have employed the supercritical pressure power generation system for the No. 1 and No. 2 units of the Kobe Power Plant, which is currently in operation. Being located in an urban area, the power plant transmits power with extremely low loss and utilizes world-class environmental equipment. It supplies heating using waste heat as well. From these factors, we consider that the total energy efficiency of the facilities is very high. While stably supplying highly economical electric power over the long term, we are moving toward low-carbon power generation in collaboration with the engineering business to convert wastewater sludge into biomass fuel. We aim to make safe, secure, and prosperous lifestyles a possibility for everyone by contributing to regional society and the global environment. I look forward to examining a broad range of initiatives when the new Medium-Term Management Plan is formulated.

	Market environment, growth opportunities and risks	Strengths and market position	Initiatives to address issues, growth strategies	Vision, solutions for social issues
No. 1 to 4 units at Kobe Power Plant	<p>Market environment: (1) Making coal more efficient and headwinds</p> <ul style="list-style-type: none"> The national government has started creating a framework to spur the fading out of inefficient coal-fired power plants in line with its Strategic Energy Plan toward 2030. While ensuring the stable supply of energy, the introduction of new, more effective frameworks is being considered in order for us to move closer to a decarbonized society. Around the world, coal-fired power plants tend to be seen as hampering efforts to reduce greenhouse gas emissions. <p>➔ In the Strategic Energy Plan, coal is positioned as a fuel for critical base load power sources, thanks to reliable sources of supply and excellent economic viability, calling for coal to be used while increasing efficiency further. (➔ p. 46)</p>	<ul style="list-style-type: none"> Installation of high-efficiency power generation systems One of the largest power plants in Japan, helps improve electric power self-sufficiency of Kobe City and Hanshin region Low-emission power plant that satisfies toughest environmental standards in Japan Urban power plant with little power transmission loss Supplies heating from waste heat Effectively uses wastewater sludge from urban areas Effectively deploys operational technologies accumulated to date, utilizes infrastructure of port facilities 	<p>(1) Making coal more efficient and headwinds</p> <ul style="list-style-type: none"> The Company's power generation facilities are designed to satisfy the power generation efficiency standards in the Energy Conservation Act based on the nation's Strategic Energy Plan. Our business activities follow national policy and laws governing electric power companies. The Kobe Power Plant is located near sources of demand for electric power in urban areas with little power transmission loss. It is able to efficiently deliver clean electric power while implementing best-in-class environmental protection measures. The Kobe Power Plant is one of only a few facilities in Japan that is able to supply heating from its waste heat, achieving high overall energy efficiency. The Kobe Power Plant is working on plans to use biomass fuel derived from wastewater sludge and install hydrogen refueling stations. <p>➔ By taking the above measures, contributes to increasing the efficiency of coal and LNG-fired power plants, which are important sources in the energy source mix as specified by Japan's Strategic Energy Plan, and takes steps in line with the nation's policy to combat global warming</p>	<ul style="list-style-type: none"> Contributes to nation's energy policy by reliably supplying economically viable energy to regional society Contributes to realization of low-carbon society by reducing CO₂ emissions through use of underutilized energy in regions
No. 1 and 2 units at Moka Power Plant	<p>Market environment: (2) Changes in the energy landscape</p> <ul style="list-style-type: none"> Tougher sales competition in electric power and invigoration of wholesale market, triggered by full liberalization of retail market and other reforms to electric power systems Downtrend in prices in the wholesale electricity market, owing to a large influx of solar power and other forms of renewable energy Greater awareness of saving and conserving energy, emergence of new electric power providers <p>➔ Demand for stable sources of electric power with excellent economic viability</p> <p>(3) Risks to stable operations</p> <ul style="list-style-type: none"> Risk of degradation in facility performance due to aging of the Kobe Power Plant Risk of early stage equipment malfunctions at the Moka Power Plant 	<ul style="list-style-type: none"> As Japan's first inland thermal power plant, low risk of damage from earthquakes and tsunamis, acts as backup to Tokyo metropolitan area Employs world's highest levels of efficiency in gas turbine combined cycling Uses existing infrastructure such as gas trunk lines and industrial complexes that have already been developed, as well as technologies and know-how accumulated from operation of in-house power generation facilities 	<p>(2) Changes in energy landscape</p> <ul style="list-style-type: none"> All of the electricity generated by the Company's power plants is supplied on a wholesale basis to electric power companies and gas companies based on long-term contracts. Effective use of infrastructure at port facilities in Kobe in particular, and deployment of power plant operational technologies accumulated to date <p>➔ Reliable, long-term supply of electric power with excellent economic viability</p> <p>(3) Risks to stable operations</p> <ul style="list-style-type: none"> Takes appropriate measures to prevent risks Makes every effort to reliably maintain facilities with advanced methods that use IT systems, collaborate with research labs, and study examples of problems at other companies 	

Earnings Forecasts*

* This refers to the earnings forecasts that we disclosed at the "Initiatives in the Electric Power Business" briefing held in January 2017. Earnings forecasts for each fiscal year include head office expenses of around ¥2 billion to ¥3 billion. The Company expects temporary upfront expenses to arise until the new power generation units go into operation.



Mission Story

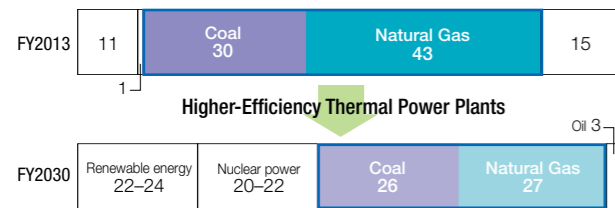
Social Significance of the Electric Power Business

National Energy Policy

Starting with the basic premise of energy security, Japan's Strategic Energy Plan calls for a diverse mix of power sources to simultaneously achieve a reliable supply of energy, economic viability, and environmental conservation.

The plan designates coal-fired power plants as an important baseload source for electricity due to coal's advantages in terms of reliable supply and economic viability. The government envisions coal-fired power plants generating 26% of Japan's total electricity in 2030, while promoting the updates of existing plants with the latest high-efficiency power generation equipment using the best available techniques (BAT). The Energy Conservation Act was revised to ensure steady progress toward achieving this goal, while mandating that electric power producers reach an average power generation efficiency standard of at least 44.3% by fiscal 2030 through improvements to the efficiency of their thermal power plants.

Targeted Energy Source Mix for FY2030 (%)



Source: Kobe Steel, based on public data from the Ministry of Economy, Trade and Industry

Kobe Steel's Aims

In accordance with the nation's energy goals, Kobe Steel contributes to the effort to increase the efficiency of thermal power plants by installing high-efficiency power generation equipment that conforms to BAT and satisfies the power generation efficiency standard set in the Energy Conservation Act.

Kobe Power Plant

The No. 1 and No. 2 units currently operating at the Kobe Power Plant and the No. 3 and No. 4 units under construction are capable of reliably supplying electric power with excellent economic viability, owing to the coal infrastructure at the Kobe Wire Rod & Bar Plant and our know-how in coal-fired power generation accumulated from operating in-house power generation facilities.

The Kobe Power Plant is located in an urban area close to sources of demand and implements high standards in environmental measures, enabling the highly efficient supply of clean electric power with little power transmission loss, thereby contributing to higher self-sufficiency in electric power for cities in the region. The power plant is resilient to earthquakes and tsunamis, thereby contributing to the development of communities resilient to natural disasters through more robust electric power infrastructure for major cities.

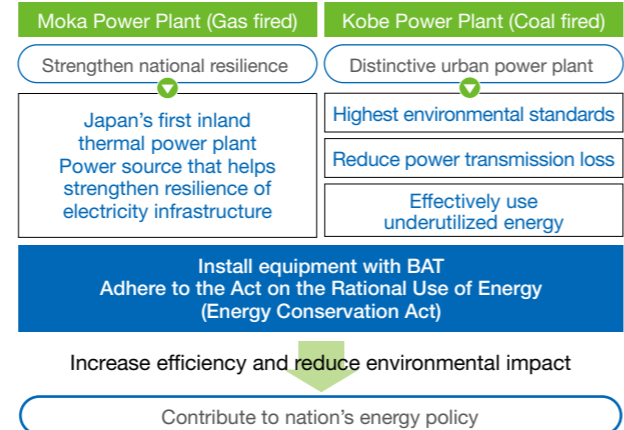
The Kobe Power Plant aims to be a highly efficient urban power plant that serves as a model to the world in terms of

environmental considerations, by supplying heating using the waste heat from its power generation facilities and by realizing its plans for installing hydrogen refueling stations and using wastewater sludge as biomass fuel.

Moka Power Plant

The No. 1 and No. 2 units of the Moka Power Plant began operation in fiscal 2019. These units deploy a cutting-edge gas turbine combined cycle power generation system and generate electricity at the highest level of efficiency in Japan, using city gas as fuel.

The Moka Power Plant is Japan's first inland full-fledged thermal power plant, located in a safe area with low probability of earthquakes and zero risk of damage from tsunamis. With this dispersion of risks, the Cabinet Secretariat selected the Moka Power Plant as an example of improving the resiliency of the nation and its energy infrastructure. The Moka Power Plant also contributes to increasing the electricity self-sufficiency of Tochigi Prefecture.



TOPICS

Start of commercial operations at Moka Power Plant

No. 1 unit: Started operations in October 2019
No. 2 unit: Started operations in March 2020

Outline

Location: Moka, Tochigi Prefecture
Power generation capacity: 1,248 MW (624 MW x 2)
Power generation method: Gas turbine combined cycle generation
Fuel: City gas
Power generation efficiency: About 60% (lower heating value basis)
Contract partner: Tokyo Gas Co., Ltd. (wholesale supply of entire amount for 15 years)

Features

- ▶ Japan's first large-scale inland thermal power plant, introduced by the Cabinet Secretariat as a model private-sector initiative to strengthen national resilience
- ▶ Covers about 40% of the maximum power demand in Tochigi Prefecture (increasing prefectural electricity self-sufficiency to 70%)
- ▶ Highly efficient with gas turbine combined cycle power generation system

Technical Development



Makoto Mizuguchi
Executive Vice President and Representative Director

Appointment as Director in Charge of Technical Development

I have worked for many years at Kakogawa Works, and my most cherished memory is my second year after joining the Company, when I was put in charge of constructing an electrolytic cleaning line at the cold strip mill. I felt this was beyond my skills at the time. During this period, I gained experience in all aspects of the construction process, from drafting procurement specifications, talking with manufacturers, finalizing specifications, and managing on-site construction to conducting trial runs, with support from superiors behind the scenes. It was Kobe Steel's DNA handed down from one generation to another in the training of new employees. Veterans were always there to guide young people, taking time and effort. This experience has been a backbone for me to this day. Through the development of technology, I believe we can pass our DNA of "taking care of and training people" on to the next generation.

The business environment has become even more challenging than before. In fiscal 2020, Kobe Steel is focusing on development projects that will reinforce the business foundation and lead to stronger earnings, while also making steady progress on the development of technologies for future growth.

Advancing Sustainability Management Based on the Group Corporate Philosophy

The KOBELCO Group has been promoting initiatives to fulfill the needs of customers in existing markets, but in the future we will work harder to solve social issues by leveraging the intellectual assets we have accumulated through the development of diverse businesses.

To this end, our key initiatives will be to (1) leverage synergies among our technological assets that support our unique product lines and advanced *monozukuri** capabilities, as well as (2) gather ideas and plant the seeds for new technologies, products, and services that will lay the foundation for potential business growth in the future.

Regarding the former, Kobe Steel intends to create new value by marshaling its technological assets across the Group, like the Companywide activities underway to achieve its strategy for reducing the weight of automobiles. Regarding the latter, we aim to create new technologies and businesses that will carry us into the future, while setting key priorities for utilizing ICT and AI, electrifying transportation equipment, and reducing CO₂ emissions.

There is a tendency to focus on only the development part of technological development, but in reality it relates to all aspects of the development, manufacturing and selling process. Kobe Steel will boost earnings by reinforcing its *monozukuri* capabilities through connections between manufacturing and technologies, and create new value with an open mind by having technological development linked to the front lines that are addressing social needs.

* Craftsmanship in manufacturing

Co-Creation Initiatives with Customers

For the purpose of disseminating information, facilitating co-creation with customers, and promoting the fusion of technologies of the KOBELCO Group, we are proactively setting up venues and opportunities to accurately identify the needs of customers and create more valuable ideas together with them, as exemplified by KoCoLab.

Kobe Corporate Research Laboratories	Technology Showroom: KOBELCO Co-creation Laboratory (KoCoLab)
Fujisawa Plant	Automotive Joining Technology Showroom
Takasago Works	Machinery Business Product Showroom (KoMPass)
The KOBELCO Group's Technology Exhibitions	The KOBELCO Group's Technology Exhibitions were held at the head offices and plants of automakers and parts manufacturers that are our customers, creating a venue for introducing our technologies, products, and services that help reduce the weight of automobiles.

Mission Story

We aim to create new technologies, products, and services that satisfy our customers.

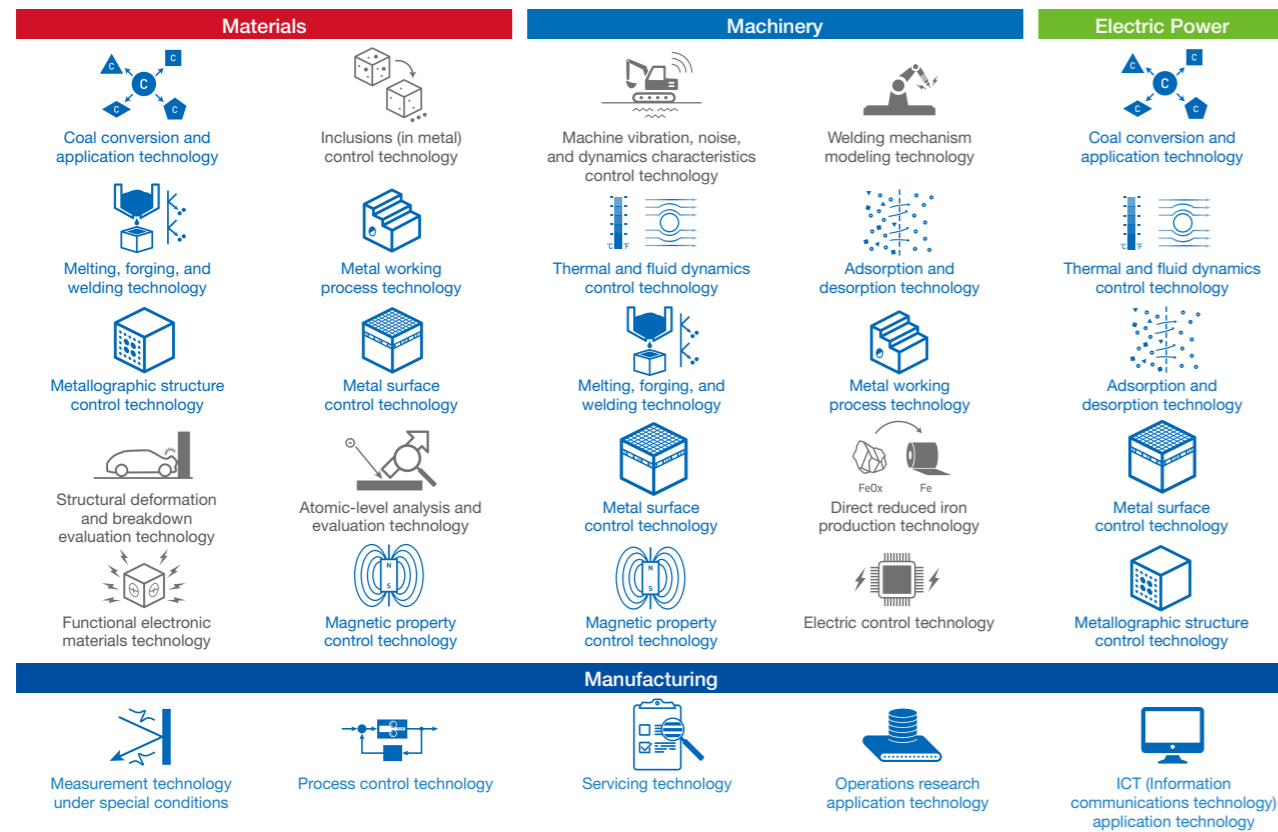
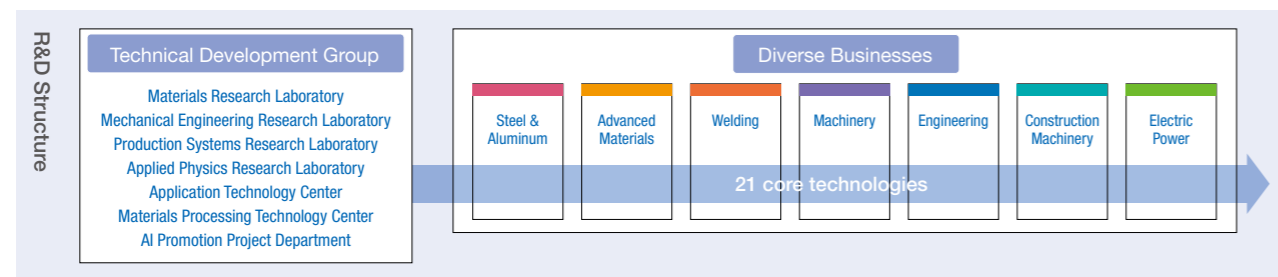
- We are strengthening the 21 core technologies that form the technological assets supporting the creation of distinctive products and our advanced *monozukuri* capabilities. Our co-creation initiatives with customers also lead to the creation of new value.
- We endeavor to create new technologies and businesses that will support the KOBELCO Group in the future, and have set as key priorities the transportation equipment field, CO₂ emissions reduction, and ICT and AI utilization.



21 Core Technologies

The Technical Development Group has dedicated many years to building up a broad base of technologies through research and development activities for diverse businesses that cover materials, machinery, and electric power. The technological assets that support the creation of distinctive products and our advanced manufacturing capabilities can be classified into the following 21 core technologies.

While working to strengthen these core technologies, Kobe Steel will endeavor to create new value for its customers.



Note: Icons shown in blue represent the core technologies that are utilized across business segments.

TOPICS

1 Establishment of Application Technology Center and Materials Processing Technology Center

On April 1, 2020, the Application Technology Center and Materials Processing Technology Center were established.

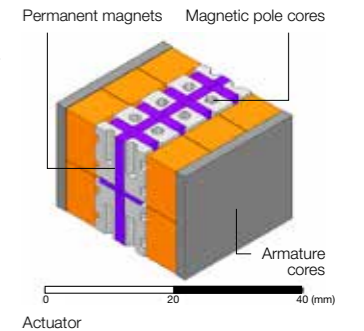
The Application Technology Center was established to integrate the solutions development entities from across business divisions and the Technical Development Group and concentrate all of them into the Technical Development Group. The objective is to expand sales and stimulate demand for the Company's products by strengthening solutions development and proposal capabilities. The center conducts R&D and provides prompt user support for application technologies (structural, welding and processing) that help reduce the weight of automobiles. It also examines potential technologies for automobiles and leverages them to develop new product lines and businesses. Furthermore, the center develops application technologies that support our *monozukuri* capabilities and our lineup of products for non-automotive applications.

The Materials Processing Technology Center was established to marshal together thermal, rolling process, and measurement experts from the Technical Development Group and various business divisions for the purpose of reinforcing the *monozukuri* capabilities of plants in materials businesses. By having these experts stationed at our materials plants, frontline knowledge can be combined with technical expertise to quickly find solutions for technical problems, discover potential problems at an early stage, and ultimately strengthen our capabilities for processing technology.

Both centers will leverage the benefits of centralized resources to ensure and advance our technological edge while systemically training human resources.

2 Activities to Spur Innovation

Kobe Steel takes steps to promote the creation of innovative products and services through technological development. Since 2015, the Company has launched initiatives for this purpose, which include: Management of Technology (MOT) Lectures to improve awareness of innovation that links technological capabilities to economic value; the Scenario Planning System to construct and examine the hypothesis behind new ideas while receiving guidance from external consultants; and the Challenge Theme System to carry out intensive research on highly practical ideas with the participation of experts. One of the technologies that emerged from these initiatives was a new actuator (linear direct-drive motor) structure that enabled more than three times the power output than previous products. The Company is verifying the technologies for this new actuator, which can be used in applications that require finely tuned control with large power in a compact form, such as robots on production lines or in power suits. By continuing to pursue such activities, we aim to contribute to the realization of safe, secure, and prosperous lifestyles.

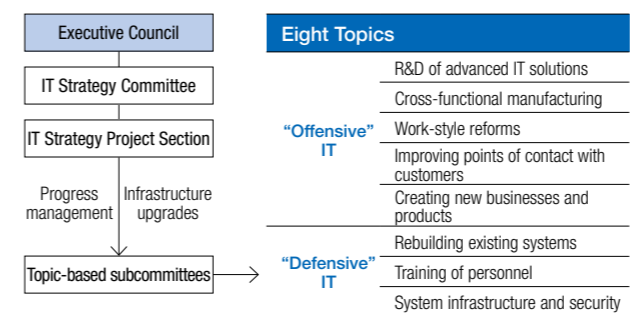


3 Deployment of IT

While accelerating the utilization of rapidly advancing IT, the KOBELCO Group is formulating an IT strategy to drive transformation of all its businesses.

The business transformation targeted by our IT strategy goes beyond reinforcing our *monozukuri* capabilities and extends also to R&D of advanced IT solutions, building information systems that support work-style reforms and better relationships with customers, and the training of IT personnel. Our IT strategy is divided into eight "offensive" and "defensive" categories, ranging broadly from production sites and points of contact with customers to the establishment of systems for work-style reforms of employees.

Framework for Implementing IT Strategy



AI Technology to Advance Automated Welding Robots

Kobe Steel has been working to reproduce the craftsmanship of veteran welders using artificial intelligence (AI) for many fields that require advanced and complex arc welding technology, such as shipbuilding and energy equipment.

In the past, welders were making high-quality welds by deftly adjusting parameters such as welding speed, weaving width and the center position of weaving while visually monitoring welding pools (the area where the base metal is being welded). Kobe Steel is working to create a system that enables a robot to perform welding at the same level of quality as veteran welders without requiring craftsman-level skills, by having AI control automatically the above set of parameters through the welding robot's visual sensor.

Kobe Steel plans to deploy a visual sensor to other robotic systems such as the compact and portable ISHIMATSU welding robot. We believe this technology provides our customers with greater efficiencies by minimizing man-hours and reduced time needed during welding, while ensuring weldment quality by various logs including visual image.

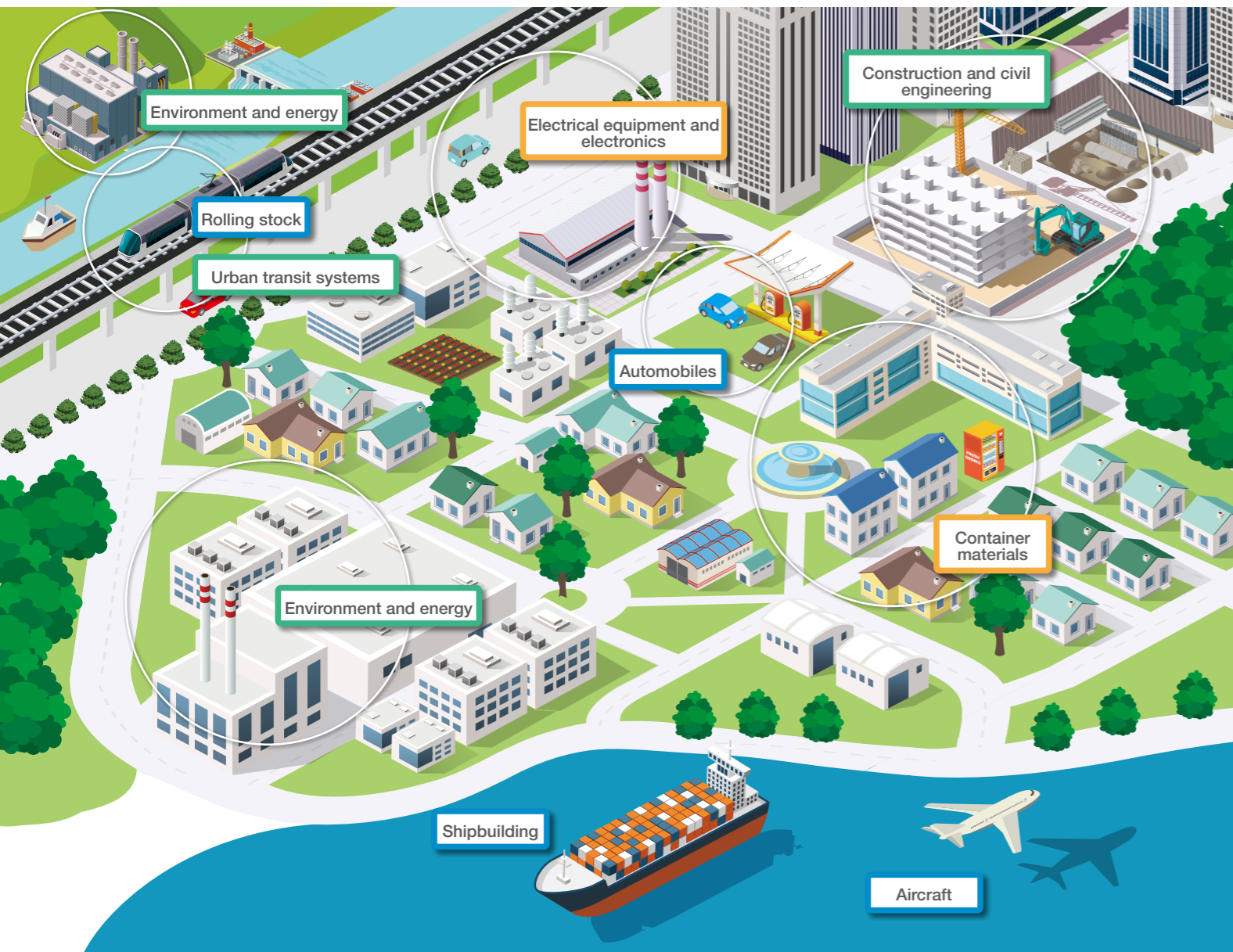


Compact and portable ISHIMATSU welding robot with visual sensor

Distinctive Technologies, Products, and Services by Customer Domain

Since its founding in 1905, the KOBELCO Group has created and supplied products needed by its customers for more than 100 years. Today, the KOBELCO Group operates businesses centered on seven segments, but from the perspective of customers, its operations can be divided into the three main categories of Mobility, Energy and Infrastructure, and Life.

Below is a brief introduction to the KOBELCO Group's diverse and distinctive technologies, products, and services.



Mobility

- Automobiles
- Aircraft
- Shipbuilding
- Rolling stock

Energy and Infrastructure

- Construction and civil engineering
- Urban transit systems
- Environment and energy

Life

- Container materials
- Electrical equipment and electronics

Automobiles

Materials



Wire rods for automotive engine valve springs
Used in half of all cars worldwide
Kobe Steel's flagship product

Materials



High-strength steel sheets
Japan's leading producer
Leading producer in development and commercialization of ultra-high-strength steel sheets

Materials



Aluminum sheets for automotive body panels
Advanced surface processing technology
Contributions to automobile weight reduction via use in automobile engine hoods, etc.

Materials



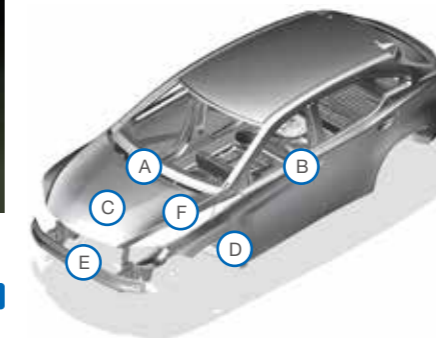
Aluminum forgings for automotive suspensions
Japan's leading producer
More than 40% lighter than conventional steel forgings

Materials



Aluminum extrusions and fabricated products for automobiles
High-strength aluminum alloys

Contributions to automobile weight reduction via use in bumpers and structural frames



Materials



Copper alloys for automotive terminals and connectors
No. 1 market share in Japan

For use in wire harnesses, the "nerves" of cars. Approximately 30% share of domestic market

Materials



Steel powder
Japan's leading producer

For use in complex-shaped automotive parts and such environmental applications as purification of polluted soil and water

Materials



Low-slag welding process
Contributions to enhanced anti-corrosion performance

Revolutionary welding method that reduces slag, a starting point for rust, and enhances anti-corrosion performance of automotive underbody parts*
* Jointly developed with Mazda Motor Co., Ltd.

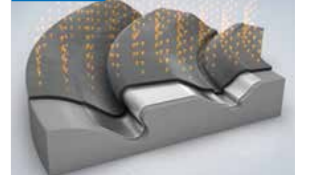
Materials



Non-copper coated solid wires (SE wires)
Reduce environmental impact

Reduce environmental burden through our original wire surface treatment technology, which eliminates need for copper plating treatment during manufacturing

Machinery



Flexform™ hydraulic presses
Exclusive global technology

One press can process metal into complex shapes. Various applications include automotive bodies and frames

Machinery



PVD coating systems
25% share of world market

Apply PVD coatings on auto parts, such as engine components, for improving durability under severe conditions

Machinery



Rubber mixers
40% share of world market

Indispensable for production of tires and rubber products. Offer high productivity and energy efficiency based on our leading-edge technologies

Machinery



HyAC series of compressors for hydrogen refueling stations
Approx. 30% share of domestic market

Compressors sold in sets with dispensers in United States, enabling refueling of fuel-cell vehicles with compressed hydrogen

Machinery



Multi-purpose and vehicle dismantling machines
Contribute to automobile recycling

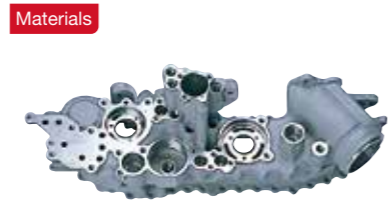
These machines recover resources such as engines and wire harnesses with a special nibbler, shortening time to dismantle used vehicles safely.

Distinctive Technologies, Products, and Services by Customer Domain

Aircraft



Titanium for aircraft engine components
Titanium pioneer
Delivering fan case components for aircraft engines for more than 30 years



Aircraft gearboxes
Sole supplier in Asia
Aircraft parts realized thanks to our competence in aluminum casting, forging, analysis, and alloy development



Isostatic presses
70% share of world market
Contribute to adding value by increasing the strength of complex-shaped parts for aircraft and other applications

Shipbuilding



Crankshafts
40% share of global market
Boasting 40% share of the global market for built-up and solid crankshafts for ships



Robotic welding systems for assembling large blocks in shipbuilding
Reduce welding time by roughly 20%
Automated robotic welding systems improve productivity of welding for assembling large blocks in shipbuilding. Contribute to proliferation of robots



Flux-cored wires
Contribute to improved quality and efficiency
Enable high work efficiency and reduce spatter and fumes to improve workplace environments. Used in a wide variety of applications, including shipbuilding, architectural steel frames, and bridges

Shipbuilding



Compressors for LNG-fueled ships
Exclusive world-class technology
Compressors for supplying fuel in LNG-fueled ships. Contribute substantially to reducing CO₂ emissions

Rolling stock



Aluminum shapes for rolling stock
No. 1 market share in Japan
Used as materials that shape the bodies of rolling stock. Employed in rolling stock in Japan and the U.K.

Container materials



Aluminum bottle can stock
Approx. 70% share of domestic market
Holding domestic market shares of more than 30% for aluminum beverage can stock and approximately 70% for aluminum bottle can stock, which requires complex processing

Electrical equipment and electronics



Materials for semiconductor leadframes
Approx. 20% share of Asia market
Using proprietary elemental bonding to develop copper-alloy strip products that combine strength, conductivity, and heat resistance



Aluminum disks
60% share of global market
Used as substrates in hard disk drives mainly for desktop computers and data centers

Construction and civil engineering



Eco-View steel plates for longer-lasting paint on bridges
Contribute to longer lifespans of steel bridges
Eco-View steel plates offer excellent paint corrosion resistance, lengthening the interval for repainting bridges, even in high-salinity environments. Help reduce lifecycle costs

Construction and civil engineering



KOBEMAG® corrosion resistant steel sheets
Contributions to reductions in lifecycle costs
Superior corrosion and abrasion resistance and high workability. Used in wide applications, including structural components, buildings, electric machinery, and automobiles; certified by the Ministry of Land, Infrastructure, Transport and Tourism for compliance with building standards in February 2020



Flux-cored wires
Contribute to improved quality and efficiency
Enable high work efficiency and reduce spatter and fumes to improve workplace environments. Used in a wide variety of applications, including shipbuilding, architectural steel frames, and bridges



REGARC™-equipped structural steel welding systems
Improve quality and productivity of structural steel welding
Enhancing quality and productivity of structural steel welding through our original REGARC™ welding process, which significantly reduces sparks and fumes during welding



NEXT building demolition machines with main boom
Lighten workloads at demolition sites
NEXT attachments need fewer steps for safe dismantling, transport, and assembly before work operations begin. Compared with previous models, NEXT shortens work time, lightens labor, and reduces costs



New-model TK-G Series telescopic boom crawler cranes
Excellent transportability
While being less than three meters wide during transport, retains the original series' sturdy structure capable of withstanding tough construction and civil engineering work, compact layout with superior operability, and ability to lift to great heights



Computerized construction work brand Dig Nav
ICT-enabled construction machinery featuring both efficiency and safety
ICT-enabled construction machinery with a navigation system that significantly increases work efficiency by incorporating monitor displays and alarms in the driver's cab as well as a machine control system that allows the operator to conduct complex work operations through simple manipulation of a lever

Urban transit systems

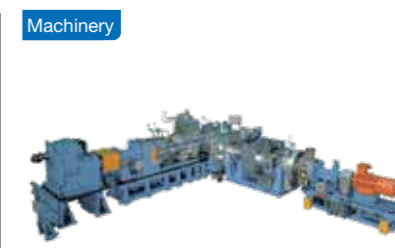


Urban transit systems
Best track record in Japan
Boasting an extensive track record in supplying advanced transit systems, such as the Hiroshima Astram Line. Overseas, the North-South Line of the Jakarta Mass Rapid Transit system opened in April 2019

Environment and energy



Emeraude standard compressors
High domestic market share
Oil-free compressors with highest specs and energy efficiency



Plastic processing machinery
37% share of global market
Contributions to reduced petrochemical plant electricity consumption with high mixing performance and low energy consumption

Distinctive Technologies, Products, and Services by Customer Domain

Environment and energy



Machinery
Nonstandard screw compressors
 50% share of global market
 Supplying compressors to large plants since manufacturing the first domestically produced screw compressor in 1956



Electric Power
Kobe Power Plant
 One of Japan's largest independent power producers



Electric Power
Moka Power Plant
 Japan's first large-scale inland thermal power plant



Machinery
MIDREX® Process
 World's top share
 World's leading direct reduction process, with over 70 plants in operation worldwide



Machinery
Water treatment facilities
 Full product lineup
 Meeting a wide range of water treatment needs by offering facilities for treating water, sewage, industrial water, wastewater, sludge, and pure/ultra-pure water



Machinery
Fluidized-bed gasification and melting furnaces
 Domestic leader
 Address needs in waste treatment field for reducing CO₂ emissions and reducing final landfill disposal volume



Materials
Welding materials for low-alloy steel
 Top global share
 Used in oil refining reactors and thermal power boilers



Machinery
Micro channel heat exchangers (DCHE)
 Best track record in Japan
 Compact heat exchangers used in hydrogen fueling stations and natural gas-related equipment



Machinery
Wood biomass power generation
 Effective use of biomass
 Unused timber from forest thinning left in mountainous regions is used as biomass fuel for boiler power generators



Machinery
Sewage biogas city gas pipe injection facility
 Effective utilization of biogas
 City gas facility that refines biogas from sewage sludge to same quality as city gas

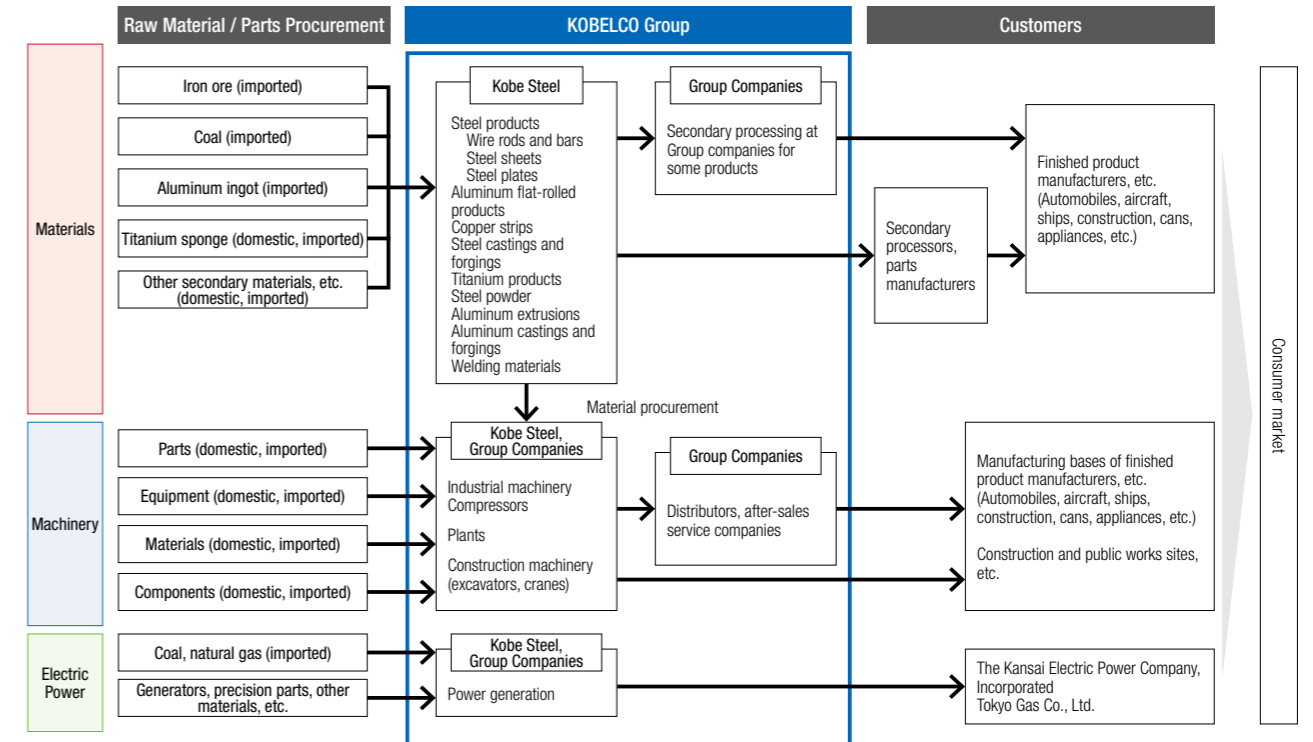


Machinery
LNG vaporizers
 World-renowned high reliability
 Equipment for gasifying liquefied natural gas (LNG) to enable use at gas-fired power plants and city gas facilities



Machinery
Heat pumps
 Industry-leading energy efficiency
 Energy-saving devices used for air conditioners and heaters in buildings and plants

The KOBELCO Group's Supply Chain



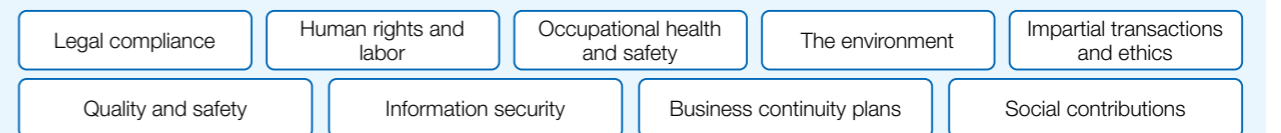
Procurement Policies

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

1	Compliance with laws 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 of Sustainability Management—Supply Chain Initiatives

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. To realize that vision, we will share recognition of our social responsibility with regard to the following items with our suppliers, who are cherished business partners, and promote sustainability management initiatives across the supply chain. (Information on these initiatives will be uploaded to the Company's corporate website on an ongoing basis.)



For more information on Kobe Steel's procurement policies, please refer to the Company's corporate website. https://www.kobelco.co.jp/english/about_kobelco/csr/

Business Foundation

The KOBELCO Group's Business Foundation



Environmental Management and Reduction of CO₂ Emissions

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. We wholeheartedly acknowledge this obligation and are moving forward with concrete initiatives that align with the Six Pledges of KOBELCO Men and Women. In addition, we have established the Six Initiatives for Environmental Management and are practicing environmental management accordingly.

The KOBELCO Group has been and will continue to utilize its individuality and technologies and care for the environment in all aspects while taking on the challenge of resolving social issues including those facing the global environment.

Basic Environmental Management Policy

As a leading environmental corporate group, the KOBELCO Group will fulfill its social responsibilities as described in this policy, improve its environmental capabilities, and enhance its corporate value.



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

Six Pledges of KOBELCO Men and Women 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 Men and Women, which embody its standards of conduct.

Six Pledges of KOBELCO Men and Women	Six Initiatives for Environmental Management	
1 Heightened Sense of Ethics and Professionalism	Comprehensive risk management procedures	In addition to thorough compliance with environmental laws and regulations, properly implement environmental management by identifying environmental risks in business activities and striving to mitigate these risks.
2 Contribution to the Society by Providing Superior Products and Services	Contributing to the environment through technologies, products, and services	Contribute to the environment by providing environmentally friendly technologies, products, and services.
3 Establishing a Comfortable but Challenging Work Environment	Promoting environmental initiatives with full employee participation	Initiatives are taken to foster a workplace culture where all employees participate in environmental education and study to ensure that they always conduct themselves by taking the environment into consideration, and eco-office activities are undertaken to create work environments that conserve energy and are conducive to work.
4 Living in Harmony with Local Community	Coexisting and cooperating with society	Through forest preservation activities and the KOBELCO Forest Fairy Tale Prize, we engage in activities to contribute to the environment in each region and contribute to local communities by cleaning up areas near business locations.
5 Contribution to a Sustainable Environment	Environmentally friendly manufacturing	We take a comprehensive approach to environmentally friendly manufacturing, including reducing environmental load, preventing global warming, and promoting resource recycling.
6 Respect for Each Stakeholder	Disclosure of environmental information	Activities related to environmental management are accurately conveyed to stakeholders through the disclosure of environmental information and facilitation of communication with local communities and customers.

Please visit our website for a list of organizations subject to reporting under our "Environmental Management and Reduction of CO₂ Emissions."
https://www.kobelco.co.jp/english/about_kobelco/outline/integrated-reports/subordinate2020/index.html

Environmental Management and Reduction of CO₂ Emissions

Medium- to Long-Term Environmental Objectives and Initiatives

	Initiatives for Implementation	Long-Term Policies	Medium-Term Targets
VISION 1 Environmentally friendly manufacturing	Measures against global warming	Save energy, reduce CO ₂ emissions, and combat global warming in every aspect of the Group's operations	<ul style="list-style-type: none"> Continue implementing energy-saving initiatives, working toward achievement of each industry's Commitment to a Low Carbon Society
	Promoting resource recycling	Continue activities aimed at zero landfill waste	<ul style="list-style-type: none"> Continue reducing the amount of waste disposed and achieve 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
	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 PCB Special Measures Law and the Law Concerning the Discharge and Control of Fluorocarbons
	Reducing environmental impact	Make continuous efforts toward reducing the impact on the environment through comprehensive voluntary controls	<ul style="list-style-type: none"> Continue meticulous operational management and facility management in an effort to reduce environmental impact from air emissions, etc.
	Comprehensive risk management procedures	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 improve independent environmental management systems Instill in overseas Group companies the same level of environmental management as in Japan and improve risk management through such activities as on-site environmental inspections
	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 use of the KOBELCO Eco-Life Notebook (household eco-account book), in efforts to increase environmental awareness
VISION 2	Contributing to the environment through technologies, products, and services	Keep all product and technical development environmentally friendly, and create environmentally sustainable products and new businesses	<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 in 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
	Coexisting and cooperating with society	Promote coexistence and cooperation with local communities in regard to the environment	<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
VISION 3	Disclosure of environmental information	Take active steps to disclose environmental information and improve communication with stakeholders	<ul style="list-style-type: none"> Continue disclosing information in an effort to communicate with all stakeholders

The KOBELCO Group is committed to environmentally friendly business practices. We established the Fiscal 2016–Fiscal 2020 Medium-Term Environmental Management Plan 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

Fiscal 2019 Results	Initiatives for Fiscal 2020
<ul style="list-style-type: none"> Established CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group; set fiscal 2030 target for reducing CO₂ emissions from production processes Steadily implemented energy conservation initiatives while conducting energy-saving investments to achieve targets <ul style="list-style-type: none"> Target for reducing CO₂ emissions from production processes: Fiscal 2030 target: Reduction of 1.1 million tons of CO₂ (vs. BAU in fiscal 2013) Fiscal 2019 performance: Reduction of 0.68 million tons of CO₂ (actual value, vs. BAU in fiscal 2013) 	<ul style="list-style-type: none"> Begin formulating a long-term vision centered on the CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group Steadily continue energy conservation initiatives while conducting energy-saving investments to achieve targets
<ul style="list-style-type: none"> Made steady progress in the waste treatment plans established by each business, with good prospects for achieving the targets of the fiscal 2020 voluntary action plan Implemented proper operations following the guidelines for Kakogawa Works and Takasago Works; conducted internal audits at all business locations regarding proper treatment of slag 	<ul style="list-style-type: none"> Implement waste treatment plans established by each business Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products
<ul style="list-style-type: none"> Conducted disposal of transformers, fluorescent lamps, and other high-concentration PCB waste according to plans (disposal anticipated to be completed by legally mandated deadline); disposed some of the low-concentration PCB waste and conducted surveys to identify low-concentration PCBs contained in equipment currently in use; appropriately responded to the requirements of the Act on Rational Use and Proper Management of Fluorocarbons 	<ul style="list-style-type: none"> Continue to carry out disposal of high-concentration PCB waste based on plans; continue to conduct surveys to identify low-concentration PCBs contained in equipment currently in use and formulate plans for disposal by legally mandated deadline; properly manage equipment using fluorocarbons
<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 	<ul style="list-style-type: none"> Continue meticulous operation management and facility management, with efforts to reduce the environmental impact from soot/smoke, etc.
<ul style="list-style-type: none"> Aimed to increase environmental management levels at production sites through use of environmental management systems and carried out environmental audits and other measures to confirm progress Carried out on-site environmental assessments for Group companies in Thailand, India, and Vietnam and raised environmental management levels at each company 	<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 Malaysia, Singapore, China, and U.S., and increase environmental management levels at each company
<ul style="list-style-type: none"> Increased employees' environmental awareness and knowledge through environmental conferences, stratified training, and e-learning Promoted environmental awareness at employees' homes through the KOBELCO Eco-Life Notebook 	<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
<ul style="list-style-type: none"> Established CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group; set fiscal 2030 target for contribution to reduction of CO₂ emissions through technologies, products, and services Helped reduce CO₂ emissions by providing MIDREX® Process, which uses raw materials with low CO₂ emissions, and by improving fuel economy with ultra-high-strength steel <ul style="list-style-type: none"> Targets for contribution to reduction of CO₂ emissions through technologies, products, and services: Fiscal 2030 target: Contribution to reduction of 49 million tons of CO₂ emissions Fiscal 2019 performance: Contribution to reduction of 32.62 million tons of CO₂ emissions 	<ul style="list-style-type: none"> By expanding sales of technologies, products, and services and conducting technical development of multi-materials, undertake measures to reach targets for reduction of CO₂ emissions and help reduce CO₂ emissions in society
<ul style="list-style-type: none"> Received more than 600 submissions for the seventh annual KOBELCO Forest Fairy Tale Prize, with backing from all municipalities in which our 12 domestic business locations are located Performed environmental education outreach to children's centers in three locations; conducted forest development activities in two locations 	<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 the COVID-19 pandemic.</p>
<ul style="list-style-type: none"> Disclosed environmental information via <i>Integrated Report 2019</i>, Company website, environmental monitors, and other sources; introduced Group environmental technologies and products at exhibitions Launched a website providing monthly environmental data for Moka Power Plant, which commenced operation in fiscal 2019 	<ul style="list-style-type: none"> Continue disclosing information and enhance communication with all stakeholders

Environmental Management and Reduction of CO₂ Emissions

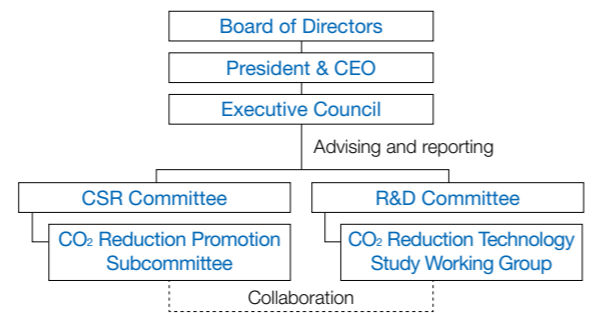
Initiatives to Reduce CO₂ Emissions

The KOBELCO Group views initiatives to reduce CO₂ emissions as one of its most important management issues. Targets for fiscal 2030 have been set to further the advancement of these initiatives. (See pages 18 and 62 for information on targets.)

Going forward, the KOBELCO Group will continue to pursue reduction of CO₂ emissions in order 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” as envisioned in KOBELCO’s View of the Future.

Governance and Risk Management

Kobe Steel has a structure in place whereby important matters related to CO₂ reduction that could have a major impact on management are deliberated and decided by the Executive Council and monitored by the Board of Directors. In fiscal 2019, the Company established the CO₂ Reduction Promotion Subcommittee under the CSR Committee, which is an advisory body to the Executive Council, to examine methods for reducing CO₂ emissions. The Company also created the CO₂ Reduction Technology Study Working Group under the R&D Committee, which also advises the Executive Council, to examine technological methods for reducing CO₂ emissions. This put into place a structure for facilitating Companywide activities to reduce CO₂ emissions.

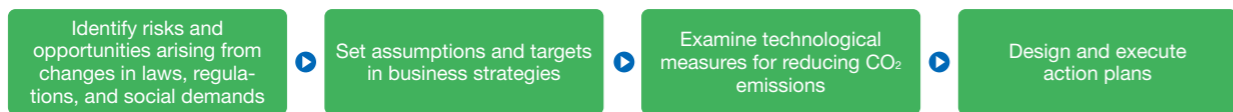


Board of Directors	Monitors measures related to CO ₂ reduction that could have a major impact on management	Quarterly
Executive Council	Deliberates and decides important matters related to CO ₂ reduction measures	At least once per year
CSR Committee	Deliberates important matters related to CO ₂ reduction measures (Hajime Nagara, Director, Senior Managing Executive Officer; Chairman of the CSR Committee)	At least once per year
R&D Committee	Deliberates plans and strategies for developing new products and technologies for reducing CO ₂ emissions	At least once per year

Process for Identifying and Managing Risks from Climate Change

The KOBELCO Group, centered on the CO₂ Reduction Promotion Subcommittee, examines both risks and opportunities associated with climate change, based on the flowchart shown below.

The results of these examinations are reported to and deliberated by the CSR Committee, and then determined by the Executive Council.



Strategy

Kobe Steel analyzes the medium- to long-term risks and opportunities associated with climate change based on consideration for the social scenarios proposed 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.

Materials-related initiatives	➔ Pages 37–40
Machinery-related initiatives	➔ Pages 41–43
Electric Power-related initiatives	➔ Pages 44–46

Climate-related risks: As exemplified by the introduction of carbon pricing schemes, environmental regulations on climate change are becoming stricter and have the potential to significantly impact the Company’s 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 can expect that 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, will increase over the medium to long term.

Short-to-Medium- and Long-Term Climate Change-Related Risks and Opportunities

	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.) ➔ See special feature (Pages 18–23)	
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		Growth in product demand due to higher public investment and capital investments for disaster prevention purposes	
		Increases in countermeasure costs 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 three development projects outlined below 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 reduction and melting processes.

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

The KOBELCO Group is engaged in ongoing R&D projects to realize further benefits of CO₂ emissions reductions in its existing lineup of products that contribute to emissions reductions, such as materials for automotive weight reduction and heat pumps. Midrex Technologies, Inc., has formed a joint-development agreement with ArcelorMittal, S.A., pertaining to a direct reduction ironmaking technology that utilizes hydrogen (see page 23). In addition, we are moving ahead with the development of an energy storage system using compressed air among other proactive efforts to develop new technologies, products, and services that help reduce CO₂ emissions.

Innovative Technology Development	Participating Companies	Technologies Being Developed
CO ₂ Ultimate Reduction in Steelmaking Process by Innovative Technology for Cool Earth 50 (COURSE 50)	Nippon Steel Corporation JFE Steel Corporation Kobe Steel, Ltd. Nippon Steel Engineering Co., Ltd.	① Hydrogen-reduction technology that reduces iron ore by increasing the hydrogen concentration in high-temperature coke oven gas (COG) emitted during coke production as a partial alternative to coke ② Technology for separating and capturing CO ₂ from blast furnace gas (BFG) with underutilized waste heat within steelworks
Technological Development of Ironmaking Process Utilizing Ferro-coke	JFE Steel Corporation Kobe Steel, Ltd. Nippon Steel Corporation	Energy-saving technology that can reduce the amount of coke fed into blast furnaces by dramatically increasing reduction efficiency within blast furnaces by utilizing the catalytic reaction of metallic iron contained in ferro-coke formed from the blend molding and carbonization of thermal coal and low-grade iron ore
Technology Development for Realizing Zero-Carbon Steel	Nippon Steel Corporation JFE Steel Corporation Kobe Steel, Ltd. The Japan Research and Development Center for Metals	Super-innovative technologies, such as hydrogen reduction without using blast furnaces, to realize zero-carbon steel

Scenario Analysis

In fiscal 2019, the Company began examining measures based on socio-economic scenarios. Examinations will be advanced in conjunction with medium- to long-term strategies, and the appropriate analysis results will be disclosed.

Environmental Management and Reduction of CO₂ Emissions

Initiatives to Reduce CO₂ Emissions

Metrics and Targets

Metric A Reduction of CO₂ Emissions in Production Processes

1 Targets

The KOBELCO Group seeks to conserve energy and reduce CO₂ emissions in its production processes.

Based on the Commitment to a Low Carbon Society, promoted by industry groups to which the Group belongs, we have defined a target for reducing CO₂ emissions from production processes for fiscal 2030. (See page 19 for information on the target.)

2 Past Emissions of CO₂

Following 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 collection systems and conserving energy by switching to continuous processes and shorter processes. From the 1990s, the steel industry focused on upgrading waste heat collection systems and increasing the efficiency of equipment while taking steps to effectively use waste materials. 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, highly efficient gas turbine power generation facilities that use gas from blast furnaces were installed at Kakogawa Works over the period from fiscal 2009 to fiscal 2014, resulting in a substantial reduction of CO₂ emissions.

In fiscal 2019, CO₂ emissions from production processes decreased by 1.17 million tons (vs. BAU in fiscal 2013) due to reductions associated with temporary factors, such as the COVID-19 pandemic. Excluding these temporary factors, we achieved a reduction of 0.68 million tons of CO₂ (vs. BAU in fiscal 2013).

With the goal of accomplishing its targets for fiscal 2030, the KOBELCO Group is engaging in thorough energy conservation efforts and capital investments. To this end, the Group is working to build and achieve a steelmaking industry with low CO₂ emissions through collaboration between the Steel & Aluminum Business, which belongs to the materials businesses, and the Engineering Business, which is part of the machinery businesses.

3 CO₂ Emissions from Energy Use

In fiscal 2019, CO₂ emissions from energy use totaled 16.5 million tons for the entire Group. Of this amount, 93% was emitted from the Iron & Steel Business, 4% from the Aluminum & Copper Business, and 2% from the Electric Power Business.

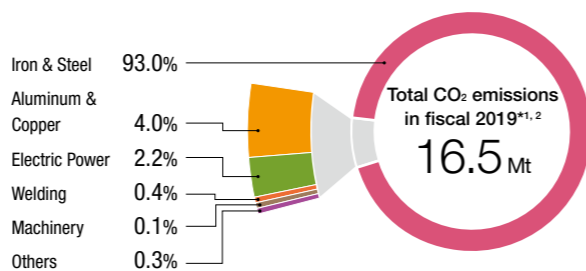
For more information on the KOBELCO Group's CO₂ emissions, please visit the Company's corporate website.
https://www.kobelco.co.jp/english/about_kobelco/outline/integrated-reports/subordinate2020/index.html

Fiscal 2030 Target
 Reduction of CO₂ emissions in production processes
 Reduction of **1.1** Mt (vs. BAU in fiscal 2013)*^{1,2,3}

Fiscal 2019 Performance (actual value)
 Reduction of CO₂ emissions in production processes
 Reduction of **0.68** Mt (vs. BAU in fiscal 2013)^{1,2,3,4}

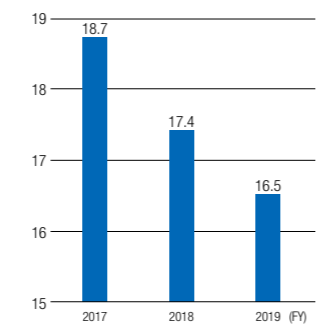
*1 Total of Scope 1 and Scope 2
 *2 Scope: Business locations of Kobe Steel, Ltd., and Kobelco Construction Machinery Co., Ltd. (covers approximately 95% of CO₂ emissions of the entire Group)
 *3 BAU (Business as usual): Emissions of greenhouse gases assuming no additional measures are taken
 *4 Emission coefficients for fiscal 2018 used, as the emission coefficients for fiscal 2019 have yet to be published

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



*1 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 4.6, released in June 2020) and excluding CO₂ emissions (approximately 7.2 million tons) related to electricity transmitted from power plants
 *2 Emission coefficients for fiscal 2018 used, as the emission coefficients for fiscal 2019 have yet to be published

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



* For a list of Group companies surveyed for each fiscal year, see the annual report for the corresponding fiscal year.

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

1 Targets

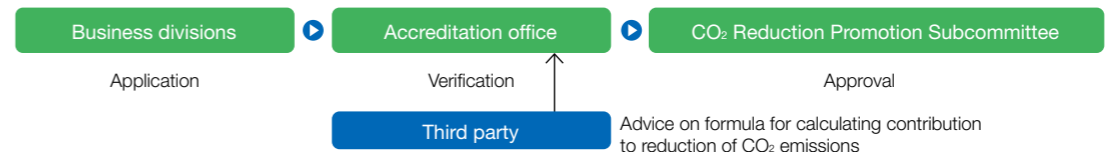
The KOBELCO Group contributes to reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services. The Group set a target for these contributions in fiscal 2030 (see page 19 for information on the target).

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 laboratory leader of the Research Laboratory for IDEA at the Research Institute of Science for Safety and Sustainability at the National

Institute of Advanced Industrial Science and Technology.

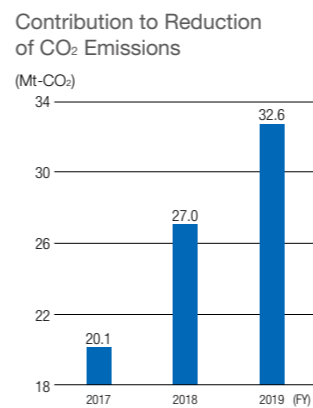
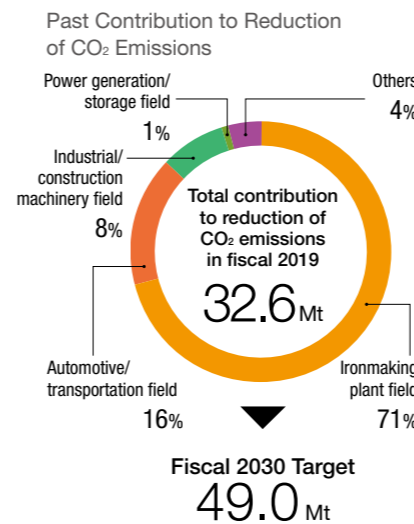
Fiscal 2030 Target
 The KOBELCO Group's technologies, products, and services contributed to a reduction of **49.0** Mt of CO₂ emissions

Accreditation Flow



2 Contribution to Reduction of CO₂ Emissions

The CO₂ Reduction Promotion Subcommittee estimates that the KOBELCO Group's technologies, products, and services contributed to a reduction of CO₂ emissions totaling 32.62 million tons.



Technologies, Products, and Services	Contribution to Reduction (10,000 tons/year)	Concept behind Reduction	
Ironmaking plant field	MIDREX®	2,328	New ironmaking process using low CO ₂ materials
Automotive/transportation field	Ultra-high-strength steel for automobiles	420	Improvements in fuel economy by using high-strength materials to reduce weight of automobiles and transportation equipment
	Wire rods for suspension springs	21	
	Wire rods for automotive valve springs	53	
Industrial/construction machinery field	High-strength steel for ships	29	Energy conservation by achieving higher efficiency and using underutilized energy
	Heat pumps, standard compressors, SteamStar, binary generators, Eco-Centri	239	
Power generation/storage field	Fuel-efficient construction machinery	20	Improvements in fuel economy by using fuel-efficient construction machinery
	Wood biomass power generation, waste-to-energy (WTE)	25	
Others	Blast furnace cement	127	Reduction in volume of fossil resources used by utilizing carbon-neutral resources

In addition, Kobe Steel plans to calculate the contributions made by the following technologies, products, and services to reducing CO₂ emissions.

Key Technologies, Products, and Services That Contribute to Reduction of CO₂ Emissions (contribution amounts to be calculated at a future date)

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 (HHOG)
Power generation/storage field	Conversion of sludge to fuel, utilization of coal-fired thermal power plants, compressed air energy storage system*

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

Environmental Management and Reduction of CO₂ Emissions

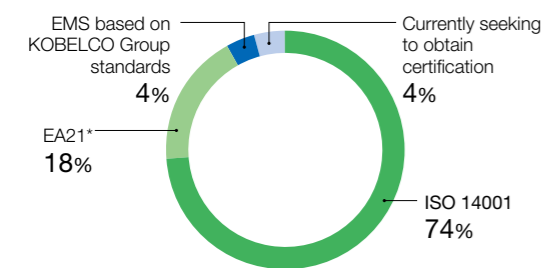
Thorough Risk Management

Kobe Steel identifies environmental risks in its business activities and takes steps to reduce these risks, while properly managing risks in accordance with daily operating procedures. Through environmental audits and other activities, the Company continues to ensure thorough compliance with laws and regulations and reinforces environmental management.

Strengthening Environmental Management (Promoting an environmental management system)

The KOBELCO Group employs environmental management systems (EMSs) based on ISO 14001 and reinforces environmental management through a PDCA cycle. Kobe Steel has acquired certification at all 12 business locations and for the Engineering Business, in addition to 19 domestic Group company business locations and 14 overseas Group companies. The percentage of major production business sites that have EMS certification is 92% among 49 business locations.

Percentage of Total Business Locations with EMS Certification (Domestic and Overseas Group Companies)



* EA21 (Eco Action 21): An environmental management system accredited by the Ministry of the Environment for which certification is easier to obtain than ISO 14001

Each business location periodically conducts drills for possible emergency situations. Issues are identified in follow-up meetings after the drills and steps are taken to improve responsiveness.



Drill on setting out sandbags and oil absorbent mats in preparation for leakages (Shinko North Co., Ltd.)

Implementation of Environmental Audits

The KOBELCO Group conducts paper audits based on checklists of risks every year to ensure compliance with laws and regulations at Kobe Steel and all business locations of domestic Group companies.

On-site environmental audits are conducted at 12 business locations of Kobe Steel and 28 business locations of 20 domestic Group companies with high environmental risks. These are strict on-site environmental audits to check documents, such as

measurement records and various reports, and inspect work sites for waste storage and other conditions. The audits also entail interviews with managers.

The results of audits conducted in fiscal 2019 are as follows.

Results of Audits Conducted in Fiscal 2019

Paper audits: 12 business locations of Kobe Steel, 411 business locations of 96 domestic Group companies

On-site environmental audits: 6 business locations of Kobe Steel, 12 business locations of 8 domestic Group companies



On-site environmental audit (Ibaraki Plant)

Promoting Environmental Initiatives with Full Employee Participation

KOBELCO Group Environmental Meeting

The KOBELCO Group Environmental Meeting is held every year for the purposes of sharing environmental information and promoting cross-development of environmental initiatives. In fiscal 2019, participants shared useful examples of ways to reduce environmental burden at the business locations where they work and reviewed changes to environmental laws and regulations.



KOBELCO Group Environmental Meeting

Environmental Training and Study

Since fiscal 2006, Kobe Steel has continually incorporated environmental training and study into its stratified training program for employees in specific positions at business locations. Additionally, the Company provides e-learning programs regularly via the intranet to raise environmental awareness among employees and guarantee a thorough knowledge of environmental laws and regulations.

In fiscal 2019, study sessions on environmental laws and regulations were held three times and training sessions for persons in charge of waste management were held four times. A total of 133 people took part in these study and training sessions.



Study session on environmental laws and regulations

Environmental Management Systems at Overseas Locations

Our overseas locations also have environmental management systems in place, just like our business locations and Group companies in Japan. Kobe Steel aims to strengthen environmental management further by sharing information among business divisions at Kobe Steel and with overseas locations.

In the United States and China, where many Group production sites are located, the regional headquarters for respective regions, Kobe Steel USA Inc. and Kobelco (China) Holding Co., Ltd., have environmental managers who are well-versed in local laws and regulations to assist other Group companies and take steps to mitigate risks.

Environmental Audits

Kobe Steel implements on-site environmental audits once every two to five years at overseas business locations. During these audits, the environmental manager at the regional headquarters, who is well-versed in local laws and regulations, or a local consultant is appointed to review compliance with environmental laws and regulations and recommend steps to reduce risks.

A total of 32 overseas Group companies are subject to on-site environmental audits, comprising seven in the United States, 10 in China, 14 in Asia (excluding China), and one in Europe. In fiscal 2019, we conducted on-site audits at a total of six companies in Thailand, India, and Vietnam to review the state of environmental management and to identify problems. Based on the results of these audits, we implemented necessary corrective measures. Kobe Steel will continue to conduct these audits in order to strengthen its environmental management at overseas business sites.

Environmental Training and Study at Overseas Locations

In the United States and China, employees in charge of environmental management participate in environmental seminars and networking events in order to advance the skills of environmental managers at Group companies and share information on the latest developments in environment-related laws and regulations. Employees who will be transferred to overseas locations are given environmental training prior to their departure with the aim of heightening the consciousness of environmental risks, raising the awareness of local laws and regulations, and preventing environmental problems.



Networking event in China



On-site environmental audit at Thai-Kobe Welding Co., Ltd.

Monitoring of Environmental Risks in Investment Projects

The KOBELCO Group has established systems for checking compliance with environmental laws and regulations as well as environmental risks associated with capital investment projects at each business location. In addition, we employed an environmental checklist system through which the head office double-checks the laws and risks pertaining to projects that entail particularly large investments.

These checks are to confirm that, for example, chemical storage tanks are not installed underground in order to prevent soil contamination and to check whether or not effective measures are in place for preventing leaks in cases when storage tanks are located near drainage channels.

Environmental Management and Reduction of CO₂ Emissions

Environmentally Friendly Manufacturing

Reduction of Environmental Impacts

Water Pollution Measures

The KOBELCO Group strives to conserve water through such measures as improvements to manufacturing processes and wastewater recycling. Additionally, by purifying drainage from manufacturing processes using specialized treatment systems, we reduce levels of polluting substances in public water resources. At Kobe Steel's business locations, drainage from production processes undergoes coagulative precipitation, sand filtration, and other purification processes and is reused on-site. As a result, approximately 96% of the water is recycled on premises.

Air Pollution Measures

We take measures to limit SOx (sulfur oxide) emissions during manufacturing processes, such as conserving energy to reduce fuel consumption, using low-sulfur fuels, and switching to city gas, while also implementing exhaust-related measures, such as desulfurization. Likewise, to reduce NOx (nitrogen oxide) emissions, we have implemented low NOx combustion technology and energy-saving measures.

Promotion of Resource Recycling

To make effective use of limited resources, the KOBELCO Group implements measures to control waste. We add value to by-products created during manufacturing processes, develop and introduce new applications for materials, and actively pursue recycling.

In fiscal 2019, a total of 4.12 million tons of by-product materials were generated by the KOBELCO Group, and approximately 0.18 million tons were disposed of in landfills. The recycling ratio was 98.7% for the major by-products of slag, dust, and sludge, reflecting aggressive efforts to improve yields and reduce the use of secondary materials in the Iron & Steel Business, the main producer of by-products. These measures will also contribute to the achievement of new targets (350,000 tons in fiscal 2020) based on voluntary action targets set by Japan's steelmaking industry (numerical targets for final landfill disposal volume and recycling).

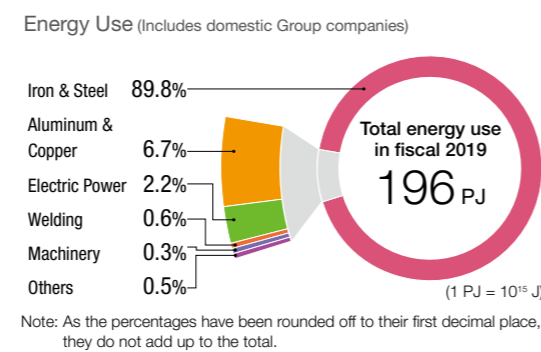
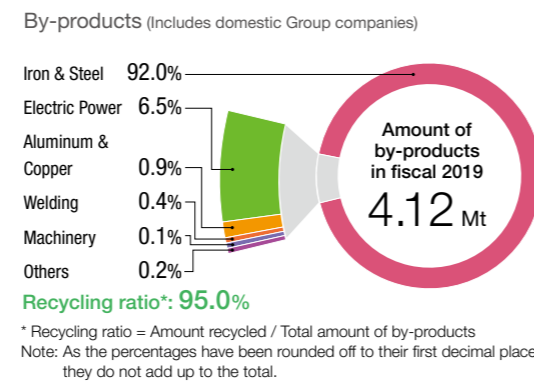
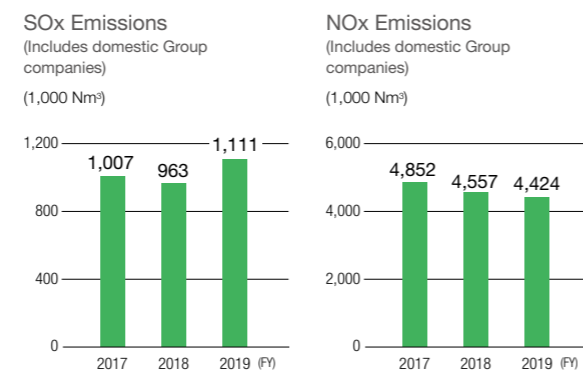
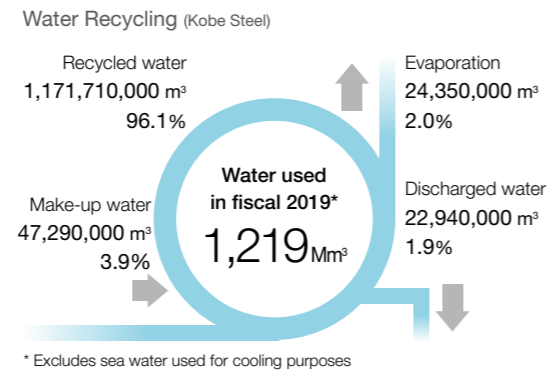
The recycling ratio for the KOBELCO Group (Japan) was 95.0%. We will continue to reduce final landfill disposal volume by controlling the amount of waste produced, increasing recycling, and developing and adding value to new recycling technologies.

Measures against Global Warming (Energy use in production processes)

In response to global warming, the KOBELCO Group promotes streamlining and R&D to reduce energy consumption throughout its operations.

In fiscal 2019, we took measures to conserve energy by installing inverters, upgrading to high-efficiency equipment, and switching to LED lights at business sites.

The KOBELCO Group used 196 PJ of energy in fiscal 2019 (equivalent to 5.06 million kl of crude oil). Of this total, approximately 90% was used in the Iron & Steel Business and approximately 7% in the Aluminum & Copper Business.



→ For details on initiatives to reduce CO₂ emissions, please see [p. 60-63](#).

Coexisting and Cooperating with Society

The KOBELCO Group aims to coexist and cooperate with society, from an environmental perspective as well. With the aim of preserving and maintaining CO₂-absorbing forests for the environment, we have been implementing the KOBELCO GREEN PROJECT since fiscal 2013 as a Groupwide program for contributing to the environment. Our initiatives also include the KOBELCO Forest Fairy Tale Prize, which is designed to foster environmental awareness in children, forest development programs carried out by Group employees, and environmental education outreach to children's centers.

KOBELCO GREEN PROJECT

Forest Development Activities to Preserve and Promote Biodiversity

The KOBELCO Group has established biodiversity guidelines and promotes biodiversity activities. Since 2011, employee volunteers have been engaging in forest development activities in two locations.

At the KOBELCO Forest in Miki City, we participate in the Corporate Forest Creation Project promoted by the *Hyogoken Ryokka Suishin Kyokai* (Hyogo Greening Promotion Association) and help with activities at the Hyogo Prefectural Mikiyama Forest Park to create more abundant forests.

At the ECOWAY Forest in Kobe's Nada Ward, we participate in the Ministry of Land, Infrastructure, Transport and Tourism's Rokko Mountain Range Green Belt Development Project to help prevent landslide disasters, to preserve and nurture diversity in ecosystems and seeds, and to promote better urban environments and scenic views. These activities are carried out with guidance from the NPO Rokko Nature Learning with the aim of developing forests with a good balance between tall trees and undergrowth and a diverse mix of tree ages and varieties. By trimming trees, clearing out undergrowth, and planting new trees, we help preserve and promote biodiversity in forests.



Environmental Education Outreach to Children's Centers

Kobe Steel is a member of the Kobe Children's Eco Challenge 21 Club, sponsored by the city of Kobe. The club operates environmental education outreach programs to get children interested in the environment so that environmentally friendly activities will continue.

Since 2011, Kobe Steel has offered programs for learning about steel and electricity, the importance of the environment and electricity, and the conveniences provided by steel. In fiscal 2019, these learning programs were offered in three locations (Rokkou

Island After-school Childcare Corner, Akibadai Children's Center, and Tamatsu Children's Center) and attended by 121 children.

Seventh KOBELCO Forest Fairy Tale Prize

The KOBELCO Group collects fairy tale stories about forests from students in elementary, junior high, and senior high schools across Japan with the aim of raising a generation of children who will carry with them an appreciation for all the many blessings that forests have to offer. The winning stories are transformed into picture books with illustrations by professional picture book authors. Around 2,000 sets of the finished picture books were donated to elementary schools, junior high and senior high schools, special needs schools, and public libraries in jurisdictions supported by local governments.

The seventh annual award, held in fiscal 2019, garnered a total of 605 submissions. *Satoyama no Jyusuya-san* ("The Woodland Juice Shop"), written by Sorano Okawa (Elementary School Division), and *Oishii Mori no Tsukurikata* ("How to Make a Delicious Forest"), written by Harune Shakudo (Junior High and Senior High School Division), were selected as the grand prize winners.



Judge's Comments

We live surrounded by forests of all sizes. Forests are places to nurture life and protect it as seen in the process of the green trees growing thick with leaves, their flowers blooming, and their fruits ripening. Forests bestow many blessings, not only on the birds and animals that live therein but also on us.

The KOBELCO Forest Fairy Tale Prize is a contest that encourages children to craft fairy tales based on the theme of forests while gaining accurate knowledge about forests. It is incredibly difficult to combine real-life knowledge about forests with fantastic imaginary stories to make a fairy tale. Nevertheless, we received numerous amazing works in this year's contest. Thank you to everyone who joined the contest. I hope we will get many wonderful submissions next year as well.



Disclosure of Environmental Information

Communication with Local Communities

In order to gain the understanding of local residents in the area of Kakogawa Works and the Kobe Wire Rod & Bar Plant regarding its environmental preservation efforts, Kobe Steel held information sessions, which were attended by a total of 114 people.

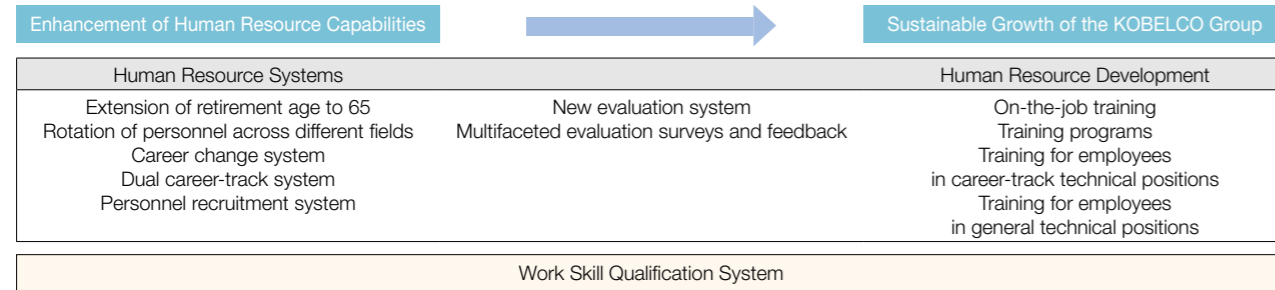
Toll-free (within Japan) phone numbers have also been set up at Kakogawa Works and the Kobe Wire Rod & Bar Plant to answer environment-related questions. We will continue to value the opinions of people in local communities.

Management and Development of Human Resources

To fulfill its social responsibilities as a company and further improve its corporate value, the KOBELCO Group believes it is important to develop personnel who can tackle social issues and respond to change. Equally important for the Group is enabling its diverse employees to utilize their individuality and expertise while being motivated and working with pride.

To foster employees in such ways, we are promoting diversity and engaging in other forward-looking initiatives, developing workplace environments and human resource systems based on the results of employee awareness surveys, and taking other steps to further strengthen the development of human resources.

Human Resource Systems and Training



Human Resource Systems

The basis for Kobe Steel's human resource systems is the work skill qualification system. Under this system, employees are divided into employee categories, such as management, career-track, and general technical and administrative employees, based on their work fields and the training policies for them. Job grades are assigned to individual employees based on the extent to which they exercise the skills expected of their employee category. This system makes it possible to cultivate human resources over the medium to long term by offering employees a varied range of experience and thereby contributes to improved employee motivation.

Career Change System

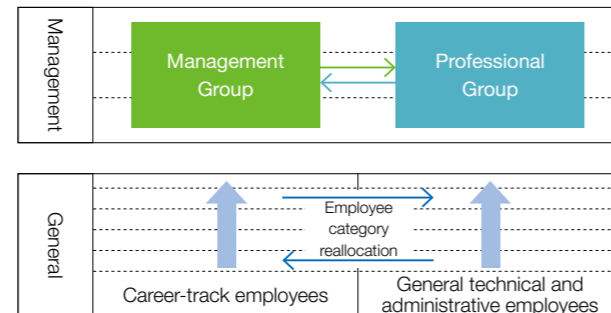
The employee category reallocation system allows ambitious, talented, and applicable employees to change their employee category (career-track or general technical/administrative position) as they desire.

Dual Career-Track System

Kobe Steel has introduced a dual career-track system for managers. Under this system, managers are divided into the management group, which comprises organizational heads, and the professional group, which is for individuals expected to exercise their specialized skills in specified areas. Individuals belonging to both groups are evaluated and compensated based on the degree to which they have performed the duties expected of their roles.

Previously, managers were highly compensated based on their role in management. The dual career-track system was introduced in fiscal 2019 based on the recognition that winning out against intense competition as a manufacturer would require us to also reward employees that exhibited a high degree of speciality.

Work Skill Qualification System and Dual Career-Track Compensation System



TOPICS

Change in Mandatory Retirement Age

As birthrates decline and populations age, it is becoming increasingly difficult to secure human resources. In response to this trend, Kobe Steel is preparing to change 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 will enable employees to work from the time they join the Company until they reach the age of 65 under the same employment conditions while allowing us to develop continuous compensation systems. In addition, human resource systems will be revised in conjunction with this change to create frameworks that reflect individual skills and success in compensation to an even greater degree to spark employees' desire for career growth and raise their motivation.

Rotation of Human Resources across Different Fields

The Company began promoting the rotation of employees across business divisions, positions, and different fields in fiscal 2019. This move is aimed at improving the personnel fluidity of the organization, fostering human resources (enhancing human resource capabilities), and stepping up coordination.

Human Resource Development

Our Approach to Human Resource Development

We aim to have all employees share a diverse sense of values and to take pride and have enthusiasm in their daily work. To this end, we established the "Vision for Human Resources at Kobe Steel" (to the right).

For human resource development, Kobe Steel offers training programs that complement on-the-job training, the basis of employee education. We have created tiered training systems for managers, career-track employees, and general technical and administrative employees, and we revise the contents of the training programs annually.

Kobe Steel also provides a full range of support for employee growth, as it is important that all employees have their own specific goals for professional development and to constantly progress to achieve them.

In response to the global COVID-19 pandemic, we began offering certain training programs online at the end of fiscal 2019 to enable employees to continue learning even under emergency circumstances.

"As employees, we will continually strive to establish trust in KOBELCO on a global scale."



TOPICS

New Evaluation System and Evaluator Training

In fiscal 2020, the Company revised its human resource evaluation system. In addition to enabling employees to demonstrate their performance and work capabilities, the revised system clarifies the degree of exercising the Core Values of KOBELCO and the implementation of human resource development programs as areas for evaluation.

At the same time, an evaluator training program was instituted to allow managers to offer more constructive feedback in order to drive the improvement of employee skills and motivation.

Training for Technical Personnel

A forklift training facility has been constructed at the Group's Kakogawa Technical Training Center, a training facility for technical personnel. The new facility, which commenced operation in June 2020, features an environment that enables trainees to concentrate on their training regardless of the weather, thereby contributing to expedited improvement in technical skills. We will continue to develop environments that allow employees to focus on acquiring technical skills with the aim of heightening the Group's overall *monozukuri* capabilities.

Work-Style Reforms

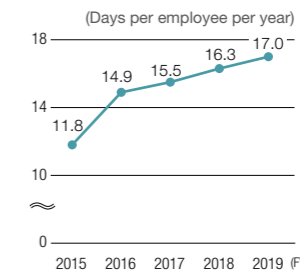
The KOBELCO Group has taken a three-pronged approach to reforming work styles—comprising changes to work styles, changes to employment rules, and changes to work practices—in an effort to enhance its workplace environments.

During the two years of the first stage of this initiative, from fiscal 2016 to fiscal 2017, we targeted an increase in the number of days of paid leave taken by employees. In fiscal 2017, our target was to have employees take an average of 15 or more days of paid vacation per year. We have achieved ongoing success in this regard, as indicated by the average of 17.0 days of paid leave taken by employees in fiscal 2019.

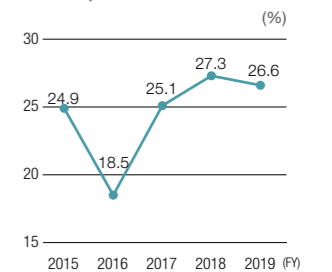
Over the three-year period from fiscal 2018 to fiscal 2020, positioned as the second stage of this initiative, we aim to create 50 hours of allocable time per employee per year and to invigorate communication. To those ends, we are implementing workplace improvement activities, establishing meeting and email protocols, and promoting telecommuting. In addition, free dress codes have been instituted at our Kobe and Tokyo head offices, branch offices, and sales offices to foster more comfortable workplace cultures.

By advancing these initiatives, we aim to heighten employee motivation while invigorating the organization to create greater levels of value.

Number of Days of Paid Leave Taken
(Days per employee per year)



Number of Days Worked Past 7 p.m.*
(%)



* Ratio of working days past 7 p.m.

TOPICS

Promotion of Telecommuting

In response to the global COVID-19 pandemic, certain restrictions for using our work-from-home system were relaxed in March 2020 to promote the use of telecommuting. Looking ahead, we plan to formulate new rules and guidelines to develop and establish work styles that effectively utilize telecommuting.

Management and Development of Human Resources

Diversity

In promoting diversity, the KOBELCO Group strives to create work environments in which all employees respect diversity and are able to use their skills to the fullest, based on three approaches: employment continuation support, workplace improvement, and activity support.

Employment Continuation Support

- Extended leave for raising children (until they turn three years old)
- Consideration of flexible work hours for childcare (allow shorter work hours during elementary school age, etc.)
- Extension of caregiving leave (up to three years)
- Paid child and family care leave
- Complimentary points for child-rearing items in employee cafeteria plan
- Reemployment system (reemployment within five years after resigning due to spouse's work relocation, childbirth, or caregiving purposes)
- Career sabbatical program (up to three years in the case of spouse's work relocation)

Workplace Improvement

- Support for men to help with child-rearing
- Reduction of long working hours, encouragement of employees to take more paid vacations, and other initiatives and collaborative efforts for work-style reforms
- Diversity training at all business locations to create pleasant workplace environments

Activity Support

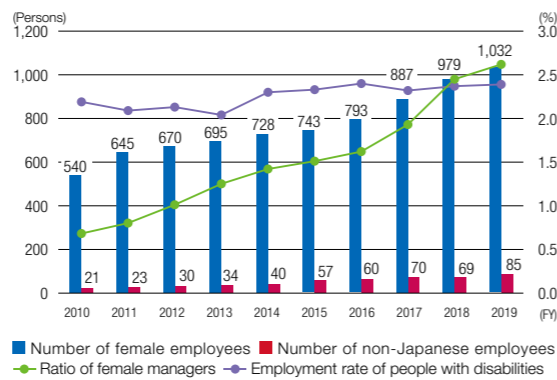
- Setting of numerical targets for hiring new graduates (30% for career-track administrative positions, 10% for career-track technical positions, and 10% for general technical positions)
- Networking events for female employees and non-Japanese employees
- Mentor system for female employees and non-Japanese employees
- Management training for managers of female employees and non-Japanese employees

TOPICS

The KOBELCO Group is promoting diversity while enhancing its workplace environment to make greater use of diversity.

Diversity of Human Resources

- The KOBELCO Group's base of human resources is growing ever more diverse, with increasing numbers of female employees, non-Japanese employees, and employees with disabilities.



Diversity Initiatives and Results

Initiatives

- Diversity training at all business locations: The Group has been conducting training at all business locations to improve communication within the organization by dispelling gender biases and increasing understanding with regard to the differences between age groups, employee categories, and perspectives.
- Cross-cultural communication training: Training is provided for non-Japanese employees and their managers to teach both parties about the other's culture and thereby foster mutual understanding.

Results

These initiatives have resulted in yearly increases in the number of items on employee awareness surveys with regard to gender bias, the ability to consult with supervisors or colleagues, and other items pertaining to communication and teamwork. These increases are indicative of the cultivation of a corporate culture that capitalizes on the individuality and values of diverse human resources.

Respect for Human Rights

One of the Core Values of KOBELCO is "We value each employee and support his and her growth on an individual basis, while creating a cooperative and harmonious environment." In addition, one of the Six Pledges of KOBELCO Men and Women is "Establishing a comfortable but challenging work environment." These principles indicate our commitment to becoming a corporate group in which everyone can feel empowered in their work.

Steps to accomplish this goal thus far have included the establishment of consultation helplines and annual human rights training. Seeking to further clarify our stance toward fulfilling the important responsibility of respecting human rights, we established the Kobe Steel Group's Basic Policy on Human Rights in October 2019.

Workplace posters highlighting this policy were created to raise awareness and entrench understanding of this policy throughout the organization.

Going forward, we will continue to advance initiatives for ensuring human rights are respected based on the International Bill of Human Rights and other international standards.



The Kobe Steel Group's Basic Policy on Human Rights https://www.kobelco.co.jp/english/about_kobelco/csr/files/policy_en.pdf



Workplace poster

Health and Safety

We believe that health and safety are fundamental to management 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.

Occupational Safety and Health

Based on our Companywide Safety and Health Management Policy, each business location formulates its own safety and health management policy, safety and health performance targets, and safety and health activity plans and promotes improvements by implementing the PDCA (plan-do-check-act) cycle. The Safety and Health Management Policy applies not only to Kobe Steel but also to its subcontractors. We carry out activities through the joint efforts of the Company, Group companies, and subcontractors.

As a result, we have been able to reduce the number of accidents and maintain a low frequency rate of lost time injuries. We recognize that protecting the lives and health of our employees is the utmost priority in fulfilling our corporate social responsibilities.

The Health & Safety Department plays a central role in on-site confirmations and audits based on Occupational Safety and Health Management Systems (OSHMS) for all business locations, Group companies, and related cooperative companies. The department

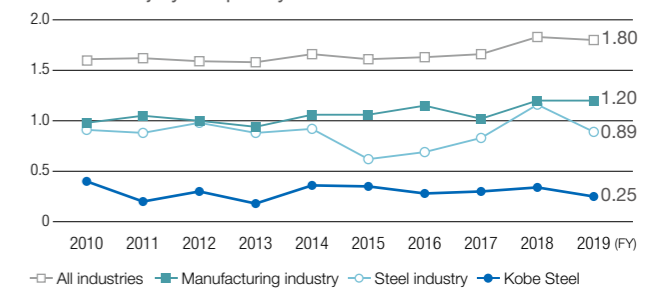
identifies weaknesses and provides cross-sectional support from the perspectives of personnel, facilities, and management, in an effort to improve the level of safety and health management.

Code of Conduct for Safety Based on the Core Values of KOBELCO

- ▶ I shall follow workplace rules and be someone trusted by my coworkers and family.
- ▶ I shall care for my coworkers and show respect to them.
- ▶ I shall aim for higher levels of safety and well-being by improving workplace facilities and systems.

Key Objectives (FY2020) 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) = $\frac{\text{Number of injuries requiring absence from work}}{\text{Number of total hours worked}} \times 1,000,000$

Injuries requiring absence from work: Injuries that result in at least one day of missed work

Initiatives to Help Employees Maintain and Improve Their Health

We aim to create comfortable work environments where employees can maintain and improve their mental and physical well-being.

Mental Healthcare Activities

- ▶ All of our business locations have consultation offices staffed by industrial counselors.
- ▶ Efforts are made to create more comfortable workplace environments with consideration paid to work engagement based on the results of organization-wide stress checks.

Augmenting Health Checkups (Cooperation with health insurance association)

- ▶ Blood tests are given at certain ages (20, 25, and 30 years old) when undergoing periodic health checkups.
- ▶ Employees aged 35 and older receive regular blood tests and endoscopic checkups (stomach camera), and all employees found to be infected with *Helicobacter pylori* bacteria are treated.
- ▶ 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.) (KOBELCO Medical Check 50). In addition, employees of at least 50 years of age and their dependents are partially compensated for medical costs (Spouse Health Check 50).

Activities to Help Employees Maintain and Improve Their Health

- ▶ Health challenges: Employees who achieve their health goals, such as for exercising, quitting smoking, and losing weight, over a certain period of time will receive gifts.
- ▶ Health classes: A qualified health and exercise instructor provides guidance on stretching, relaxation, and office yoga.

Inclusion in Health & Productivity Stock Selection and Certified Health & Productivity Management Organization Recognition Program—White 500

The Company was approved for inclusion in the Health & Productivity Stock Selection organized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for three consecutive years, since first being included in fiscal 2015. In addition, we were selected for inclusion in the Certified Health & Productivity Management Organization Recognition Program in both fiscal 2017 and fiscal 2020.



Communication with Stakeholders

The KOBELCO Group engages in proactive communication with stakeholders. We are earnestly listening to our stakeholders through engagement activities targeting shareholders and other investors and surveys of customers and business partners. In addition, we recognize that improving management transparency is a top management priority, and we are engaging in timely, appropriate, and extensive 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 next generation of athletes.

Shareholder and Investor Engagement

Institutional Investors

- Financial results briefings (held four times a year)
- Theme-based briefings (May 2019)
- Small meetings with the President (June 2019)
- Plant tours (April 2019)
- Meetings with institutional investors (held about 120 times a year)
- Discussions with institutional investors (representatives responsible for ESG and the exercise of voting rights) and advisors on the exercise of voting rights (held about 20 times a year)
- Individual meetings with overseas investors (held several times a year)
- Integrated Report (issued annually)

Individual Investors

- Briefings for individual investors (November 2019)
- Plant tours for shareholders (November 2019)
- Issuance of shareholder newsletter "To Our Shareholders" (twice a year)
- Disclosure of information on our website

Information for shareholders and other investors
<https://www.kobelco.co.jp/english/ir/index.html>

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 earnestly accept the results of these surveys, and we use this feedback to improve our products and services.

Employees

We are implementing the Next 100 Project in which the President and other members of management visit business locations in Japan and overseas to speak with employees. In addition, employee awareness surveys are conducted to develop an understanding of current conditions and issues with regard to employees' feelings toward their work and their company as well as the state of organizations.

Community Members

Contributions to Society through Sports

"SDGs Match" by Kobelco Steelers

The Kobe Steel Rugby Club, the Kobelco Steelers, invited 10 people with visual impairments to its match with the NTT Docomo Red Hurricanes as part of the Japan Rugby Top League. Held on February 2, 2020, this match was dubbed an "SDGs Match" dedicated to the United Nations Sustainable Development Goals.

The invited guests were able to enjoy the unique atmosphere of a rugby game by listening to the dynamic clashes between players and the cheers in the stadium as well as to commentary and explanations transmitted through audio receivers supplied thanks to the support of ABC Radio and NTT DOCOMO, INC.

After the match, guests were greeted by players from both teams. After touching the hands of the athletes, many guests expressed surprise at the size and strength of their hands.

Prior to the match, we ran a promotional booth together with the Hyogo Guide Dogs for the Blind Association to promote guide

dog awareness. Offering the opportunity to interact with special public relations dogs, as well as a campaign drive by athletes, this booth attracted a wide range of visitors, including many young children.

The Kobe Steel Rugby Club will continue to take part in such social contribution activities.



Tag Rugby Workshops

The Kobe Steel Rugby Club aims to communicate the joy of rugby by providing children with opportunities to become more familiar with sports through activities that promote community and social interaction and popularize sports via rugby. As a part of these activities, the Kobe Steel Rugby Club has coordinated with the Kobe City Board of Education since fiscal 2015 to conduct tag rugby workshops for elementary school children in Kobe. In fiscal 2019, we visited 10 elementary schools and one junior high school and provided around 1,200 students with the opportunity to enjoy playing tag rugby.



Social Contributions in Japan and Overseas

Nadahama Science Square (Hyogo Prefecture)

• Classes on Nature Held to Familiarize Students with Nature and Science

Nadahama Science Square, a community exchange facility operated by the KOBELCO Group, holds biotope walks, nature craft classes, and other classes on nature for children with a view to fostering an appreciation of the importance of the environment through contact with nearby natural areas. We have been conducting these classes for 16 years, since the opening of the Nadahama Science Square in 2004. In fiscal 2019, around 1,400 people participated in the classes.

Furthermore, we conduct facility tours of the Kobe Power Plant and Kobe Works and offer other opportunities for members of local communities to learn about the environment.

Kobelco Construction Machinery Co., Ltd. (Gifu, Hyogo, Hiroshima)

• Dispatch Science Classes at Schools

Each year, Kobelco Construction Machinery arranges science classes in which employees are dispatched to schools. First started by the Hiroshima Factory in fiscal 2010, these classes are aimed at addressing the issue of children losing interest in science.

In fiscal 2019, the Ogaki Office and the Okubo Office held dispatch science classes for the first time. The Ogaki Office arranged a class that gave children the opportunity to experience making and programming safety sensor mechanisms used in cranes. Meanwhile, the class led by the Okubo Office used miniature excavator replicas to explain the movement of levers. Students expressed positive opinions for these classes and how they were able to have fun while learning. We therefore intend to continue these activities.



Kobe Precision Technology Sdn. Bhd. (Malaysia)

• Career Support for Students and Mangrove Planting

Kobe Precision Technology accepts students for internship programs and makes donations to special support schools. It also conducts mangrove planting activities.



Thai-Kobe Welding Co., Ltd. (Thailand)

• Participation in Mangrove Restoration Project

Thai-Kobe Welding has been participating in a mangrove restoration project jointly with Kobe MIG Wire (Thailand) Co., Ltd., since 2016.



Initiatives in Response to the Novel Coronavirus Pandemic

We offer our heartfelt prayers for the quick conclusion of the novel coronavirus pandemic, and we are sincerely thankful for the many people, including healthcare professionals, who are at the forefront of the fight against COVID-19.

The KOBELCO Group's basic policy and initiatives for responding to the COVID-19 pandemic are as follows, and the Group will continue to carry out initiatives in response to a situation that changes from day to day.

Basic Policy

1. We place the highest priority on the safety and health of all stakeholders in Japan and overseas, including customers, business partners, community members, employees of the KOBELCO Group, others working on Company premises, and their respective families.
2. In order to fulfill our social responsibility, we continue to provide the products and services necessary to maintain social infrastructure while carrying out thorough preventive measures against infection.
3. We implement timely and appropriate information disclosure to fulfill our accountability to stakeholders.

Measures to Prevent Infection (As of August 31, 2020)

1. Commuting

Employees will continue to work at home on the condition that the necessary coordination and arrangements have been made without having any detrimental effect on business operations.



2. Business trips

Business trips in Japan: Trips using airplanes and bullet trains are prohibited, in principle.
Business trips from Japan to other countries: Business trips from Japan to other countries are prohibited, in principle.

3. Health management

Employees who need to go to the Company must wear masks at all times and wash their hands and gargle frequently. Employees are urged to avoid closed spaces, crowded places, and close-contact settings, and to maintain social distancing.

Social Contribution Activities

1. Open COVID-19 Declaration

Kobe Steel has joined the IP Open Access Declaration Against COVID-19 to support measures to contain the COVID-19 pandemic. In accordance with the intent of the declaration, Kobe Steel declares that it will not assert any intellectual property rights with respect to activities implemented solely for the purpose of stopping the spread of COVID-19.

2. Supporting Healthcare Field

Kobe Steel has donated medical supplies to support the healthcare field in its fight against COVID-19.

TOPICS

KENIFINE™ Multi-function Antibacterial Coating Technology

KENIFINE™ is a proprietary special nickel alloy coating technology developed in 2001 in response to an incident of large-scale food poisoning caused by *Escherichia coli* O157:H7. This technology exhibits an antibacterial effect that is 10 times stronger than conventional antibacterial stainless steel or tile and an antifungal effect that is 50 times stronger than pure silver or pure copper sheets. It can also be used in dark environments, making it effective at limiting sliminess in plumbing.

KENIFINE™ has been confirmed by Iwate University's Faculty of Agriculture for its suppression effect on the severe acute respiratory syndrome (SARS) virus that spread centered on Hong Kong in 2003 as well as a similar type of coronavirus. Currently, the effectiveness of KENIFINE™ at suppressing COVID-19 is being verified by a third-party institution.

KENIFINE™ is used for coating and anodizing handrails and door handles as well as for various other applications, such as being rubbed into tatami mats in a powdered form, applied to elevator buttons in sticker form, and mixed with paint to be applied to walls and floors.

With this technology, Kobe Steel hopes to help people live safer, more secure, and more fulfilling lives during and after the COVID-19 pandemic.

Risk Management

Risk Management Activities

In accordance with Risk Management Regulations, risk management activities identify factors that obstruct the sustainable development and the improvement of the corporate value of the KOBELCO Group, and we take measures accordingly against them. In terms of the scope of Companywide risk management, Top Risks and Significant Risks are defined as risks that would require a Groupwide action and that have a major impact on the Group and its stakeholders. Under this framework, the President is the person ultimately responsible for the Group's overall risk management, and the Director in charge of the Corporate Planning Department is the person responsible for overseeing risk management across the Group. Meanwhile, individual risks are managed by the relevant Directors in charge (the Risk Owners) as the persons responsible for Groupwide management activities, and the countermeasures to these risks are executed by the heads of businesses and the Directors in charge of the head offices to establish a risk management system that encompasses the entire organization.

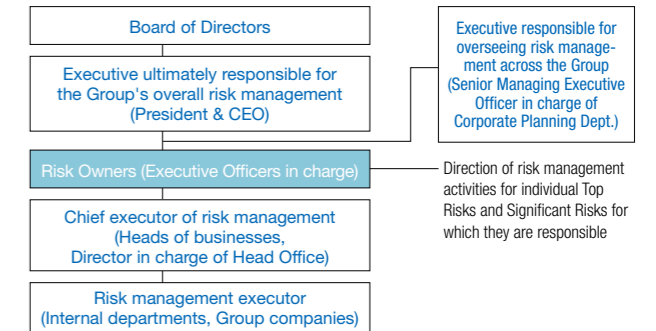
The Company applies an annual PDCA cycle to manage individual risks. Under the instruction of the Risk Owners, the heads of the businesses and the Directors in charge of the head offices who are the individuals responsible for risk countermeasures in each organization, identify and assess the risks faced in business activities, incorporating this information into annual risk management plans (Plan). Next, organizations implement these plans (Do) and evaluate the results together with the Risk Owners (Check). The areas requiring improvement identified through these evaluations are reflected in the risk management plan for the following year (Act).

To ensure the effectiveness of risk management activities, the Board of Directors manages and supervises these activities, and confirms the annual activity results of organizations. This process is actively adopted at Group companies.

Types and Definitions of Risk

Type of Risk	Definition
Top Risks	Of Significant Risks, risks that are likely to have a rather large impact if they materialize
Significant Risks	Risks that have a major impact on the Group and its stakeholders
Business Risks	Risks identified by departments and companies that are not Top Risks or Significant Risks

Framework

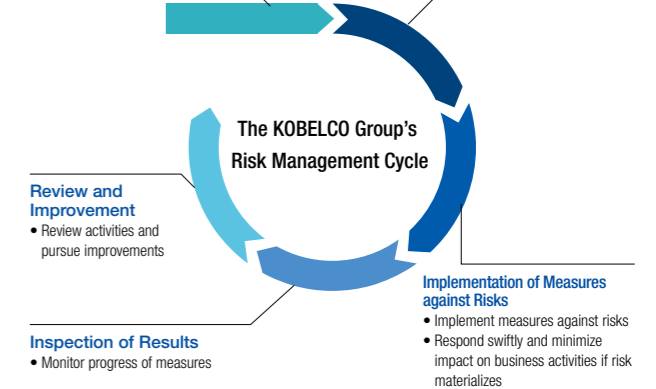


Identification of Risks

- Identify risks requiring response based on operating environment changes and examples of risk materialization 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



Business and other risks that may impact Kobe Steel and 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 2019.

1. Changes in Operating Environment	1) Economic trends in major markets 2) Product supply and demand conditions 3) Fluctuations in prices of raw materials, etc.
2. Factors with Potential to Materially Impact 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 regulations, etc. 5) Legal and public regulations 6) Litigation risks 7) Human rights-related risks 8) Financial risks 9) Factors affecting progress of current medium-term management plan 10) Protection of intellectual property rights and violations of rights of third parties 11) Information management issues and information leaks

Progress of Measures to Prevent Recurrence of the Quality Misconduct

As part of measures to prevent a recurrence of the quality misconduct, in April 2018 the KOBELCO Group launched the Project for Restoring Trust, led by President Yamaguchi. The Group formed various subcommittees and task forces to implement preventive measures and is currently implementing concrete measures.

Established to monitor the progress of the Company's preventive measures, the Independent Quality Supervision Committee concluded its activities upon submission of a final opinion in March 2019. These activities have been assumed by the newly established Quality Management Committee.

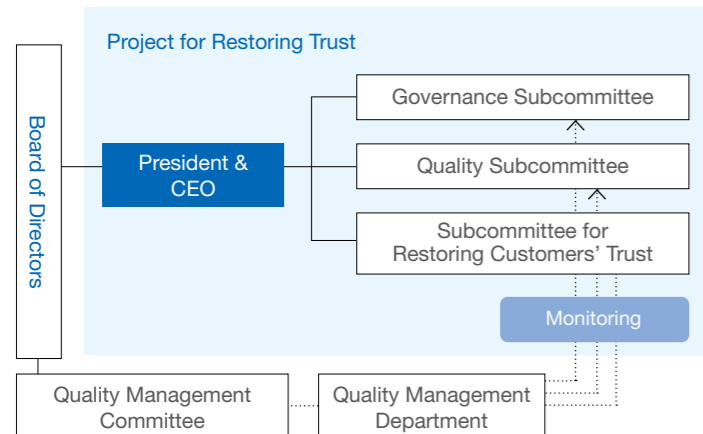
By maintaining its "quality first" commitment, the Group will continue its efforts to prevent a recurrence of the quality misconduct.

For more details, please see "Our response to the misconduct."
<https://www.kobelco.co.jp/english/progress/index.html>

For details on the final opinion, please see "Notice on the Receipt of the Final Opinion of the Independent Quality Supervision Committee on the Progress of the Preventive Measures," announced on March 29, 2019.
https://www.kobelco.co.jp/english/releases/1201033_15581.html

	Until FY2018	FY2019	FY2020	
Governance	1 Penetration of the Group's Corporate Philosophy	Next 100 Project Continue dialogues with President and Dialogue Platforms at department level		
	2 Desirable state of the Board of Directors	Continue review of structure, including composition of Board of Directors		
	3 Restructuring of the risk management system		Strengthen governance at Group companies	
	4 Reforming of insular nature of organizations	Rotate personnel among business divisions		Reorganize Iron & Steel Business and Aluminum & Copper Business
	5 Restructuring of quality assurance system	Create Quality Charter, invite outside quality senior executive, set up Quality Management Department, etc.		
	6 Restructuring of management indicators		Establish and start using seven management indicators, including ROIC	
Management	Continue quality audits and Quality Caravan Team			
Process	Automate testing and inspection equipment and visualize process capabilities, etc.			

Framework for Implementing Preventive Measures



Outline of Quality Management Committee

Established April 2019 (as an advisory body to the Board of Directors)

Purpose

- 1 Monitor and advise on activities to strengthen quality management throughout the KOBELCO Group
- 2 Continuously monitor measures to prevent a recurrence of the quality misconduct

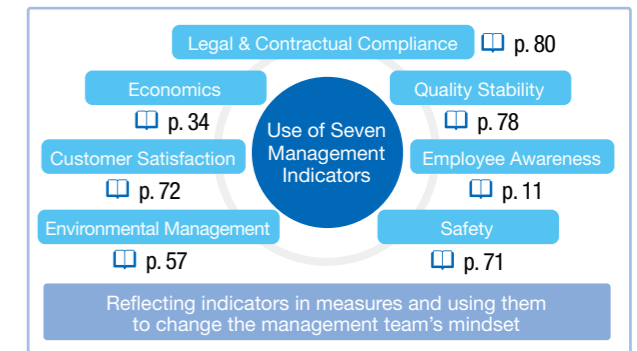
Members Three external experts, two internal executives (an external expert chairs the committee)

1 Governance—Building Quality Governance System

- 1) **Penetration of the Group's Corporate Philosophy** [p. 10](#)
The new Group Corporate Philosophy was established in May 2020. [p. 3](#)
- 2) **Desirable State of the Board of Directors** [p. 86](#)
- 3) **Restructuring of the Risk Management System**
Measures for strengthening Groupwide risk management are currently underway. [p. 75](#)
- 4) **Restructuring of Business Divisions**
The Iron & Steel Business and the Aluminum & Copper Business were reorganized in April 2020 to form the Steel & Aluminum Business and the Advanced Materials Business.
- 5) **Restructuring of Group Companies**
A reorganization is underway to strengthen Group governance and reinforce businesses.
- 6) **Rotation of Personnel between Divisions**

- 7) **Understanding of Issues Occurring at Worksites**
Employee and compliance awareness surveys are being implemented on an ongoing basis. Activities for detecting issues at worksites through the Quality Caravan Team included visits to 60 locations in fiscal 2019. A total of 110 locations will be visited over the two years beginning in fiscal 2019. We plan to conduct surveys investigating issues pertaining to quality assurance and tracking and improving process capabilities.
- 8) **Establishment of the Quality Charter (February 2018)**
- 9) **Revision of the Quality Assurance System**
- 10) **Restructuring of Management Indicators**
We have established management indicators with the aim of realizing the commitments stated in the *Report on Misconduct in Kobe Steel Group*, issued on March 6, 2018, by reforming management approaches that overemphasize profitability and realizing the sustainable enhancement of corporate value. Since April 2019, we have been steadily introducing the use of these management indicators with a

view to conducting business management that takes into account goals and indicators that enables the internal control system to function throughout the organization, the early detection of risks, and the implementation of appropriate measures.



2 Management—Ensuring Quality Management

- 1) **Measures for Quality Management**
The Quality Management Committee was established in April 2019. This committee met four times in fiscal 2019 and is scheduled to meet around four times in fiscal 2020. [p. 78](#)
- 2) **Rotation and Development of Quality Assurance Personnel**
We reviewed and systematized our quality education programs. In July 2019, we held the Quality Exchange Meeting with personnel in charge of quality assurance at affiliates in China.
- 3) **In-House Education Programs Regarding Quality**
- 4) **Support by the Head Offices**
The Quality Audit Section of the Quality Management Department conducts quality audits at all target locations. The section conducted quality audits at 81 locations in fiscal 2019 and will continue to conduct quality audits in fiscal 2020 and beyond.

3 Process—Strengthening Quality Control Processes

- 1) **Elimination of Opportunities for Mishandling Test/Inspection Data**
With respect to ongoing efforts to automate test and inspection devices, we had completed the automation of approximately 60% as of April 2020. We plan to complete the automation of 100% of devices by the end of fiscal 2020.
- 2) **Understanding of Process Capabilities and Their Utilization (with respect to materials businesses)**
We are promoting the visualization of inspection data through graphs and indexing to better understand the levels of inconsistency in the quality of our manufacturing processes relative to required specifications.
- 3) **Review of the Approval Process for Accepting New Purchase Orders**
- 4) **Review of the Approval Process When Changing the Manufacturing Process**
- 5) **Promotion of Quality Risk Assessment in Capital Investments**

Quality

The KOBELCO Group is undertaking initiatives to strengthen quality management and improve the quality management process in line with its foremost priority of advancing measures to prevent recurrence of the quality misconduct.

While striving to instill the Quality Charter of the Six Pledges of KOBELCO Men and Women in all employees, from the standpoint of customers and business partners, the Company aims to deliver quality that is trusted by and satisfies the expectations of its customers and all other stakeholders.

Quality Charter

The KOBELCO Group will comply with all laws, public standards, and customer specifications, and make continuous efforts to improve quality, with the goal of providing Trusted Quality in our products and services.

Quality Management Committee

The Quality Management Committee, which comprises three external experts and two internal directors, was established in April 2019 as an advisory body to the Board of Directors. The committee constantly monitors the progress of measures to prevent recurrence of the quality misconduct in the Group and of activities to

strengthen quality management across the Group and provides advice regarding these activities. In fiscal 2019, this committee met a total of four times, at the Tokyo Head Office and at manufacturing sites. The committee is scheduled to meet around four times in fiscal 2020.

Companywide Quality Management Review Meeting

In December 2019, Kobe Steel held its first Companywide Quality Management Review Meeting for senior management, business division heads, and quality assurance managers. At this meeting, the participants reviewed the progress of measures to prevent

recurrence of the quality misconduct and other quality-related activities and discussed future measures to form consensus. We plan to hold another such meeting in fiscal 2020.

Rotation and Development of Quality Assurance Personnel / In-House Education Programs on Quality

Rotation and Development of Quality Assurance Personnel

Rotation of Quality Assurance Personnel

As the first step for our new personnel rotation practices encompassing Kobe Steel's head offices, business divisions and locations, and Group companies, the Company relocated staff from the Quality Management Department to each business division effective May 2019. These practices are ongoing.

Development of Quality Assurance Personnel

In fiscal 2018, we defined the skills required for quality assurance staff throughout the Company, established evaluation frameworks for related skill levels, and systematized quality-related education, including specifying qualifications. The applicability of these frameworks was expanded to include non-quality assurance staff in fiscal 2019, and we have since been revising and systematizing general and quality education programs from the perspective of human resource development and reflecting the results in training and education programs.

Also in fiscal 2019, we held the Quality Exchange Meeting for personnel in charge of quality assurance at affiliates in China, and we began exchanging information related to quality education and

the initiatives of specific companies based on themes that will be selected for each fiscal year.

As for quality risk management and preventive measures in fiscal 2019, we launched a training program on failure mode and effects analysis (FMEA), fault tree analysis (FTA), and design review (DR). In fiscal 2020, we plan to deploy training programs designed to promote total quality management activities.

In-House Education Programs on Quality

In fiscal 2018, line managers (about 600 people) at Kobe Steel and domestic Group companies received quality and compliance training. This training is also being developed for overseas Group companies.

A "Quality" page was opened on the KOBELCO Group's intranet in September 2018, on which progress reports on the Project for Restoring Trust are shared periodically.

Education on quality is offered via e-learning each year, and relevant information is circulated via internal newsletters.

A video message from the Director in charge of quality is produced and shown to employees of Kobe Steel and domestic and overseas Group companies during Quality Month each November.

Quality Control Circle Activities

We proactively promote on-site quality control circle activities. In particular, we hold the KOBELCO Quality Control Circle Conference once a year to promote cross-functional information sharing and education on a Groupwide basis to improve the level of activities. As the basis for its manufacturing capabilities, the KOBELCO Group considers 5S* activities to be of utmost importance and is working to strengthen such activities at all manufacturing workplaces.

* 5S stands for *seiri* (sort, classify), *seiton* (set in order, straighten up), *seiso* (shine, clean), *seiketsu* (standardize cleanups), and *shitsuke* (sustain discipline). 5S activities stress the importance of improving the work environment on the manufacturing floor.



KOBELCO QC Circle Conference

Audits by the Quality Audit Section of the Quality Management Department

Audit Item	Schedule
i) Review of compliance status (audit focused on actual data/records)	On-site audits at all 117 locations, which were subject to quality audits, completed in fiscal 2018; on-site audits at 81 sites completed in fiscal 2019; and on-site audits at 62 sites planned in fiscal 2020 despite the impact of the COVID-19 pandemic
ii) Review of quality management systems from the perspective of preventing misconduct	
iii) Assessment of compliance awareness	
iv) Review of progress and implementation status of preventive measures	

Quality Caravan Team

The Quality Caravan Team comprises Head Office departments, such as the MONODZUKURI (Production System Innovation) Planning and Promotion Department, the IT Planning Department, and the Technical Development Group, and is tasked to provide consultation to business divisions on issues faced.

The team visited 60 locations in fiscal 2019 and proposed solutions to various challenges and issues. The team will continue its activities in fiscal 2020, aiming to follow up on existing inquiries and identify new issues, such as the visualization/improvement of process capabilities, through efforts to help each business location overcome various challenges.

Elimination of Improper Handling Opportunities and Unification of Shipping Standards / Monitoring and Utilization of Process Capabilities

Elimination of Improper Handling Opportunities in Tests/Inspections and Unification of Shipping Standards

Automation of Test/Inspection Recording and Elimination of Manual Data Entry by Individuals

As of April 30, 2020, only about 60% of the automation plan for the period spanning fiscal 2018 to fiscal 2020 had been completed following delays to system launches and the impact of the COVID-19 pandemic in fiscal 2019. However, construction in general is steadily advancing on schedule, and we expect to complete 100% of the plan by March 31, 2021. We are continuing to conduct extra measures, such as the confirmation of work logs and the double-check process for tests and inspections not yet automated.

Adjustment of the Shipping Standards

We are in the process of eliminating opportunities for any improper conduct caused by the existence of double standards

(customer specifications and internal standards). >>Under the new rules, customer specifications are used as the default standard for shipment approval in lieu of Kobe Steel's internal standards. (Internal standards are used for the objective of stabilizing quality management.)

Monitoring and Utilization of Process Capabilities (in materials businesses)

Application and Utilization of Process Capability Index

Monitoring the Process Capability Index: Understand how quality properties deviate from the required standards in manufacturing processes for each category (i.e., production lines, product types, tests/inspections, and customers). Utilizing the Process Capability Index: The degree of deviation found in the quality properties of manufacturing processes will be used for deciding whether to accept or reject orders.

Review of Approval Process / Promotion of Quality Risk Assessment

Review of Approval Processes for New Orders and Changes in Manufacturing Process

Review of Approval Process for New Orders

In addition to tracking process capabilities for each product, we have completed the adoption and restructuring of DR (design review as defined by the JIS and ISO 9000), and have promoted its implementation.

Review of Approval Process for Changes in Manufacturing Process

We will prevent potential defects by assessing beforehand the effect on quality when the 4Ms (man, machine, material, method)

are changed and ensuring conformity with customer specifications. Specifically, we will assess risks and clarify the authorization process when changing the 4Ms in the manufacturing process.

Promotion of Quality Risk Assessment in Capital Investments

Some plants and offices have begun considering quality-related capital investment by evaluating quality risks from quantitative factors, such as impact, frequency, and detection rate. The Company started utilizing the quality assessments in decisions for key capital investments in fiscal 2019.

Compliance

The KOBELCO Group believes that the essence of compliance is to meet the expectations of society. Meeting society's expectations in regard to compliance with laws and social norms is a prerequisite to maintain trust in the Group as well as to continue to take on the challenge to resolve social issues. Based on this understanding, we have positioned compliance as a top management priority. We are developing systems and implementing initiatives outlined below to ensure rigorous compliance accordingly.

Compliance Code and Standards

The KOBELCO Group established the Corporate Code of Ethics, a concrete code of conduct for ensuring legal compliance, in June 2000. This code sets standards to be observed by all Group companies, directors, and employees to ensure good corporate citizenship through compliance with laws and social norms and contributions to society and through the provision of superior products and services while exercising environmental mindfulness. The code continues to be revised as necessary based on changes in the business environment. Today, we are guided by a new Group

Corporate Philosophy that integrated new statements consisting of KOBELCO's View of the Future and KOBELCO's Mission in May 2020. With this philosophy as our compass, we are pursuing sustainable growth based on our compliance standards: the Core Values of KOBELCO, which represent our commitments to society and the shared values of the Group, and the Six Pledges of KOBELCO Men and Women, a code of conduct for all Group members based on the corporate ethics standards contained in the Corporate Code of Ethics.

Compliance Committee

The Compliance Committee has been established as an advisory body to the Board of Directors. This committee comprises 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. The committee drafts plans for Groupwide compliance activities, confirms the progress of these plans, and implements the necessary revisions and improvements.

Compliance Program

Compliance activity plans are implemented based on the KOBELCO Group's Compliance Program. The Compliance Management Department serves as the dedicated organization for carrying out the program in coordination with business divisions and Group companies under the supervision of the Director overseeing Companywide compliance and the Executive Officer in charge of

Companywide compliance. The progress of the compliance activities of Group companies is assessed in the following five areas. These activities are implemented based on the characteristics of the respective business and region to reinforce initiatives for more effective and comprehensive compliance activities throughout the Group.



Status of Compliance Activities

Risk Assessment and Commitment	<ul style="list-style-type: none"> Messages illustrating management's proactive stance toward compliance are distributed internally and externally. In addition, the KOBELCO Group's Anti-Bribery Policy has been made available for viewing 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 related 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 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 auditing pertaining to fair competition laws, anti-bribery, and trade security management. 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 2019: 119 (including domestic and overseas Group companies)]</p> <p>Establishment of new system for reporting to Audit & Supervisory Committee To more thoroughly implement compliance management, the Company established a new internal reporting system in July 2020 that can be used to report to the Audit & Supervisory Committee. This system is independent from management.</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 of domestic Group companies. The Company has been reviewing activities conducted under the KOBELCO Group's Compliance Program based on internal and external trends and the results of the Compliance Awareness Survey.



For more information on the Group's compliance activities, please refer to the Company's corporate website. https://www.kobelco.co.jp/english/about_kobelco/kobesteel/ethics-compliance/index.html



Compliance Top Seminar about domestic and overseas bribery risks, launched in October 2019 and attended by 185 members of management across the KOBELCO Group

Directors (Including Audit & Supervisory Committee Members)



President, CEO and Representative Director

Mitsugu Yamaguchi 1

Number of Company shares owned: 39,200

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 Vice President and Representative Director
Apr. 2018 President, CEO and Representative Director (incumbent)

Executive Vice President and Representative Director

Fusaki Koshiishi 2

Number of Company shares owned: 34,400

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 Health & Safety Department, Quality Management Department, Environmental Control & Disaster Prevention Department, and MONODZUKURI (Production System Innovation) Planning and Promotion Department. Oversees Companywide health and safety. Oversees Companywide quality. Oversees Companywide environmental control and disaster prevention.

Executive Vice President and Representative Director

Koichiro Shibata 3

Number of Company shares owned: 31,400

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 materials businesses. Head of the Steel & Aluminum Business.

Executive Vice President and Representative Director

Makoto Mizuguchi 4

Number of Company shares owned: 33,300

Apr. 1982 Joined the Company
Apr. 2011 Officer
Apr. 2013 Senior Officer
Apr. 2016 Senior Managing Executive Officer
Apr. 2020 Executive Vice President
Jun. 2020 Executive Vice President and Representative Director (incumbent)

Duties

Oversees the Research & Development Planning Department, Intellectual Property Department, and IT Planning Department. Oversees Companywide technical development. Oversees Companywide IT systems. Oversees Companywide automotive projects.

Executive Vice President and Representative Director

Kazuto Morisaki 5

Number of Company shares owned: 25,900

Apr. 1983 Joined the Company
Apr. 2012 Officer
Apr. 2014 Senior Officer
Apr. 2018 Senior Managing Executive Officer
Apr. 2020 Executive Vice President
Jun. 2020 Executive Vice President and Representative Director (incumbent)

Duties

Oversees the machinery businesses. Head of the Engineering Business. Responsible for the Companywide construction business.

Director, Senior Managing Executive Officer

Jiro Kitagawa 6

Number of Company shares owned: 26,000

Apr. 1982 Joined the Company
Apr. 2014 Officer
Apr. 2016 Managing Executive Officer
Apr. 2018 Senior Managing Executive Officer
Jun. 2018 Director, Senior Managing Executive Officer (incumbent)

Duties

Oversees the electric power business. Head of the Electric Power Business.

Director, Senior Managing Executive Officer

Yoshihiko Katsukawa 7

Number of Company shares owned: 21,100

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 (incumbent)

Duties

Oversees the Audit Department, Corporate Planning Department (excluding the Automotive Materials Planning Section), Accounting Department, Finance Department, Marketing Planning Department, domestic branch offices and sales offices (including Takasago Works), and overseas locations (under the Head Office).

Director, Senior Managing Executive Officer

Hajime Nagara 8

Number of Company shares owned: 19,800

Apr. 1985 Joined the Company
Apr. 2015 General Manager of Planning & Administration Department, Iron & Steel Business
Apr. 2016 Executive Officer
Apr. 2018 Managing Executive Officer
Apr. 2020 Senior Managing Executive Officer
Jun. 2020 Director, Senior Managing Executive Officer (incumbent)

Duties

Oversees the Compliance Management Department, Legal Department, Corporate Communications Department, General Administration Department, Human Resources Department, Civil Engineering & Construction Technology Department, Machinery & Materials Procurement Department, and the Rugby Administration Office. Oversees Companywide compliance.

Directors (Including Audit & Supervisory Committee Members)



Independent Director

Takao Kitabata 9

Number of Company shares owned: 6,600

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 Retired from METI
 Jun. 2010 Director of the Company (incumbent)
 Jun. 2013 Chairman of SANDA GAKUEN Junior High School-Senior High School (incumbent)
 Apr. 2014 Principal of SANDA GAKUEN Junior High School-Senior High School
 Jun. 2014 Outside Director of Seiren Co., Ltd. (incumbent)
 Mar. 2019 Retired from Chairman of SANDA GAKUEN Junior High School-Senior High School
 Apr. 2020 President of Kaishi Professional University (incumbent)

Independent Director

Hiroyuki Bamba 10

Number of Company shares owned: 4,800

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. (incumbent)
 Jun. 2017 Director of the Company (incumbent)

Independent Director

Yumiko Ito 11

Number of Company shares owned: 1,200

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 Tanabe & 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 Retired from 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)

Director, Audit & Supervisory Committee Member

Hiroshi Ishikawa 12

Number of Company shares owned: 16,300

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

Yasushi Tsushima 13

Number of Company shares owned: 11,900

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 14

Number of Company shares owned: 12,000

Apr. 1977 Joined Matsushita Electric Industrial Co., Ltd.
 Jun. 2011 Senior Managing Director, Member of the Board, Panasonic Corporation
 Jun. 2014 Corporate Advisor, Panasonic Corporation
 Mar. 2015 Outside Director, TonenGeneral Sekiyu K.K.
 Dec. 2015 Retired from Corporate Advisor, Panasonic Corporation
 Jun. 2016 Director, Audit & Supervisory Committee Member (incumbent)
 Apr. 2017 Outside Director, JXTG Holdings, Inc. (incumbent)

Independent Director, Audit & Supervisory Committee Member

Kunio Miura 15

Number of Company shares owned: 0

Apr. 1979 Appointed as judge
 Mar. 1988 Retired as judge
 Apr. 1988 Admitted to the bar in Japan
 Apr. 1997 Established Kawamoto and Miura Law Office (currently Kawamoto, Miura and Hirata 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)

Independent Director, Audit & Supervisory Committee Member

Masaaki Kono 16

Number of Company shares owned: 0

Apr. 1979 Joined The Dai-Ichi Kangyo Bank, Limited
 Jun. 2011 Managing Director and Managing Executive Officer of Mizuho Financial Group, Inc.
 Apr. 2012 Managing Executive Officer of Mizuho Bank, Ltd.
 Apr. 2013 Managing Executive Officer of Mizuho Corporate Bank, Ltd.
 Apr. 2013 Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.
 Apr. 2013 Director of Mizuho Financial Group, Inc.
 Apr. 2013 Deputy President and Executive Officer (Representative Director) of Mizuho Bank, Ltd.
 Apr. 2013 Deputy President & Executive Officer of Mizuho Corporate Bank, Ltd.
 Jul. 2013 Deputy President & Executive Officer of Mizuho Financial Group, Inc.
 Apr. 2016 Retired from Deputy President and Deputy President-Executive Officer (Representative Director) of Mizuho Bank, Ltd.
 Jun. 2016 Retired from Deputy President & Executive Officer of Mizuho Financial Group, Inc.
 Apr. 2020 Retired from Chairman and Representative Director of Orient Corporation
 Jun. 2020 Chairman and Director of Orient Corporation (incumbent)
 Director, Audit & Supervisory Committee Member (incumbent)

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 affected by its business activities, such as shareholders, other investors, customers, suppliers, employees in the KOBELCO Group, and local communities. 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 building the framework, the Group recognizes the importance of establishing a system that contributes to improving corporate value by taking appropriate risks; acting in cooperation with stakeholders; promoting appropriate dialogue with investors in the capital market; maintaining the rights of and fairness for shareholders; and securing transparency in business dealings.

In keeping with this basic policy, the KOBELCO Group pursues medium- to long-term improvements in corporate value, with the Group Corporate Philosophy positioned as the foundation for all its business activities.

For information about the Company's basic policy on corporate governance and policy on management structure, please see *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

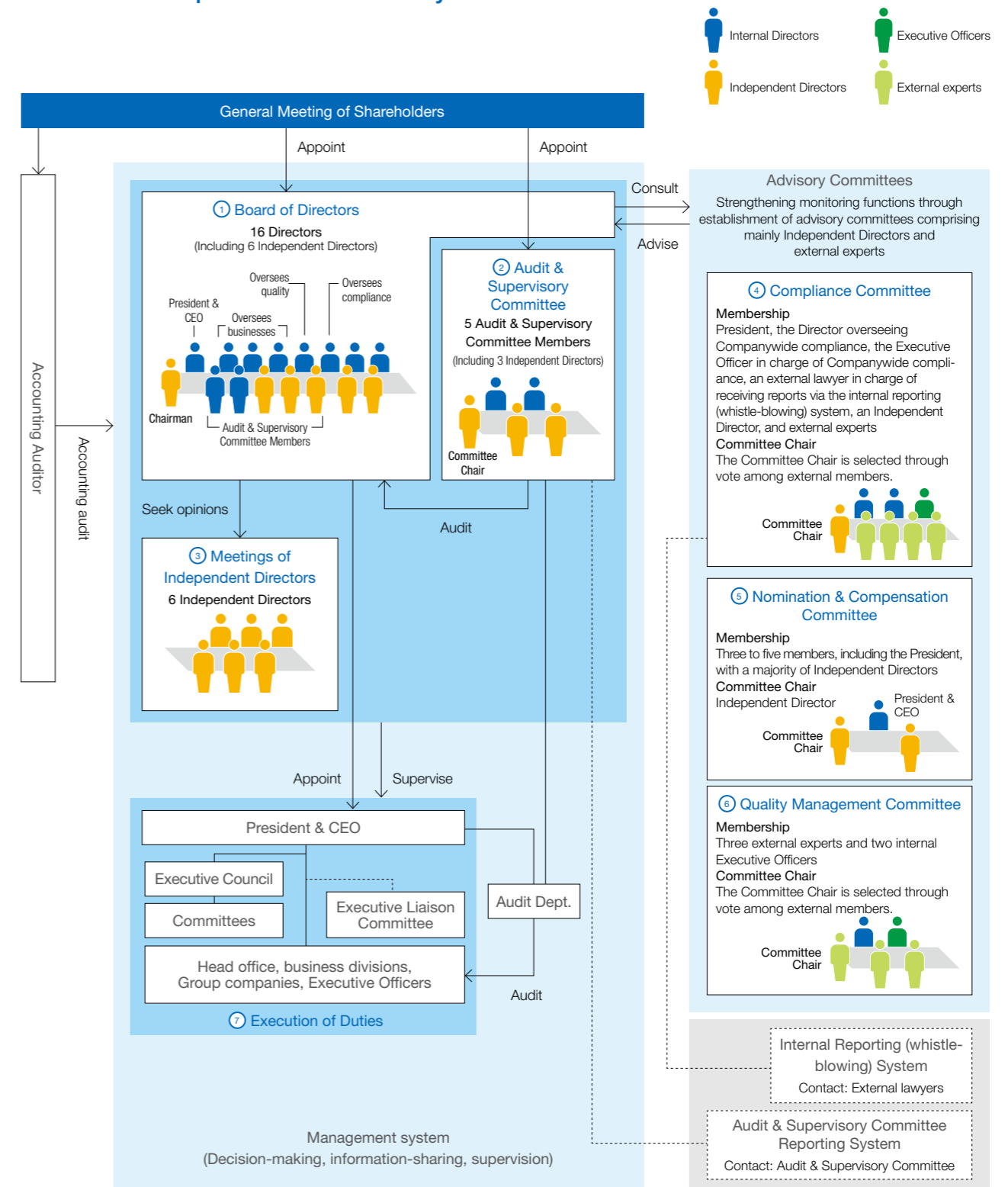
Policy regarding Management Structure (Management structure and the range of delegation of management)

The Company believes the basis of its corporate value is the promotion of its integrated management of diverse businesses covering a wide range of segments—various demand fields, business environments, sales channels, and business scales—and the leveraging of that synergy. We also recognize the importance of having discussions with manufacturing sections and making our united efforts for promoting technical development and innovation, which form the foundation for the Company's continued growth.

Furthermore, to advance its integrated management of diverse businesses, the Company believes it is necessary to promote active discussions and undertake appropriate decision-making with regard to the risk management of its various businesses and the allocation of management resources as well as to flexibly oversee business execution through the Board of Directors. It is desirable to maintain certain cohesion between execution and oversight and to have the Board of Directors served by members with a correct understanding of the Company's business execution.

In line with this approach, the Company has shifted to adopting 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 with regard to management without completely separating the oversight and execution functions.

Features of Corporate Governance System



Initiatives to Strengthen Corporate Governance

1999	• Introduced internal company system and adopted executive officer system
2000	• Established Corporate Code of Ethics
2003	• Established Compliance Committee as advisory committee to the Board of Directors
2006	• Established Corporate Philosophy
2007	• Appointed two Independent Directors
2010	• Abolished internal company system and introduced business unit system • Established <i>Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.</i>
2015	• Established the Meetings of Independent Directors • Established principles on appointment of Directors/Audit & Supervisory Board Members and established standards for Independent Directors/Auditors • Launched Kobe Steel's Fiscal 2016–Fiscal 2020 Group Medium-Term Management Plan • Became a company with Audit & Supervisory Committee
2016	• Revised executive remuneration system (introduced stock-type remuneration) • Established training policy for executives • Introduced evaluation system for the Board of Directors
2017	• Turned the Corporate Philosophy into the Core Values of KOBELCO and established Six Pledges of KOBELCO Men and Women
2018	• Reassessed the role of the Board of Directors from the standpoint of enhancing its oversight functions
2019	• Appointed the Company's first female Director
2020	• Established a new Group Corporate Philosophy by integrating the newly formulated KOBELCO's View of the Future and KOBELCO's Mission

Outline of Corporate Governance System

Organizational form	Company with Audit & Supervisory Committee
Number of Directors	16
Of whom are Independent Directors	6 (37.5%)
Of whom are Non-Executive Directors	8 (50.0%)
Of whom are women	1 (6.3%)
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: All six of the Independent Directors are currently registered as Independent Directors with a Financial Instruments Exchange.

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 conducts the following actions 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.

Purpose	Measure
Reflect the fair and neutral perspectives of external parties and the viewpoints of stakeholders, including minority shareholders	Invite several Independent Directors (six including three Directors who are Audit & Supervisory Committee Members)
Strengthen the monitoring functions of the Board of Directors	In addition to the President, appoint Directors to oversee the head office division, each business division in materials, machinery, and electric power, and the technical development division; a Director to oversee compliance; and a Director to oversee quality assurance
Enhance fairness and transparency of the Board of Directors and advance growth strategies as a company	Appoint Independent Directors so that they will account for one-third or more of the Board of Directors
	In principle, the Chairman of the Board of Directors is selected from among the Independent 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.

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.

Moreover, a new internal reporting system that allows employees to contact the Audit & Supervisory Committee was put in place in fiscal 2020.

3 Meetings of Independent Directors

The Company has established the Meetings of Independent Directors to maximize the roles of Independent Directors. The meetings are a platform where the Company shares with Independent Directors information regarding the Company's businesses other than 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, which, as an independent advisory body to the Board of Directors, deliberates matters regarding compliance with laws, regulations, and ethics concerning the Company's business activities.

The Compliance Committee consists of the President, the Director overseeing Companywide compliance, the Executive Officer in charge of 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, an Independent Director, and external experts. The majority of the committee consists of members from outside of the Company.

The Compliance Committee plans 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 biannually and ad-hoc meetings when necessary.

5 Nomination & Compensation Committee

The Company has established the Nomination & Compensation Committee as an advisory body to the Board of Directors on important matters concerning 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 per fiscal year and as needed. The Board of Directors fully respects the opinions of the Nomination & Compensation Committee and its decisions on relevant matters.

6 Quality Management Committee

The Company has established the Quality Management Committee as an advisory body to the Board of Directors. The committee constantly monitors 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 comprise 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.

7 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.

Background and Experience of Directors (As of June 24, 2020)

	Age	Length of service as Director (years)	Planning/project management	Finance/accounting	Materials businesses	Machinery businesses	Electric power business	Technical development/manufacturing/facility technology	Overseas business	Legal/risk management	Insights into other industry sectors
Mitsugu Yamaguchi President, CEO and Representative Director	62	4	○	○	○	○			○		
Fusaki Koshiishi Executive Vice President and Representative Director	60	5	○		○			○			
Koichiro Shibata Executive Vice President and Representative Director	61	2	○		○			○			
Makoto Mizuguchi Executive Vice President and Representative Director	61	—	○		○			○			
Kazuto Morisaki Executive Vice President and Representative Director	62	—	○			○		○	○		
Jiro Kitagawa Director, Senior Managing Executive Officer	60	2	○		○		○	○			
Yoshihiko Katsukawa Director, Senior Managing Executive Officer	58	2	○	○		○				○	
Hajime Nagara Director, Senior Managing Executive Officer	58	—	○		○				○		
Takao Kitabata Independent Director	70	10								○	○
Hiroyuki Bamba Independent Director	66	3	○					○			○
Yumiko Ito Independent Director	61	1								○	○
Hiroshi Ishikawa Director, Audit & Supervisory Committee Member	62	2	○			○			○		
Yasushi Tsushima Director, Audit & Supervisory Committee Member	60	2	○	○	○	○	○				
Yoshiiku Miyata Independent Director, Audit & Supervisory Committee Member	67	4	○						○		○
Kunio Miura Independent Director, Audit & Supervisory Committee Member	67	—								○	○
Masaaki Kono Independent Director, Audit & Supervisory Committee Member	63	—	○	○							○

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 2019. Based on the aggregated results of the survey and interviews, the Audit & Supervisory Committee submitted to the Board of Directors an initial

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

Evaluation Results in Fiscal 2019

Evaluation Items

- 1 Structure of the Board of Directors
- 2 Agenda of the Board of Directors
- 3 Management of the Board of Directors
- 4 Documents for the Board of Directors
- 5 Monitoring and supervision of Directors
- 6 Provision of information to Independent Directors
- 7 Other items (status of measures to prevent a recurrence of the quality misconduct, sustainability management, etc.)

Summary of Analysis and Evaluation Results

- In fiscal 2019, it was confirmed that steady progress was being made in the implementation of improvement measures with regard to important topics pertaining to the effectiveness of the Board of Directors, namely strengthening mutual supervision functions among Directors; improving reporting on the status of business execution; and enhancing follow-up on items discussed at meetings of the Board of Directors to reinforce overall monitoring functions.
- In response to the misconduct concerning the quality of the Company's products discovered in fiscal 2017, the Board of Directors receives reports on a regular basis on the progress of measures to prevent a recurrence and activities of the Independent Quality Management Committee. The Board of Directors has concluded that the information necessary for monitoring has been properly shared.
- For the above reasons, the Company has determined that the effectiveness of the Board of Directors has steadily improved.

- Training and study sessions, including those for discussion between Directors, as well as forums for exchange of opinion between Independent Directors and Executive Officers will be arranged to foster mutual understanding among Independent Directors and other officers.
- Guidelines for preparing documents pertaining to meetings of the Board of Directors will be compiled by the secretariat and awareness regarding the guidelines will be promoted to improve the effectiveness of the documents.



For more information on the results of evaluations of the effectiveness of the Board of Directors, please refer to the Company's corporate website.
https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html

Future Initiatives for Improving Effectiveness

- To facilitate the formulation of the next medium-term management plan, opportunities for discussion on medium- to long-term management issues and sustainability management will be increased.

Remuneration of Directors and Accounting Auditor

Remuneration of Directors

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

1 Fundamental Policy for Remuneration of the Company's Directors

- 1) A system able to secure talented human resources who can contribute to the Company's continued growth, and appropriately compensate for such efforts.
- 2) A system able to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
- 3) In incentivizing the accomplishment of consolidated business result targets, the system must sufficiently consider the characteristics of each business so that Directors can fully carry out their roles.
- 4) In ensuring the objectivity and transparency of judgments regarding remuneration decisions, the Nomination & Compensation Committee, the majority of which consists of Independent Directors, deliberates on the state of the remuneration system and the necessity of its reevaluation.

2 Remuneration Framework

- 1) Remuneration for the Company's Directors (excluding Audit & Supervisory Committee Members) will consist of basic remuneration paid as fixed compensation, performance-based compensation linked to the achievement of business result targets for each fiscal year, and medium- to long-term incentive compensation principally in the form of stock compensation (hereinafter "stock compensation") with the goal of sharing value with shareholders. Taking into consideration their duties, part-time Internal Directors and Independent Directors will not be eligible for performance-based compensation, and Independent Directors will not be eligible for stock compensation.
- 2) The ratios of different types of performance for each category of officer are indicated in the table below. The ratios of performance-based compensation and stock compensation have been set high for officers expected to produce significant results and exercise strong responsibility.
- 3) The Company's Directors who are Audit & Supervisory Committee Members will only be paid basic remuneration as fixed compensation, taking into consideration their duties.

Category	Basic Remuneration	Performance-Based Compensation	Stock Compensation	Total
President; Executive Vice President and Representative Director; and Director, Senior Managing Executive Officer	Approx. 63%	Approx. 18.5%	Approx. 18.5%	100%
Director, Managing Executive Officer, and Director	Approx. 67%	Approx. 16.5%	Approx. 16.5%	100%
Independent Director	100%	—	—	100%

Note: The amounts of performance-based compensation and stock compensation granted vary depending on business results. The range of fluctuation is 0%–200% of the base amount for performance-based compensation and 0%–100% of the base amount for stock compensation. The percentages of performance-based compensation and stock compensation in the above table are based on each amount being 100% of the base amount.

Corporate Governance

3 Calculation Method

- 1) Basic remuneration consists of a fixed amount paid to each Director depending on rank in internal regulations taking into account an appropriate level of compensation in line with the capabilities and responsibilities expected of each Director.
- 2) The amount of performance-based compensation will be determined using net income attributable to owners of the parent (hereinafter "net income") and net income of each business division as evaluation indicators. In terms of target standards used in evaluations, raising the level of profit attained through the steady execution of strategic investments is an important management issue, and the Company places emphasis on how much profit is gained from its total assets, including strategic investments. Accordingly, these target standards will be based on the net income standard of the Company as a whole, which becomes "consolidated ROA of 5% or more" as stated in the Medium-Term Management Plan. Additionally, the target standards for each business division will be based on the same net income standard for each business division of "ROA of 5% or more in each business division," and depending on target standards for each business division and the accomplishment of these targets for both the Company as a whole and each business division, the amount paid is determined by multiplying a coefficient of 0%–200% to the base amount for each rank.

Calculation method for performance-based compensation
Performance-based compensation =
Standard pay amount by rank*1 ×
Coefficient based on evaluation index*2

*1 Standard pay amount by rank: The standard pay amount by rank is determined by internal regulations taking into consideration a level of compensation in line with the capabilities and responsibilities expected of each Director.

*2 Coefficient based on evaluation index: Net income over the given period is the indicator used for the coefficient for calculating performance-based compensation, and the calculation method is provided below.

The business division used for calculating the portion of compensation linked to division performance is determined based on actual duties assigned to each Director who is scheduled to receive performance-based compensation. Also, if the scope of duties assigned to a Director is the Head Office (including the Technical Development Group) or the electric power business, then said Director's performance-based compensation does not include the portion of compensation linked to division performance. Regardless of the formula directly below, the performance-based compensation for such Directors is calculated using the formula "Portion linked to Companywide performance × 1.0."

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

 (A) Portion linked to Companywide performance (%) =
 Companywide consolidated net income ÷ Net income equivalent to
 Companywide consolidated ROA of 5% × 100

 (B) Portion linked to division performance (%) =
 Net income of respective business division ÷ Net income of respective
 business division equivalent to consolidated ROA of 5% × 100

Note: Decimal points are rounded off in the figures for the portion linked to Companywide performance and the portion linked to division performance. In the event that the value falls below 0%, then 0% is established as the value. In the event that the value goes above 200%, then 200% is established as the value.

- 3) For stock compensation, a system known as Board Benefit Trust has been adopted in order to raise the awareness of Directors for contributing to continuous improvements in corporate value. Payments based on this system will use a base point number established for each rank, and a number of points will be awarded by adjusting this amount using a coefficient of

0%–100%. On a fixed date during each trust period of three years, a number of the Company's shares and cash equivalent to the amount converted from the market price of the Company's shares will be provided according to the number of points awarded. The Company positions shareholder returns as an important management issue. Accordingly, the Company calculates a coefficient for shareholder returns based on consolidated net income and dividend payments in each fiscal year. The reference value used in this calculation is net income of ¥73.0 billion, which serves as a target for the dividend payout ratio the Company adopts in its dividend policy.

Calculation method for awarding stock compensation points
Number of points awarded =
Base points for each rank*1 ×
Coefficient based on evaluation index*2

*1 Base points for each rank: The base points for each rank are obtained by dividing the rank-based standard pay amount for stock compensation specified in internal regulations by the Company's share price used for calculating points (the share price available when the trust acquires the Company's shares). The rank-based standard pay amount is determined by internal regulations taking into consideration a level of compensation in line with the capabilities and responsibilities expected of each Director.

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

4 Method to Determine Remuneration Standard

Data from a Director remuneration survey conducted by an external specialized agency will be used as a base to determine remuneration standards commensurate with the Company's corporate scale and the duties expected of Directors.

5 Determination of Remuneration Policy and Method for Verification

- 1) 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 Audit & Supervisory Committee Members is determined by the Audit & Supervisory Committee.
- 2) The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee, a majority of which consists of Independent Directors. 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. The Board of Directors has the duty to adopt such a resolution while fully respecting the opinions submitted by the Nomination & Compensation Committee.
- 3) The activities of the Board of Directors and the Nomination & Compensation Committee in recent fiscal years are as follows.

Board of Directors

February 2020: Resolution on revision of stock compensation coefficient calculation method and reduction of basic remuneration based on recommendations by the Nomination & Compensation Committee

May 2020: Resolution on further reduction of performance-based compensation, stock compensation, and basic remuneration for fiscal 2019 based on recommendations by the Nomination & Compensation Committee

Nomination & Compensation Committee

December 2019: Deliberation on and recommendation to the Board of Directors regarding revision of the stock compensation coefficient calculation method

February 2020: Deliberation on and recommendation to the Board of Directors regarding reduction of basic remuneration

May 2020: Deliberation on and recommendation to the Board of Directors regarding revision of coefficients for calculating performance-based compensation and stock compensation and further reduction of basic remuneration

6 Reference Values for Fiscal 2019 Used in Index Related to Performance-Based Compensation and Index Related to Stock Compensation and Results for Fiscal 2019

- 1) Index related to performance-based compensation
 Reference value for fiscal 2019: Consolidated ROA of 5.0%
 Results for fiscal 2019: Consolidated ROA of -0.3%
- 2) Index related to stock compensation
 Reference value for fiscal 2019: Net income of ¥73.0 billion
 Results for fiscal 2019: Net loss of ¥68.0 billion

Remuneration and Other Amounts Payable to Directors in Fiscal 2019

Category	Number of Directors (Persons)	Amount (Millions of Yen)	Breakdown of Total Remuneration (Millions of Yen)		
			Basic Remuneration	Performance-Based Compensation	Stock Compensation
Directors excluding Audit & Supervisory Committee Members (of whom are Independent Directors)	11 (3)	450 (37)	450 (37)	0 (-)	0 (-)
Directors who are Audit & Supervisory Committee Members (of whom are Independent Directors)	5 (3)	109 (44)	109 (44)	-	-
Total	16	560	560	0	0

Note: The Company will not issue performance-based compensation or stock compensation as the payment criteria based on the Company's Director remuneration system was not met given the profit level and the foregoing of dividend payments for fiscal 2019. In addition, taking seriously the large net loss attributable to owners of the parent and the foregoing of the annual dividend, the Company has reduced the fixed compensation of Directors (excluding Independent Directors and Directors who are Audit & Supervisory Committee Members) by 8% to 20% from February 2020 to April 2020 and by 13% to 25% for the time being from May 2020.

Remuneration of Accounting Auditor

In fiscal 2019, remuneration and other amounts payable to the Accounting Auditor by the Company totaled ¥151 million, and the total amount of money and other financial interests payable by the Company and its subsidiaries was ¥505 million.

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, 2020. 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, 2020 (42 companies)
Verification details	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. Evaluation items (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 2019, it was confirmed that all of 27 holdings and part of 15 holdings among the holdings of shares in 69 listed companies as of March 31, 2019, 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.

The holdings of shares in 42 listed companies as of March 31, 2020, 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.



For more information on the verification results regarding strategic holdings of shares, please refer to the Company's corporate website.
https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html

10-Year Financial and Non-Financial Data

		(Millions of yen)										
(Fiscal year)		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
For the fiscal year	Net sales	¥1,858,574	¥1,864,691	¥1,685,529	¥1,824,698	¥1,886,894	¥1,822,805	¥1,695,864	¥1,881,158	¥1,971,869	¥1,869,835	
	Cost of sales	1,570,779	1,635,862	1,510,511	1,537,249	1,581,527	1,548,384	1,465,577	1,595,229	1,704,972	1,638,738	
	Operating income	124,550	60,555	11,234	114,548	119,460	68,445	9,749	88,913	48,282	9,863	
	Ordinary income (loss)	89,082	33,780	(18,146)	85,044	101,688	28,927	(19,103)	71,149	34,629	(8,079)	
	Net income (loss) attributable to owners of the parent	52,939	(14,248)	(26,976)	70,191	86,549	(21,556)	(23,045)	63,188	35,940	(68,008)	
	Cash flows from operating activities	177,795	39,486	45,401	194,294	153,078	97,933	141,716	190,832	67,136	27,040	
	Cash flows from investing activities	(96,686)	(85,267)	(123,513)	(62,105)	(73,674)	(104,618)	(137,833)	(161,598)	(28,603)	(218,986)	
	Cash flows from financing activities	(98,196)	(40,233)	127,644	(138,501)	(156,027)	93,883	16,545	(66,598)	(9,561)	140,589	
	Capital expenditures	91,378	96,085	114,935	101,402	103,522	109,941	160,297	128,653	133,471	239,816	
	Depreciation	114,819	118,037	106,725	82,936	89,881	94,812	96,281	102,032	102,589	105,346	
Research and development expenses	29,832	31,436	30,763	28,494	29,920	29,843	30,102	32,014	34,495	35,890		
At fiscal year-end	Total assets	2,231,532	2,159,512	2,226,996	2,288,636	2,300,241	2,261,134	2,310,435	2,352,114	2,384,973	2,411,191	
	Net assets	597,367	571,258	569,922	734,679	851,785	745,492	729,404	790,984	803,312	716,369	
	Outside debt	769,839	746,471	907,656	748,138	650,991	776,073	789,632	726,013	724,221	784,478	
	Outside debt including IPP project financing	845,483	810,172	959,179	787,246	677,447	789,493	796,927	738,865	760,364	906,639	
Per-share data**	Net income (loss)	176.3	(47.4)	(89.8)	226.2	238.1	(59.3)	(63.5)	174.4	99.2	(187.5)	
	Net assets	1,828.13	1,718.40	1,706.34	1,841.10	2,137.00	1,903.80	1,860.36	2,049.95	2,041.29	1,811.10	
	Cash dividends	30.00	10.00	—	40.00	40.00	20.00	—	30.00	20.00	0.00	
Financial indicators	Operating income ratio (%)	6.7	3.2	0.7	6.3	6.3	3.8	0.6	4.7	2.4	0.5	
	Ordinary income ratio (%)	4.8	1.8	(1.1)	4.7	5.4	1.6	(1.1)	3.8	1.8	(0.4)	
	ROA (%)	4.0	1.5	(0.8)	3.8	4.4	1.3	(0.8)	3.1	1.5	(0.3)	
	ROE (%)	9.9	(2.7)	(5.2)	11.9	12.0	(2.9)	(3.4)	8.9	4.8	(9.7)	
	Equity ratio (%)	24.6	23.9	23.0	29.2	33.8	30.6	29.2	31.6	31.0	27.2	
	Debt/equity ratio (times) (Excluding project financing)	1.36	1.37	1.75	1.11	0.88	1.10	1.17	0.98	0.98	1.19	
	Dividend payout ratio (%)	17.0	—	—	17.7	16.8	—	—	17.2	20.2	—	
Number of shares issued (in thousands)		3,115,061	3,115,061	3,115,061	3,643,642	3,643,642	3,643,642	364,364	364,364	364,364	364,364	
Non-financial data	Number of employees											
	Consolidated		34,772	35,496	36,018	36,019	36,420	36,338	36,951	37,436	39,341	40,831
	Non-consolidated		9,933	10,370	10,398	10,586	10,609	10,833	11,034	11,191	11,401	11,560
	Men		9,393	9,725	9,728	9,891	9,881	10,090	10,241	10,304	10,422	10,528
	Women		540	645	670	695	728	743	793	887	979	1,032
	Non-Japanese		21	23	30	34	40	57	60	70	69	85
	Ratio of female managers (non-consolidated)** (%)		0.7	0.8	1.0	1.2	1.4	1.5	1.6	1.9	2.4	2.6
	Employment rate of people with disabilities (non-consolidated)** (%)		2.17 (1.8)	2.07 (1.8)	2.11 (1.8)	2.02 (1.8)	2.28 (2.0)	2.31 (2.0)	2.38 (2.0)	2.30 (2.0)	2.35 (2.2)	2.37 (2.2)
	Number of employees taking childcare leave (non-consolidated)**											
	Men		3	3	1	0	1	5	7	8	13	35
	Women		41	40	40	45	48	38	54	40	40	58
	Ratio of employees returning from childcare leave (non-consolidated) (%)		100.0	100.0	100.0	89.5	100.0	94.7	96.0	96.7	98.2	100.0
	Number of new graduates employed (non-consolidated)											
	Men		106	278	374	336	294	362	344	421	350	315
	Women		3	19	24	19	14	26	50	64	50	52
	Turnover of employees within 3 years (non-consolidated)** (%)		5.5	5.7	5.8	9.0	5.2	12.1	12.8	10.7	9.0	3.5
Use of annual paid leave (non-consolidated) (days per year/person)		8.6	8.9	9.1	8.4	9.1	11.8	14.9	15.5	16.3	17.0	
Overtime (non-consolidated) (hours per month/person)		19.3	20.0	19.6	20.2	22.9	22.7	16.5	18.4	18.4	17.7	

*1 The Company carried out a 1-for-10 reverse stock split of its shares on October 1, 2016. Per-share data has been recalculated as if the reverse stock split had been carried out at the beginning of fiscal 2010.

*2 At Kobe Steel, managers or above are considered to be managerial staff.

*3 Figures in parentheses are the statutory employment rate.

*4 The Company's childcare leave has a limit of three years, and the number of people includes those who have remained on leave from the previous year.

*5 Of the employees who joined the Company during these fiscal years through the regular hiring process, the percentage of those who retired with less than three years of continuous service.

Results by Operating Segment (Fiscal 2015–Fiscal 2019)

Iron & Steel

	(Billions of yen)				
	2015	2016	2017	2018	2019
Net sales	665.8	620.6	715.5	753.9	723.7
Ordinary income (loss)	(14.9)	(29.5)	17.3	4.7	(21.3)
Total assets	840.8	936.3	937.5	973.2	964.8
Depreciation	47.4	50.7	52.8	55.7	56.2
Research and development expenses	6.6	7.0	5.2	5.2	7.8
Capital expenditures	48.5	94.4	67.5	58.8	55.2
Number of employees (consolidated)	9,798	9,800	9,795	10,887	11,403

Welding

	(Billions of yen)				
	2015	2016	2017	2018	2019
Net sales	92.2	82.2	80.5	83.9	83.7
Ordinary income	8.1	6.8	4.9	3.6	2.9
Total assets	73.7	72.9	76.0	78.5	79.6
Depreciation	2.3	2.2	2.1	2.2	2.4
Research and development expenses	2.9	3.5	3.4	3.7	4.0
Capital expenditures	2.6	2.4	2.3	2.3	2.6
Number of employees (consolidated)	2,564	2,532	2,551	2,560	2,587

Aluminum & Copper

	(Billions of yen)				
	2015	2016	2017	2018	2019
Net sales	345.4	323.3	349.5	359.0	333.4
Ordinary income (loss)	15.1	12.0	11.8	(1.5)	(20.4)
Total assets	246.0	258.5	324.9	335.0	334.8
Depreciation	11.5	12.4	13.7	14.7	15.5
Research and development expenses	2.6	2.8	2.6	2.9	3.3
Capital expenditures	21.2	22.8	23.5	28.1	34.3
Number of employees (consolidated)	6,296	6,870	7,239	7,550	7,897

Machinery

	(Billions of yen)				
	2015	2016	2017	2018	2019
Net sales	159.0	150.7	161.3	171.4	165.9
Ordinary income	6.7	5.8	2.3	1.2	9.6
Total assets	158.8	148.2	182.1	171.9	184.7
Depreciation	4.3	4.3	5.6	6.1	5.6
Research and development expenses	4.1	3.7	3.3	2.7	3.5
Capital expenditures	4.1	8.1	7.8	4.1	4.8
Number of employees (consolidated)	3,664	3,708	4,010	4,094	4,278

Engineering

	(Billions of yen)				
	2015	2016	2017	2018	2019
Net sales	131.7	121.1	122.8	151.7	141.5
Ordinary income	4.6	2.8	6.9	6.5	5.7
Total assets	113.4	104.8	109.3	137.3	139.0
Depreciation	2.3	2.0	1.9	2.0	1.8
Research and development expenses	1.8	2.0	1.9	2.3	2.4
Capital expenditures	4.7	1.6	0.9	2.7	1.8
Number of employees (consolidated)	2,867	2,870	2,920	3,523	3,584

Construction Machinery

	(Billions of yen)				
	2015	2016	2017	2018	2019
Net sales	336.2	310.4	364.5	386.0	360.8
Ordinary income (loss)	(11.9)	(31.3)	21.9	25.5	7.5
Total assets	436.0	364.6	388.4	358.6	341.0
Depreciation	14.0	12.4	12.3	12.3	12.9
Research and development expenses	5.6	4.7	5.6	6.5	6.9
Capital expenditures	17.3	13.8	11.3	13.5	13.5
Number of employees (consolidated)	7,191	7,060	7,075	7,487	7,765

Electric Power

	(Billions of yen)				
	2015	2016	2017	2018	2019
Net sales	76.7	70.6	72.1	76.1	75.6
Ordinary income (loss)	17.4	13.0	7.9	(0.3)	8.9
Total assets	102.4	101.7	107.1	123.2	251.6
Depreciation	7.8	7.7	8.8	5.8	7.6
Research and development expenses	—	—	—	—	—
Capital expenditures	7.1	9.1	12.0	20.1	123.5
Number of employees (consolidated)		164	235	244	255

* The number of employees for fiscal 2015 includes employees from the Iron & Steel Business.

Other Businesses

	(Billions of yen)				
	2015	2016	2017	2018	2019
Net sales	74.5	74.8	68.8	42.0	33.6
Ordinary income	7.3	7.6	5.4	2.3	3.3
Total assets	155.5	157.7	146.1	57.0	54.8
Depreciation	3.5	3.0	2.9	1.6	1.2
Research and development expenses	0.8	0.9	0.9	1.0	0.9
Capital expenditures	3.5	4.1	2.2	3.3	1.4
Number of employees (consolidated)	2,717	2,724	2,350	1,643	1,651

Corporate Data (As of March 31, 2020)

Corporate Profile

Name: Kobe Steel, Ltd.
(Japanese Name: Kabushiki Kaisha Kobe Seikosho)

Group Brand: **KOBELCO***

Founded: September 1, 1905

Incorporated: June 28, 1911

Capital: ¥250.9 billion

Employees: 40,831 (consolidated)
11,560 (non-consolidated)

Stock Information

Authorized: 600,000,000 shares

Issued: 364,364,210 shares

Number of Shareholders: 189,521

Listings: Tokyo Stock Exchange, First Section (Ticker Code: 5406)
Nagoya Stock Exchange, First Section (Ticker Code: 54060)

Transfer Agent & Office: Mitsubishi UFJ Trust and Banking Corporation

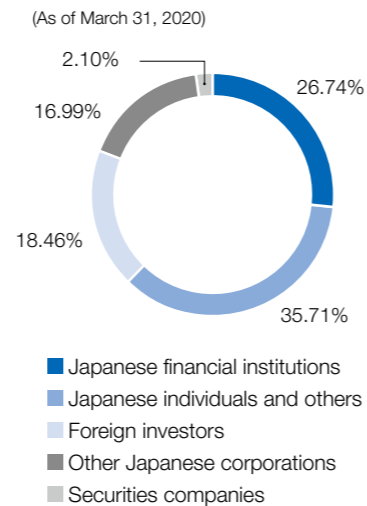
* KOBELCO is an international unified trademark established in 1979 to represent the KOBELCO Group with the aim of giving form to the Group Corporate Philosophy, and thereby fostering a sense of solidarity within the Group, while building greater recognition and trust among stakeholders.

Major Shareholders (10 largest shareholders) (As of March 31, 2020)

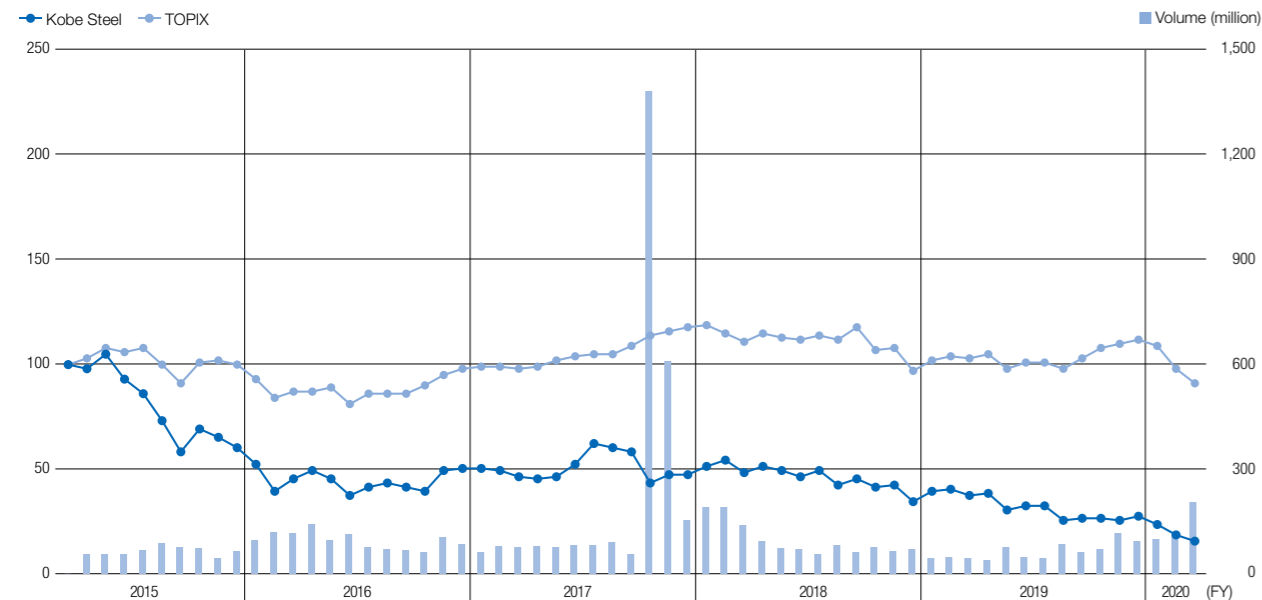
Name of Shareholder	Number of Shares Held (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,933	4.93
Nippon Steel Corporation	10,735	2.95
Nippon Life Insurance Company	10,119	2.78
Japan Trustee Services Bank, Ltd. (Trust Account)	8,956	2.46
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,379	2.30
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,365	2.02
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	6,680	1.83
JP MORGAN CHASE BANK 385151	5,166	1.42
Sojitz Corporation	4,502	1.24
SHIMABUN Corporation	4,410	1.21

* Kobe Steel holds 245 thousand of its own shares in treasury stock. Treasury stock is excluded in the calculation of the major shareholders' shareholding ratio in the Company.

Breakdown of Shareholders by Investor Type (As of March 31, 2020)



Trends in Stock Price and Volume



*1 Kobe Steel's share price and TOPIX are indexed with closing prices in March 2015 equal to 100.

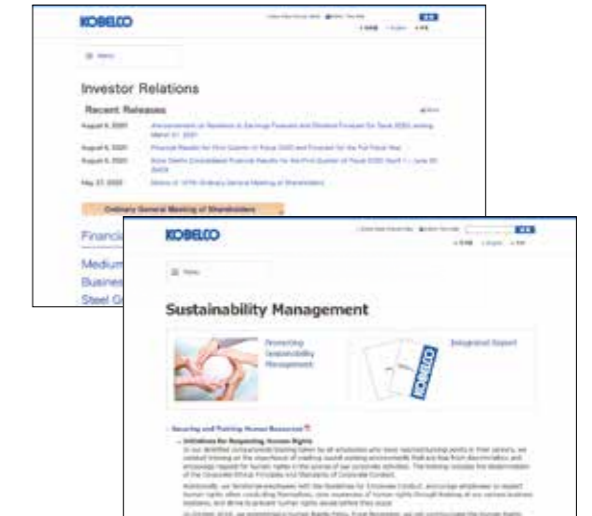
*2 The Company carried out a 1-for-10 reverse stock split of its shares on October 1, 2016. Stock price and volume have been recalculated based on the assumption that the reverse stock split was carried out at the beginning of fiscal 2015.

Head Offices / Branch Offices / Sales Offices

Kobe	2-4, Wakinohama-Kaigandori 2-chome, Chuo-ku, Kobe, Hyogo 651-8585, Japan Tel: +81-78-261-5111 Fax: +81-78-261-4123
Tokyo	ON Building, 9-12, Kita-Shinagawa 5-chome, Shinagawa-ku, Tokyo 141-8688, Japan Tel: +81-3-5739-6000 Fax: +81-3-5739-6903
Osaka	Midosuji Mitsui Building, 1-3, Bingomachi 4-chome, Chuo-ku, Osaka, Osaka 541-8536, Japan Tel: +81-6-6206-6111 Fax: +81-6-6206-6101
Nagoya	Nagoya Prime Central Tower, 27-8, Meieki 2-chome, Nishi-ku, Nagoya, Aichi 451-0045, Japan Tel: +81-52-584-6111 Fax: +81-52-584-6105
Hokkaido	Nippon Seimei Kitamonkan Building, 1-3, Kita-Shijo Nishi 5-chome, Chuo-ku, Sapporo, Hokkaido 060-0004, Japan Tel: +81-11-261-9331 Fax: +81-11-251-2533
Tohoku	Sendai NS Building, 2-25, Ichibancho 1-chome, Aoba-ku, Sendai, Miyagi 980-0811, Japan Tel: +81-22-261-8811 Fax: +81-22-261-0762
Hokuriku	Urban Place, 18-7, Ushijimacho, Toyama, Toyama 930-0858, Japan Tel: +81-76-441-4226 Fax: +81-76-442-4088
Shikoku	Takamatsu Kogin Building, 6-8, Bancho 1-chome, Takamatsu, Kagawa 760-0017, Japan Tel: +81-87-823-7222 Fax: +81-87-823-7333
Chugoku	GRANODE Hiroshima, 5-7 Futabanosato 3-chome, Higashi-ku, Hiroshima, Hiroshima, 732-0057, Japan Tel: +81-82-258-5301 Fax: +81-82-258-5309
Kyushu	Shinkansen Hakata Building, 1-1, Hakataeki Chuogai, Hakata-ku, Fukuoka, Fukuoka 812-0012, Japan Tel: +81-92-431-2211 Fax: +81-92-432-4002
Okinawa	Naha Shintoshin Media Building-West, 3-31, Omoromachi 1-chome, Naha, Okinawa 900-0006, Japan Tel: +81-98-866-4923 Fax: +81-98-869-6185

Our Website

Please see the Company's website for supplementary materials for *Integrated Report 2020* (data on environmental management, reduction of CO₂ emissions) and more detailed information on sustainability and other matters.



Investor Relations

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

Sustainability Management

https://www.kobelco.co.jp/english/about_kobelco/csr/

Supplementary Materials for *Integrated Report 2020*

https://www.kobelco.co.jp/english/about_kobelco/outline/integrated-reports/subordinate2020/index.html

Please refer to the website below for an introduction to Kobe Steel, Ltd.'s business locations in Japan.
https://www.kobelco.co.jp/english/about_kobelco/kobesteel/locations/domestic/index.html



Inquiries

Corporate Communications Department,
Kobe Steel, Ltd.