

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

<b>KOBELCO's View of the Future</b>	<p><small>Our view of a society and future to be attained as we carry out KOBELCO's mission</small></p> <p><b>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.</b></p>
<b>KOBELCO's Mission</b>	<p><small>Our mission and the social significance of the KOBELCO Group that we must fulfill</small></p> <p><b>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.</b></p>
<b>Core Values of KOBELCO</b>	<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"> <li>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.</li> <li>2. We value each employee and support his and her growth on an individual basis, while creating a cooperative and harmonious environment.</li> <li>3. Through continuous and innovative changes, we create new values for the society of which we are a member.</li> </ol>
<b>Six Pledges of KOBELCO Men and Women</b>	<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"> <li>1. Heightened Sense of Ethics and Professionalism</li> <li>2. Contribution to the Society by Providing Superior Products and Services <span style="background-color: #0056b3; color: white; padding: 2px;">Quality Charter</span></li> <li>3. Establishing a Comfortable but Challenging Work Environment</li> <li>4. Living in Harmony with Local Community</li> <li>5. Contribution to a Sustainable Environment</li> <li>6. Respect for Each Stakeholder</li> </ol>

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

**Machinery**  
Machinery  
Engineering  
Construction  
Machinery

**Materials**  
Steel & Aluminum  
Advanced Material  
Welding

**Electric Power**

**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



# 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



### KOBELCO's Mission

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 assets and strengths lie in the various talents of each employee as well as in its diverse technologies that support our broad range of businesses. We have cultivated these advantages in an effort to meet the needs of the times.

We continue to take on the challenge of transcending organizational boundaries and conventional thinking to solve increasingly complex issues, while supporting the foundations of society.

### KOBELCO's View of the Future

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.

Our technologies, products, and services are not only for those who live in the present, but also for future generations.

KOBELCO sees a sustainable, beautiful, and flourishing world in the future, with safety and security in people's lives. Such a future will give rise to value that creates new conveniences and comfort and help people fulfill their hopes and dreams.

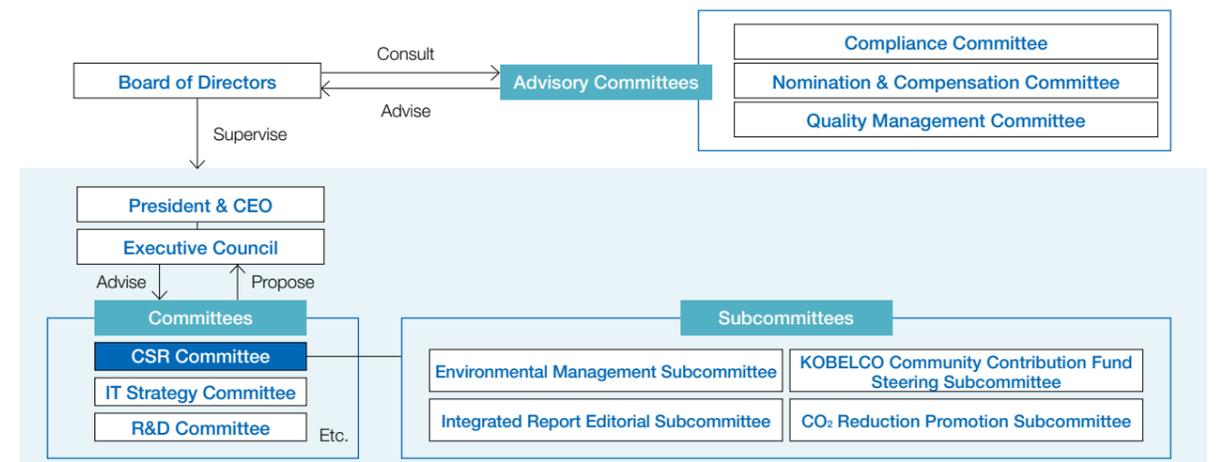
## Framework for Promoting Sustainability Management

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

<b>Chair (person in charge):</b>	Hajime Nagara, Director, Senior Managing Executive Officer
<b>Report to the Board of Directors:</b>	Once every quarter
<b>Meetings:</b>	Once every quarter
<b>Functions:</b>	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

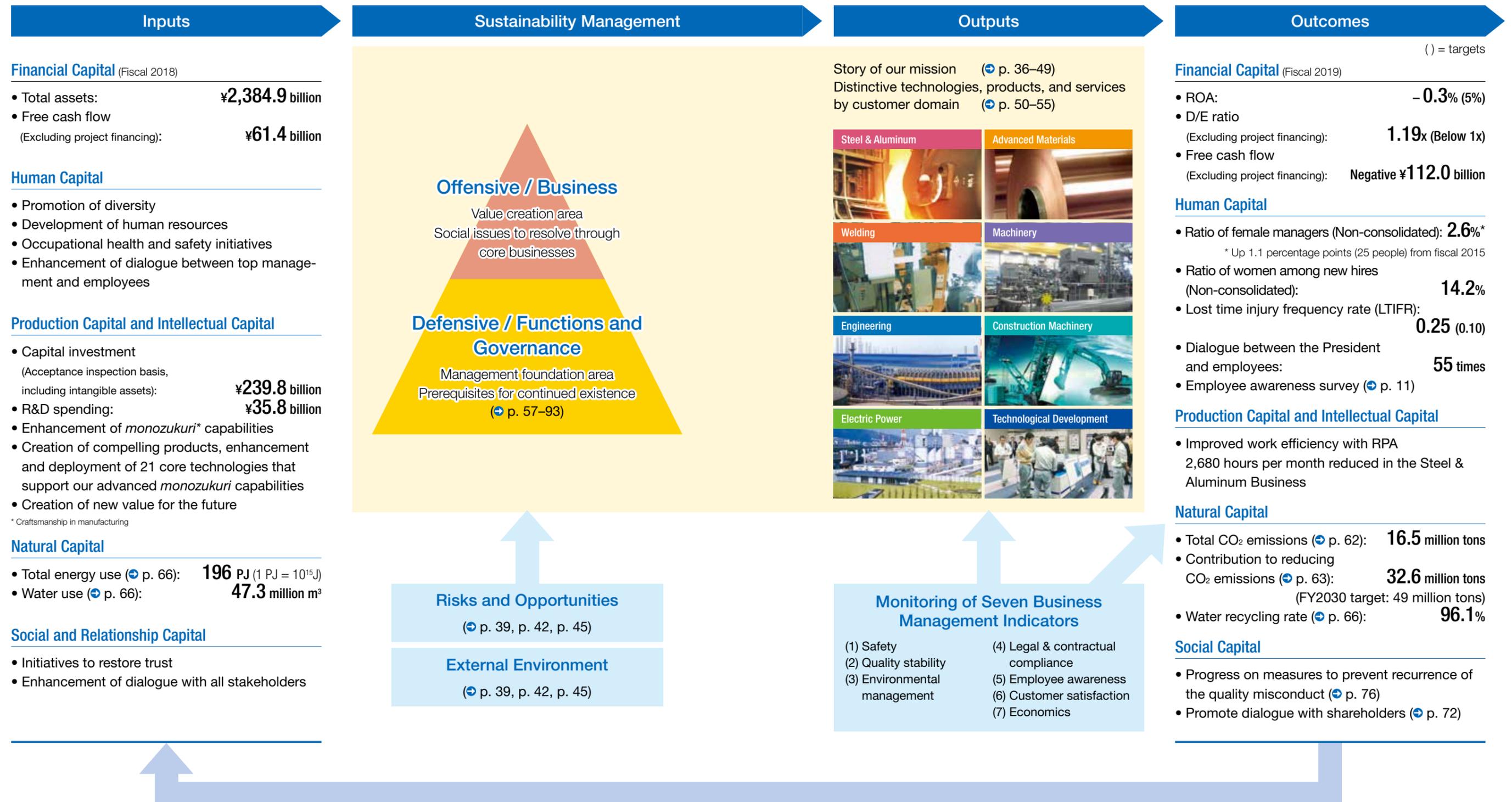


## Value Creation Process

### 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



#### Financial Capital (Fiscal 2018)

- Total assets: **¥2,384.9 billion**
- Free cash flow (Excluding project financing): **¥61.4 billion**

#### Human Capital

- Promotion of diversity
- Development of human resources
- Occupational health and safety initiatives
- Enhancement of dialogue between top management and employees

#### Production Capital and Intellectual Capital

- Capital investment (Acceptance inspection basis, including intangible assets): **¥239.8 billion**
- R&D spending: **¥35.8 billion**
- Enhancement of *monozukuri*\* capabilities
- Creation of compelling products, enhancement and deployment of 21 core technologies that support our advanced *monozukuri* capabilities
- Creation of new value for the future

\* Craftsmanship in manufacturing

#### Natural Capital

- Total energy use (p. 66): **196 PJ** (1 PJ = 10<sup>15</sup>J)
- Water use (p. 66): **47.3 million m<sup>3</sup>**

#### Social and Relationship Capital

- Initiatives to restore trust
- Enhancement of dialogue with all stakeholders

Story of our mission (p. 36–49)  
Distinctive technologies, products, and services by customer domain (p. 50–55)



#### Financial Capital (Fiscal 2019)

- ROA: **-0.3%** (5%)
- D/E ratio (Excluding project financing): **1.19x** (Below 1x)
- Free cash flow (Excluding project financing): **Negative ¥112.0 billion**

#### Human Capital

- Ratio of female managers (Non-consolidated): **2.6%\***  
\* Up 1.1 percentage points (25 people) from fiscal 2015
- Ratio of women among new hires (Non-consolidated): **14.2%**
- Lost time injury frequency rate (LTIFR): **0.25** (0.10)
- Dialogue between the President and employees: **55 times**
- Employee awareness survey (p. 11)

#### Production Capital and Intellectual Capital

- Improved work efficiency with RPA: 2,680 hours per month reduced in the Steel & Aluminum Business

#### Natural Capital

- Total CO<sub>2</sub> emissions (p. 62): **16.5 million tons**
- Contribution to reducing CO<sub>2</sub> emissions (p. 63): **32.6 million tons** (FY2030 target: 49 million tons)
- Water recycling rate (p. 66): **96.1%**

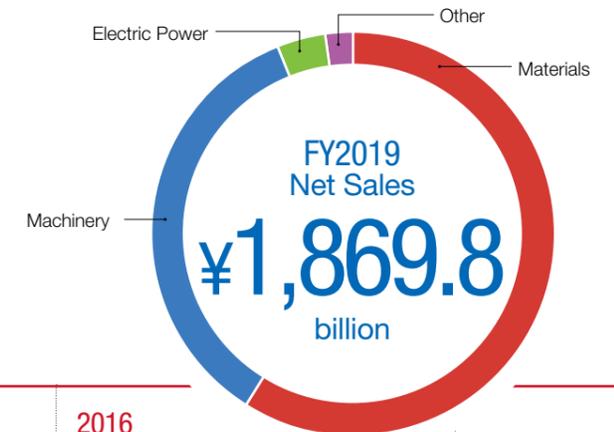
#### Social Capital

- Progress on measures to prevent recurrence of the quality misconduct (p. 76)
- Promote dialogue with shareholders (p. 72)

# History of the KOBELCO Group

In 1905, the general partnership trading company Suzuki Shoten acquired a steel business in Wakinoama, 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 Wakinoamacho, 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		
	1962	Begins overseas plant business Japan's first plant export (East Pakistan, currently Bangladesh)		
	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		
	2017	Acquires world's leading isostatic press manufacturer, Quintus Technologies of Sweden		
Electric Power	1955	Net Sales: ¥24.7 billion		
	1996	Enters wholesale power supply (IPP) business Enters field following deregulation		
	2002	Starts up Kobe Power Plant Begins commercial operations		
	2016	Begins Electric Power Business		
	2019	Starts commercial operations at Moka Power Plant		
	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		
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

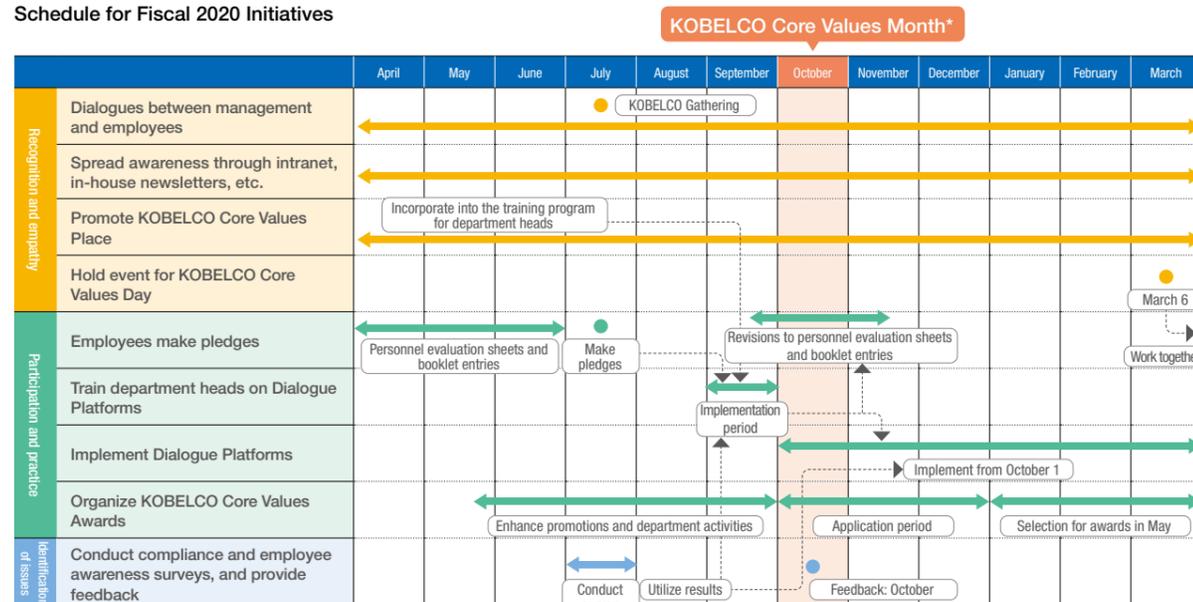
#### New Initiatives Adding Depth to Ongoing Efforts

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.