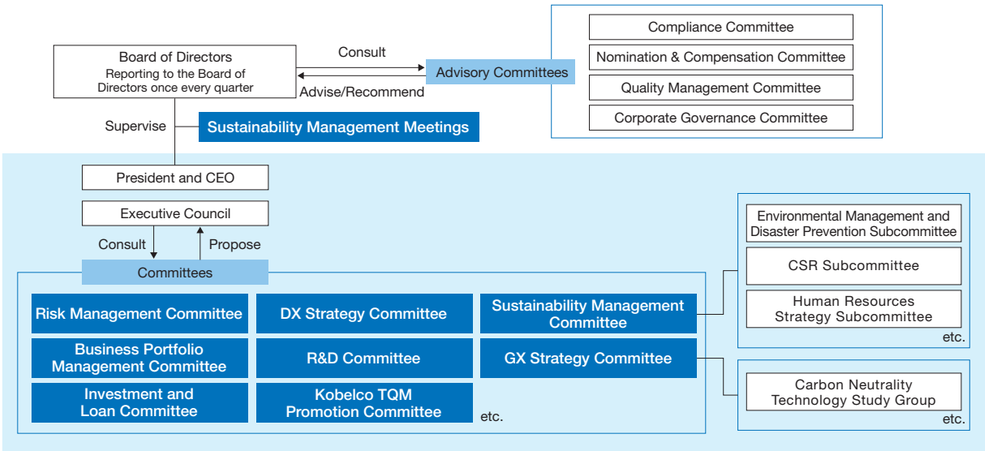
Promotion of Sustainability Management

Promotion of Kobelco Group's Sustainability Management

With a firm resolve to achieve sustainable growth by providing solutions to the needs of society through our business activities, the Kobelco Group is working to further enhance corporate value by fulfilling its corporate social responsibilities and addressing societal challenges through the provision of enhanced technologies, products, and services. Our Group's sustainability management is promoted by the Sustainability Management Committee and various other committees that serve as auxiliary bodies to the Executive Council. In fiscal 2024, the CO_2 Reduction Promotion Subcommittee was separated from the Sustainability Management Committee and renamed as the GX Strategy Committee to further advance GX strategy. We have strengthened the Board of Directors' monitoring function by forming Sustainability Management Meetings, comprised of all directors, as a forum to share understanding and exchange opinions with executives, including those from business divisions, broadly and regularly on our Group's major sustainability activities.'

Organization and structure for promoting sustainability management



Materiality-Oriented Sustainability Management Initiatives

In 2021, based on the Group Corporate Philosophy, we identified five items of materiality (key issues) that our Group should address to achieve sustainable growth and become a corporate group indispensable to society through providing solutions to the needs of society and promoting value creation over the medium to long term. We have set indicators and targets for each materiality item in order to take more concrete steps toward achieving what we aim for in our Group's materiality (key issues). The progress of activities is managed by the Sustainability Management Committee.

The environment surrounding our business continues to undergo significant changes. In the past year alone, we have been required to take actions from a variety of perspectives, including further strengthening efforts to address climate change, biodiversity, supply chains and diversity and inclusion (D&I). The Group is working to provide solutions to these issues by tackling the five items of materiality to achieve sustainable growth.

Our Group operates a wide range of businesses and has a diverse employee base at business locations around the world. We are committed to developing diversity, respecting each other's personality, individuality, and diverse qualities, and creating a work environment where individual employees can work actively while performing to the best of their abilities. We continue to work to address societal challenges and create new value.

For more information on the process of identifying materiality and monitoring indicators, please see Materiality and Indicators/Targets on pp. 12–15.

Five Items of Materiality

Contributing to a green society

Aiming for a sustainable society, we will promote initiatives to realize a low-carbon society and a recycling-oriented society in an integrated manner.

Ensuring safety and security in community development and manufacturing

We will commit to ensuring safety and security in community development and manufacturing by providing solutions to the needs of society through a stable supply of energy to local communities and the provision of materials and machinery that meet customer needs.

Providing solutions for the future connecting people and technology

We will advance the digitalization of production sites and office operations as we promote efficient production activities. Leveraging our diverse human resources and technologies, we will create new value and provide solutions to the needs of society.

Promoting active participation of diverse human resources

With the aim of becoming a company where diverse human resources can demonstrate their individual abilities to the fullest, we will reform our work environment and organizational culture. We will fully support the growth of all employees and support the development of their skills, while also proactively advancing work style transformation such as eliminating long working hours and encouraging employees to take days off.

Pursuing governance that supports sustainable growth

We recognize that corporate value encompasses not only business results and technological capabilities but also the stance on social responsibility to all stakeholders who are involved in our business activities, including customers, business partners, shareholders and investors, members of local communities, and employees. We believe that working earnestly to improve all of these factors leads to the enhancement of corporate value. We will strive to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities.

Contributing to a Green Society

Aiming for a sustainable society, we will promote initiatives to realize a low-carbon society and a recycling-oriented society in an integrated manner.

■ Main Monitoring Indicators

1	Response to climate change	Reduction of CO_2 emissions in production processes
2		Contribution to reduction of CO_2 emissions and net sales of related products
3		Reduction of CO_2 emissions in the electric power business
4	Response to resource recycling	Water recycling rate
5		Water pollutant (COD, TP) load in restricted areas
6		Disclosure based on the TNFD recommendations

Please see Environment on pp.10–47 of ESG Data Book 2024.

Basic Environmental Management Policy

Through environmental management based on three 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.

As we strive to realize the world that we envision, we assume the important responsibility of passing on to future generations a healthy global environment in which all forms of life can thrive. To this end, the Kobelco Group has formulated long-term policies, set targets, and is promoting environmental management based on the Kobelco Group's Basic Environmental Management Policy, which consists of three Visions.

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

Basic Environmental Management Policy

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

VISION 1 Pursuing environmentally friendly manufacturing

VISION 2 Contributing to the environment through technologies, products, and services

VISION 3 Coexisting and cooperating with society

Response to Resource Recycling (Appropriate Management of Water Resources)

Our Group's manufacturing sites use large quantities of water for cooling, cleaning, and other purposes, and we recognize that water shortages constitute a risk. There is also the risk of operations being impacted by flood damage, such as torrential rain, which is becoming increasingly severe. The risk of water shortages and flood damage at our domestic production sites has been found to be low in assessments using Aqueduct provided by World Resources Institute (WRI). Even so, the Group is working to reduce water consumption and increase the water recycling rate by improving the efficiency of water use and recycling water in production processes in preparation for any eventuality.

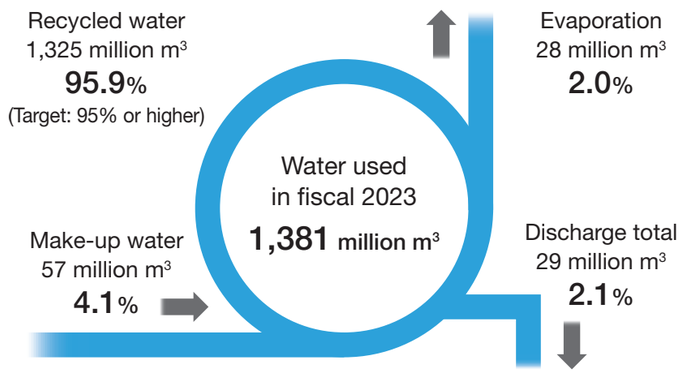
Additionally, we recognize that the environment and living organisms in public waters may be impacted by the violation of environmental laws and regulations, ordinances, and agreements pertaining to wastewater. To address wastewater risks, we not only comply with regulations but also strive to reduce the discharge of pollutants into public water areas by cleaning up wastewater from the production process with a treatment system suitable for the characteristics of the wastewater.

As management indicators for these initiatives, we have set targets for the water recycling rate, COD, and phosphorus pollution load, and as shown in the figure and table below, we have achieved all the targets.

Pollutant Load in Wastewater (t/year)

Category	Targets	Fiscal 2021	Fiscal 2022	Fiscal 2023
COD	474 or lower	244	213	227
Total phosphorus	23 or lower	3	4	7

Water Recycling Status (including domestic Group companies with significant water use)



Contributing to a Green Society

Biodiversity Conservation Initiatives

● Kobelco Biodiversity Guidelines

Recognizing that conserving the earth's diverse ecosystems is an important theme of our environmental activities, the Group formulated the Kobelco Biodiversity Guidelines in December 2010, under which we are working to conserve and contribute to biodiversity through our business activities.

Recognizing the importance of conserving biodiversity, we will carry out activities based on the following guidelines.
1. We will make every effort to minimize the impact that our business activities have on biodiversity on an ongoing basis.
2. We will actively develop technologies, products, and services that contribute to biodiversity.
3. We will disclose details of our biodiversity initiatives and share information with the public.
4. We will carry out biodiversity activities in partnership with local communities.
5. We will ensure that all of our employees actively take biodiversity into consideration at all times.

● LEAP Approach Based on the TNFD Recommendations

In September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD), a framework for disclosure of nature-related information, issued its formal recommendations, presenting the LEAP* approach that includes scoping as a risk assessment method. Our Group will steadily promote the disclosure of nature-related risks in its business activities in line with this framework.

* Locate, Evaluate, Assess, and Prepare

• Scoping

In order to provide an overview of the impact and the extent of dependence on nature at each stage of procurement, manufacturing, and use of raw materials in our Group's respective business fields, we conducted an analysis using the ENCORE[1] tool developed by the United Nations Environment Programme (UNEP). Based on the results, we decided to conduct a further analysis of the Group's business sites as well as supply chain sites of the steel business, which is significant in terms of business scale and the extent of its impact and dependence on the environment.

• Locate (understanding the current status of directly operated sites and primary mines)

Using IBAT,[2] we evaluated the potential impacts that the Group's production sites as well as the primary iron ore and coal mines in the steel business's supply chain could have on regions that are important from the perspective of conserving biodiversity in the surrounding area.

The evaluation results show that none of the Group's production sites are located within a three-kilometer radius of any protected natural areas, including wetlands registered under the Ramsar Convention, UNESCO natural world heritage sites, or sites under IUCN[3] protected area categories 1 (wilderness area) to 3 (natural monument or feature), and that primary mines located in close proximity to protected areas are actively engaged in efforts to conserve the environment and biodiversity.

1. ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) is a tool for visualizing the dependence and impact of business activities on nature.
2. IBAT (Integrated Biodiversity Assessment Tool) is a tool that can access basic data and the latest information on nature conservation.
3. IUCN (International Union for Conservation of Nature)

● Nature-Related Contributions

Steel slag has earned a favorable reputation from fishery operators, since demonstration testing has shown it to be effective in the restoration of the marine environment, including seaweed flourishing. As a result, iron and steel slag hydrated matrix has been adopted as a material for the construction of submerged breakwaters in the Suma district. In addition, we are looking to expand the possibilities of seaweed bed creation using slag by participating in the Members of the Osaka Bay Blue Carbon Ecosystem Alliance (MOBA), which was jointly established by Osaka and Hyogo prefectures to connect the Osaka Bay coast as a corridor for blue carbon ecosystems.

Submerged breakwater construction material (filling material: steel slag hydrated matrix)

Climate-Related Disclosures Based on TCFD Recommendations

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In December 2020, Kobe Steel announced that it supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

For details, please see Response to Climate Change on pp. 15–25 of ESG Data Book 2024.

Basic Concept

Taking on the challenge of realizing carbon neutrality by 2050 is one of the key issues under the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026). We are working to achieve a 30–40% reduction of CO_2 emissions by 2030 (compared to fiscal 2013).

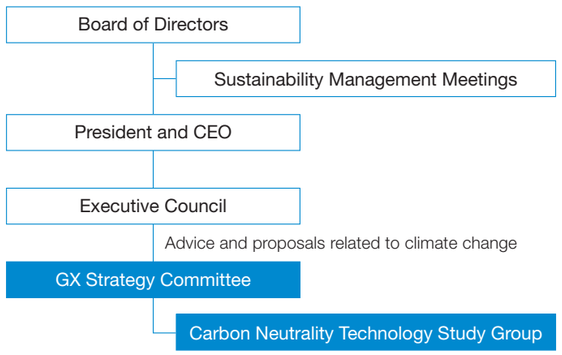
Going forward, the Kobelco Group will continue to pursue reduction of CO_2 emissions in order to contribute to the realization of a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as envisioned in KOBELCO's View of the Future.

Governance and Risk Management

We established the GX Strategy Committee (chaired by a director, executive officer) that specializes in dealing with issues related to the risks and opportunities associated with climate change, as an auxiliary body to the Executive Council. The committee, tasked with conducting strategic reviews of climate change, studies and implements Companywide activities to address the risks and opportunities of climate change.

The activities of the GX Strategy Committee and its study outcomes are reported to the Board of Directors quarterly for supervision and guidance from the Board of Directors. In this manner, we have a system where the Board of Directors has direct governance over risks related to climate change.

In addition, the Sustainability Management Meetings considers carbon neutrality to be one of the key themes, and it is stepping up monitoring by regularly sharing a wide range of awareness and exchanging opinions with the business execution side, including representatives from business divisions.



Board of Directors	Monitors CO_2 reduction measures that may have a major impact on management	Quarterly
Sustainability Management Meetings	Strengthens monitoring by sharing awareness and exchanging opinions	Quarterly
Executive Council	Deliberates and decides on important matters related to CO_2 reduction measures	At least once per year
GX Strategy Committee	Deliberates important matters related to CO_2 reduction measures	At least 4 times per year
GX Strategy Committee Chair: Director, Executive Officer Kazuhiko Kimoto		

Contributing to a Green Society

Strategy

The Kobelco Group analyzes the medium- to long-term risks and opportunities associated with climate change considering various guidelines, including the social scenarios presented by the International Energy Agency (IEA); the long-term visions formulated and announced by the Japan Iron and Steel Federation (JISF), the Japan Aluminium Association, and other industry organizations; and the energy policies of Japan. Based on the analysis results, we evaluate the appropriateness of our Group's activities.

Climate-Related Risks

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

Climate-Related Opportunities

There is an increasing demand for low-CO_2 products and services, as global awareness of climate change-related issues continues to rise. In this trend, demand for our Group's low-CO_2 options, such as automotive weight-reduction materials/parts and the MIDREX® Process, is expected to increase over the medium to long term.

Climate-Related Risks and Opportunities over the Short to Medium and Long Term

High risk | Low risk | Large opportunity | Small opportunity

	Risks		Opportunities	
	Short to medium term (Until FY2030)	Long term (Until FY2050)	Short to medium term (Until FY2030)	Long term (Until FY2050)
Policy and legal systems	Higher costs due to regulatory tightening		Increased demand for technologies, products, and services that contribute to CO_2 reduction (automotive weight reduction, MIDREX® Process, etc.)	
Market and technology transitions	Rising capital investments, R&D 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 (disasters, etc.)	Reduction of production volumes and disruptions of supply chains due to increases in floods, typhoons, and other natural disasters		Increase in demand for products due to increased public and capital investments for disaster prevention	
		Rising sea levels and high tides, leading to higher restoration expenses and lower production rates at coastal factories		

Response to Risks and Opportunities (R&D)

Reduction of CO_2 Emissions in Production Processes

Kobe Steel is collaborating with other steelmakers in the development projects that are promoted by New Energy and Industrial Technology Development Organization (NEDO) in a bid to further reduce CO_2 emissions in the ironmaking process and to realize practical application of these developments. One of these projects is the Hydrogen Utilization Project in Iron and Steelmaking Processes, which was selected as a project under the Green Innovation Fund established by METI. We are promoting efforts aimed at realizing carbon neutrality by 2050.

Contribution to Reduction of CO_2 Emissions through Technologies, Products, and Services

Our current lineup of products that help reduce CO_2 emissions includes automotive weight-reduction materials/parts and heat pumps. We will continue developing technologies to further contribute to CO_2 reduction with these solutions. We are also striving to develop new technologies, products, and services that help reduce CO_2 emissions, including the development aimed at maintaining and strengthening the competitiveness of MIDREX-H2™ (100% hydrogen-based direct reduction) and the demonstration test of hydrogen utilization systems.

Scenario Analysis

In order to better understand future climate-related risks and opportunities, we carried out short- to medium-term (2030) and long-term (2050) scenario analysis. Our scenario analysis is based on the IEA's 2-degree scenario (SDS: Sustainable Development Scenario) and 1.5-degree scenario (Net Zero by 2050) as well as the 4-degree scenario presented by the Intergovernmental Panel on Climate Change (IPCC) in its Sixth Assessment Report. For our analyses and evaluations, we also refer to long-term visions published by industry organizations to which we belong, such as the JISF and the Japan Aluminium Association. For the electric power business, which is closely related to Japan's energy policy, we conduct scenario analysis based on the energy policy of the national government. We also regularly review our analysis and evaluation of risks and opportunities based on changes in the external environment.

Impact on Business

Since more than 90% of the Group's CO_2 emissions originate from the steelmaking process, medium- to long-term trends in the steel industry will have the greatest impact on the Group's business. According to the JISF Long-Term Vision for Climate Change Mitigation—A Challenge towards Zero-Carbon Steel, there is a certain correlation between economic growth and the amount of steel stock per capita, and the total amount of steel stock increases as the population increases. Therefore, the demand for steel is expected to continue to increase along with the world's economic growth and population growth.

Steel production can be broadly divided into production with natural resources (iron ore, mainly using blast furnaces and DRI) and production with reused scrap (mainly using electric arc furnaces). According to JISF predictions, the reuse of scrap is expected to increase significantly due to the increase in the total amount of steel stock. On the other hand, demand for steel cannot be met by reused scrap alone. Accordingly, production using natural resources (iron ore) will continue to require the same level of production as at present.

Amid growing interest in the response to climate change and the disclosure of relevant information, the importance of CO_2 reduction efforts in the steel industry is expected to continue increasing. For this reason, we anticipate that our stakeholders, including national and local governments, investors, and customers, will pay greater attention to our efforts to reduce CO_2 emissions from our own facilities and expand the sale of our low-CO_2 options.

Risks and Opportunities

One of our Group's core businesses is the manufacture and sale of steel products, which falls under the industry category of energy-intensive basic materials. Our Group's CO_2 emissions from energy use in fiscal 2023 totaled 15.6 million tons (total of Scope 1 and Scope 2), which ranks high even in Japan's manufacturing industry. Accordingly, we recognize that the trends of future national climate change policies, laws, and regulations, including carbon pricing, are transition risks that may have a significant impact on our business operations.

As for physical risks, the Japan Meteorological Agency and various research institutes have reported that, as global warming progresses, the amount of precipitation tends to rise due to the increase of water vapor in the atmosphere, and damage caused by heavy rain and typhoons tends to become more severe. The risk of production halts and supply chain disruptions stemming from severe typhoons and heavy rains in recent years is also becoming more and more evident. Our Company recognizes that further intensification of typhoons, floods, and other natural disasters caused by climate change poses a risk that could have a significant impact on its operations and lead to suspension of production activities.

In terms of Companywide risk management, our Group has defined "climate-related regulations" and "natural disaster preparation and recovery" as Top Risks that are expected to have a particularly severe impact when an event occurs, and is working to strengthen its risk management.

As for opportunities, demand for low-CO_2 products and services is increasing amid growing international interest in climate-related issues. Along with this, we expect demand for products that contribute to a reduction in CO_2 emissions, such as automotive weight-reduction materials/parts and the MIDREX® Process, to grow over the medium to long term.

Contributing to a Green Society

Metrics and Targets

Metric A Reduction of CO_2 Emissions in Production Processes

Target

Our Group is taking on the challenge of realizing carbon neutrality by 2050. We have also set a medium-term target for 2030.

2050 Vision
Taking on the challenge of realizing carbon neutrality

2030 Target
Reducing CO_2 emissions in our Group's production processes: 30–40% reduction (compared to fiscal 2013) [1, 2]

Fiscal 2023 Result
20% reduction (compared to fiscal 2013) [1, 2]

1. Total of Scope 1 and Scope 2
2. The boundary of the reduction target is Kobe Steel and its major subsidiaries. For fiscal 2023, the boundary covered approximately 95% of the entire Group's results. The boundary has been expanded since fiscal 2024.

   CO_2 emissions in covered range: 18.4 million tons in fiscal 2013 and 14.8 million tons in fiscal 2023

Trends in CO_2 Emissions

In the wake of the oil crisis, which spanned from the 1970s to the 1990s, Japan's steel industry moved to utilize energy more effectively by installing waste heat recovery systems and conserving energy while switching to continuous process flows and streamlined processes. From the 1990s, the steel industry took steps to effectively use waste materials, focused on upgrading waste heat recovery systems and increasing the efficiency of equipment. In recent years, industry players have introduced highly efficient gas turbine power plants.

Our Group has also maintained a consistent approach in advancing various energy conservation and CO_2 reduction measures through proactive capital investments. For example, we installed highly efficient gas turbine power generation facilities that use gas from blast furnaces at Kakogawa Works over the period of fiscal 2009–2014, resulting in a substantial reduction of CO_2 emissions.

CO_2 emissions in fiscal 2023 remained at the same level as fiscal 2022, resulting in a 20% reduction compared to fiscal 2013.

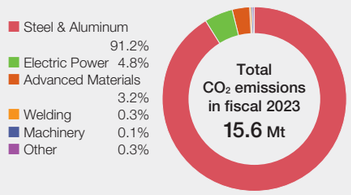
In the ironmaking process, we have completed a technical test and verified that CO_2 emissions in the blast furnace process can be reduced by approximately 25% by charging a large quantity of direct reduced iron (DRI) in the form of hot briquetted iron (HBI) manufactured with the MIDREX® Process into the blast furnace. Going forward, we will further pursue the potential of HBI charging technology and AI-based blast furnace operation technology to reduce CO_2 emissions from blast furnaces and reach our target for 2030. In addition, we will accelerate the study of large innovative electric arc furnaces (EAFs) capable of producing high-grade steel as we move toward our 2050 vision to achieve carbon neutrality.

Energy-Derived CO_2 Emissions

In fiscal 2023, the Group's energy-derived CO_2 emissions totaled 15.6 million tons. Of this amount, about 91% was emitted from the steel & aluminum business, about 5% from the electric power businesses, and about 3% from the advanced materials business.

Energy-Derived CO_2 Emissions

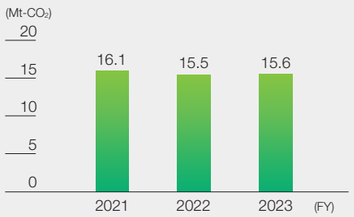
Total of Scope 1 and Scope 2, excluding some areas* (including domestic and overseas Group companies)



* Energy-derived CO_2 emissions do not include CO_2 emissions associated with the generation of electricity sold externally by the three subsidiaries of the Electric Power Business and the Steelworks of Kobe Steel (15.1 million t-CO_2).

Energy-Derived CO_2 Emissions by Year*

Total of Scope 1 and Scope 2, excluding some areas (including domestic and overseas Group companies)



* Figures for fiscal 2022 have been retroactively revised based on the revised calculation method.

Metric B Contribution to Reduction of CO_2 Emissions through Technologies, Pproducts, and Services

Target

Our Group contributes to the reduction of CO_2 emissions in various areas of society through its distinctive technologies, products, and services. We have set a target for 2030 and vision for 2050 in terms of its contribution to reduction of CO_2 emissions. In addition, we have set a 2030 target for net sales of related products.

Regarding the contribution to reduction of CO_2 emissions through technologies, products, and services, the Group has an internal accreditation system in place. For the formulas used in accreditations, we receive advice from Kiyotaka Tahara, the Director of the Research Laboratory for IDEA at the Research Institute of Science for Safety and Sustainability, Department of Energy and Environment, the National Institute of Advanced Industrial Science and Technologies (AIST).

2050 Vision
Contribution to CO_2 reduction: 100 million tons or more

2030 Target
Contribution to CO_2 reduction: 78 million tons*
Net sales of related products: 550 billion yen

Fiscal 2023 Result
Contribution to CO_2 reduction: 61.18 million tons
Net sales of related products: 402.1 billion yen

* The 2030 target for contribution to CO_2 reduction has been revised upward from 61 million tons.

Accreditation Flow

Business divisions → Accreditation office → GX Strategy Committee

Apply

Check ↑ Third party — Provide advice on formula for calculating contribution to reduction of CO_2 emissions

Contribution to Reduction of CO_2 Emissions

Our Group's contribution to reduction of CO_2 emissions through its technologies, products, and services in fiscal 2023 was 61.2 million tons, as approved by the GX Strategy Committee. Net sales of related products was 402.1 billion yen.

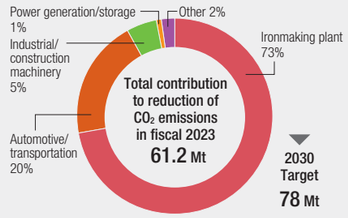
Technologies, products, and services		Contribution to reduction (10,000 tons/year)	CO_2 reduction concept
Ironmaking plant	MIDREX® Process	4,464	DRI making process with low CO_2 emissions
Automotive/ transportation	Ultra-high-tensile strength steel for automobiles, welding consables for ultra-high-tensile strength steel	1,030	Improvements in fuel economy by using high-strength, lightweight materials to reduce weight of automobiles and transportation equipment
	Wire rods for suspension springs	29	
	Wire rods for automotive valve springs	86	
	High-tensile strength steel for ships	22	
	Aluminum materials for automobiles	27	
	Aluminum materials for rolling stock	8	Benefit of weight reduction in reducing power consumption
Industrial/ construction machinery	Heat pumps, standard compressors, SteamStar, Eco-Centri	255	Energy conservation by achieving higher efficiency and utilizing unused energy
	Fuel-efficient construction machinery	53	Improvements in fuel economy by using fuel-efficient construction machinery
Power generation/ storage	Wood biomass power generation, waste-to-energy (WtE)	20	Reducing fossil resource use through the use of resources that contribute to carbon neutrality
Other	Blast furnace cement, wire rods and steel bars with no need for heat treatment process	124	Energy-reduction effect in customers' manufacturing process through the use of recycled raw materials and products with no need for heat treatment process

Note: The calculation uses some of the data from "IDEA Ver. 3.3, AIST."

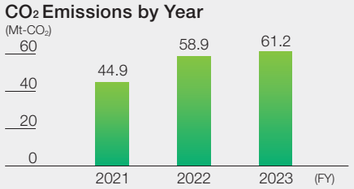
Other Major Technologies, Products, and Services That Contribute to CO_2 Reductions

Technologies, products, and services		CO_2 reduction concept
Automotive/ transportation	Fuel-cell bipolar plates materials, titanium for aircraft components	Improvement of fuel economy by reducing weight of automobiles and transportation equipment, effects of replacing gasoline-powered automobiles for next-generation vehicles
Hydrogen utilization	High-purity Hydrogen Oxygen Generator (HHOG)	Effects of reducing fossil resource consumption through hydrogen utilization
Power generation	Conversion of sludge to fuel and its utilization at coal-fired thermal power plants (planned)	Reducing fossil resource use through the use of resources that contribute to carbon neutrality

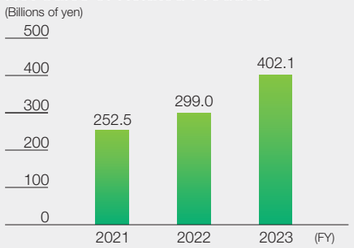
Total Contribution to Reduction of CO_2 Emissions



Contribution to Reduction of CO_2 Emissions by Year



Net Sales of Related Products



Ensuring Safety and Security in Community Development and Manufacturing

We will commit to ensuring safety and security in community development and manufacturing by providing solutions to the needs of society through a stable supply of energy to local communities and the provision of materials and machinery that meet customer needs.

■ Materiality Monitoring Indicators

7	Supplying energy focused on S+3E	Continuous stable supply of electricity
8	Providing materials and machinery that meet needs	Percentage of eco-friendly products in steel products
9		Percentage of low-CO_2 raw materials in aluminum rolled products
10		Percentage of orders for environment-related machinery products (decarbonization, LNG, etc.)
11		Total domestic unit sales of ICT construction machinery
12		Percentage of welding solution products in sales

Stable Supply of Electricity

The Kobelco Group is working to ensure a stable supply of electricity to local communities through the stable operation of the Kobe Power Plant and Moka Power Plant.

In line with the S+3E national energy policy, we are making every effort to maintain the stable operation of power plants, including ensuring stable procurement of fuel for power generation and adequate maintenance of power generation facilities.

As a power generation company, we will continue to provide a stable supply of electricity to meet the needs of our customers while also steadily promoting initiatives toward carbon neutrality, as we fulfill our responsibility to maintain Japan's electric power system and contribute to the continuation of a stable supply of electricity.

Kobe Power Plant

Moka Power Plant

Providing Materials and Machinery That Meet Needs

In response to changes in the world, our Group provides products that meet the needs of society and customers.

Materials Products

1 Low-CO_2 materials

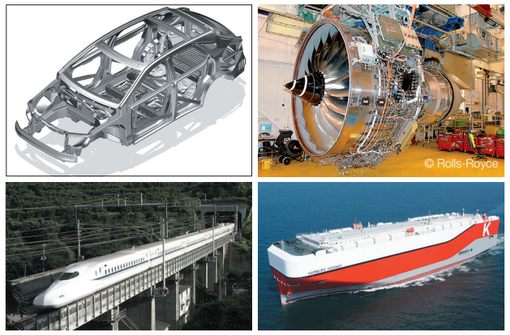
Our Group is working to provide low-CO_2 materials to meet the social demand for carbon neutrality. In May 2022, we commercialized Kobenable® Steel, Japan's first low-CO_2 blast furnace steel product (according to Kobe Steel's survey). Kobenable® Steel is currently being used in various applications, including automobiles, construction, and vessels.

We are also working to provide aluminum products that use green aluminum materials. While working to reduce CO_2 emissions in our manufacturing processes, we have begun supplying automakers with aluminum sheets, aluminum extrusions and fabricated products, and aluminum forged suspensions made with green aluminum raw materials, which were produced with less CO_2 emissions in the raw material refining process. Kobe Steel collaborated with a can manufacturer, beverage manufacturer, and trading companies to design and manufacture cans made of green aluminum for a limited edition alcoholic beverage product.

Aluminum cans made of green aluminum

2 Eco-friendly products

In addition to providing low-CO_2 materials, our Group also provides wire rods and steel bar products that can shorten or eliminate the heat treatment process, reducing CO_2 emissions in customers' manufacturing processes, as well as lightweight materials such as high-tensile strength steel for automobiles and wire rods for automotive valve springs, which contribute to energy savings in customers' products. By offering these lightweight materials, we can assist the weight reduction of automobiles, aircraft, vessels, railway rolling stock, and other mobility equipment, while also improving fuel efficiency and reducing electricity costs. All of these contribute to the reduction of CO_2 emissions in society at large.



3 Welding materials and welding systems

Our Group is an integrated welding manufacturer with technologies in welding consumables, welding robots, equipment, and power sources, and welding processes. We are working on welding solutions that solve customer issues with a wide variety of welding consumables and welding systems that automate welding processes and improve the quality of welding.

Manufacturing industries that require welding are facing labor shortages and skill transfer issues as the working population declines. The Group's welding solutions help reduce welding workloads and eliminate labor shortages by automating welding processes and enhancing its operational efficiency, ensuring consistent welding quality, and offering support systems for peripheral processes such as inspection processes and production management tools.

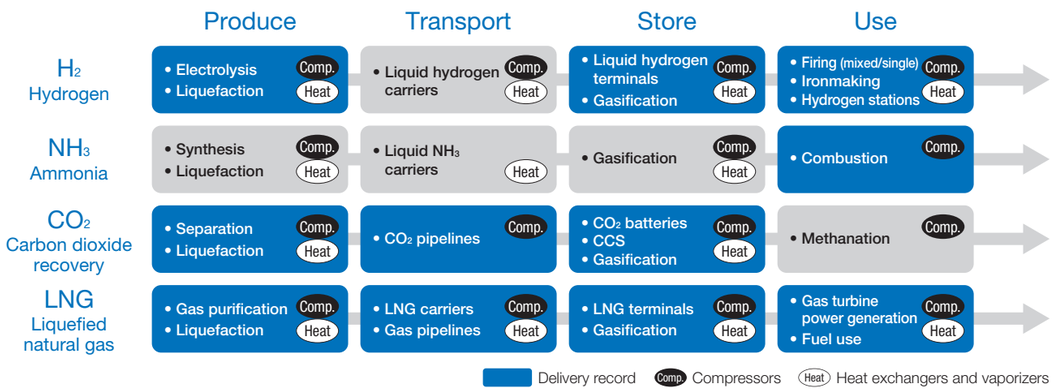
Robotic welding systems for steel frames

Ensuring Safety and Security in Community Development and Manufacturing

Machinery Products

1 Machinery Business

Currently, the energy market is undergoing a transition to green energy. Future projections indicate an increase in demand for hydrogen and ammonia as carbon-neutral energy sources, alongside liquefied natural gas (LNG). Our Group's compressors, heat exchangers, and vaporizers are used in the production, transportation, storage, and utilization of energy, contributing to the progress of the energy transition.



Heat exchangers and vaporizers

Non-standard compressors

Standard compressors

2 Engineering Business

Our engineering business's MIDREX® Process (direct reduction ironmaking method) has garnered global attention, due to its potential to reduce CO_2 emissions from the ironmaking process. MIDREX® technologies and plants have been supplied and utilized in various locations around the world. In addition to the existing process (MIDREX NG™), we offer MIDREX H2™, which uses 100% hydrogen as a reducing agent, and MIDREX Flex™, which flexibly replaces natural gas with hydrogen up to 100%, enabling us to provide solutions tailored to the stage of hydrogen introduction in each region. As an initiative utilizing the MIDREX® Process, we are also looking into commercializing the supply of low-CO_2 iron metallics.

Kobelco Eco-Solutions Co., Ltd. is promoting initiatives aimed at energy transition in various fields, such as conversion of sewage sludge and food waste into fuel for power generation and waste-to-energy. The company is also working to build a resource recycling system by chemically recycling waste plastics that were previously discarded. In addition, efforts are being made to expand sales of High-purity Hydrogen Oxygen Generator (HHOG) and develop new products. These aim to promote the utilization of hydrogen, a promising next-generation energy source, and realize a low-carbon society.

3 Construction Machinery Business

To contribute to the diverse needs from construction sites, Kobelco Construction Machinery Co., Ltd. is promoting various initiatives to offer DX and GX solutions aimed at realizing a "workplace where anyone can participate."

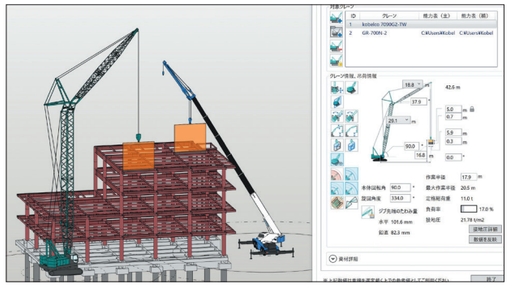
One example is K-DIVE®, a site improvement solution that uses a heavy machinery remote operation system and operation data. K-DIVE® addresses difficulties that our customers face, such as the hazardous working conditions in the construction industry, work and construction management that requires the experience and judgment of skilled workers, and the worsening labor shortages. The system features a feedback function that simulates the tilt and vibration of heavy machinery, as well as remote operability that closely resembles the on-site operation of an actual machine. Since its launch in December 2022, K-DIVE® has attracted the attention of a diverse array of customers, such as metal recycling and industrial waste companies, construction and civil engineering companies, and more, and some of them have decided to use the full-scale service. The company will continue working to provide functions and value that reflect the needs of customers.

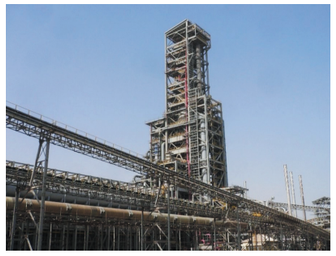
Another example is K-D2 PLANNER®, a Revit add-in simulation software that supports the formulation of optimal crane construction plans. This is a solution that assists crane construction planning using 4D information with time series, serving as the starting point of "a world of digital twins where construction proceeds as planned." In addition to customers who use construction machinery, we provide services to a wide range of customers, including general contractors, plant construction, bridge construction and civil engineering companies, among others.

K-D2 PLANNER® offers a wide range of functions that only a construction machinery company can provide. The user can calculate the numerical values required for preparing crane construction plans and create drawings. It prevents rework at the site, while also contributing to promoting work style transformation, which has recently been a hot topic in Japan. K-D2 PLANNER® became commercially available in April 2023, and in May 2024 it was renewed to cover the machine models of four domestic crane manufacturers as a standard feature, boosting the adoption at an increasing number of construction sites. Currently, the company has received inquiries from nearly 150 companies looking to adopt the software.

K-DIVE®, a site improvement solution that uses a heavy machinery remote control system and operation data

K-D2 PLANNER®, crane construction planning support software




MIDREX® Process

Waste treatment-related businesses

Water treatment-related businesses

Providing Solutions for the Future Connecting People and Technology

We will advance the digitalization of production sites and office operations as we promote efficient production activities. Leveraging our diverse human resources and technologies, we will create new value and provide solutions to the needs of society.

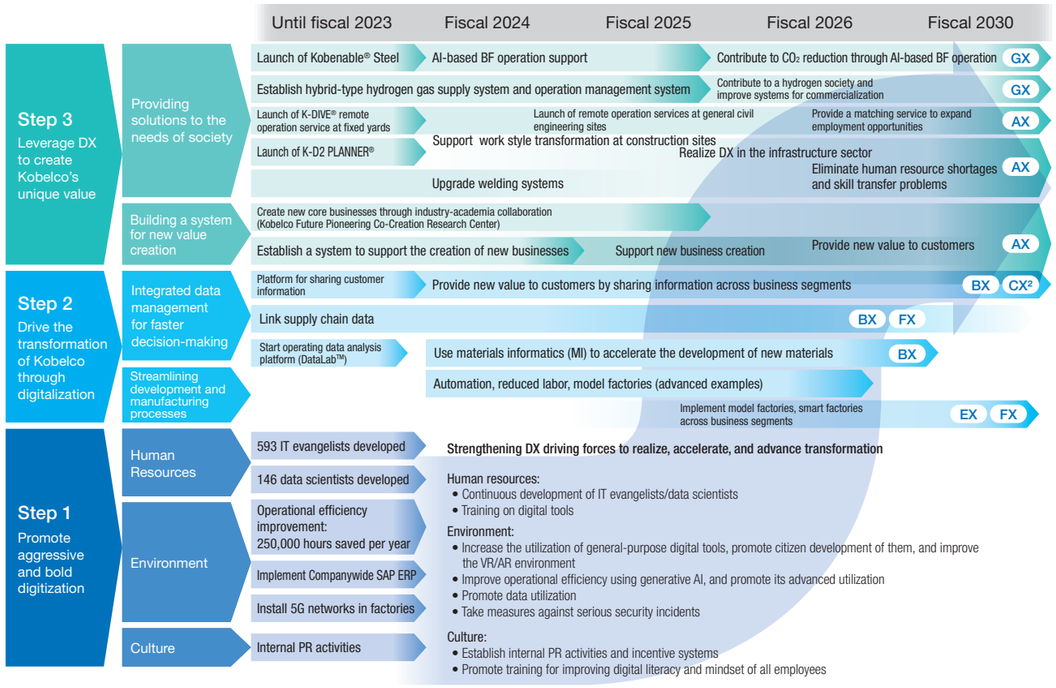
Main Monitoring Indicators

13	Manufacturing and operational transformation through digitalization (DX)	Employee awareness survey results on DX
14	Integration and innovation of diverse intellectual assets	Number of ideas for new businesses

Kobelco Group's Basic Policy on DX Strategy

Our Group aims to continue to be indispensable to our customers and society, even in the face of an unpredictable and ever-changing business climate. Kobelco-X is an initiative that we are working on to attain this aim with involvement of all Group members. Kobelco's digital transformation (DX) strategy is to realize, accelerate, and advance customer experience transformation (CX^2), employee experience (EX), factory transformation (FX), and business transformation (BX) aimed at strengthening sustainability management through the use of digital technology and data, driving forward ambidexterity (AX) and green transformation (GX), which are the two pillars of our business strategy that enhance our efforts to provide solutions to the needs of society and create new value.

We will carry out our DX strategy in three steps: In Step 1, we improve our DX promoting capabilities, focusing on "human resources" to advance DX, "environment" to boost our strength through the deployment of digital tools and data, and "culture" to promote and support transformation. In Step 2, we realize transformation through digitalization. And in Step 3, we pursue Kobelco's uniqueness by leveraging the various resources obtained in Step 1 and Step 2, as we aim to provide solutions to the needs of society and create new value.



DX Initiatives

STEP 3

Leverage DX to create Kobelco's unique value

We will contribute to our customers and society by helping their transformation through Kobelco Group's diverse technologies combined with digital technologies.

For example, Kobe Steel's low-CO_2 blast furnace steel product Kobenable® Steel was developed using its AI-based BF operation technology, while the hybrid-type hydrogen gas supply system is currently undergoing verification and enhancement of digital solution technologies, including remote monitoring and operation management systems, as part of demonstration tests that began in 2023. By utilizing these technologies, we aim to contribute to a green society.

We are also addressing the challenges at construction sites, such as improving safety, alleviating labor shortages, and improving operational efficiency, through new businesses, including K-DIVE®, a heavy machinery remote operation system, and K-D2 PLANNER®, a crane construction planning support software released in 2023.

K-DIVE®, heavy machinery remote operation system

STEP 2

Drive the transformation of Kobelco through digitalization

To deliver new value to our customers, we launched a Companywide cross-divisional project—the Customer Experience Transformation Project—to build a platform for sharing customer information, and made it available throughout the Group. This system utilizes the information assets gathered from Kobelco Group's diverse business domains, enabling us to more accurately understand the needs of our customers.

DataLab™, our patented data analysis platform, is increasingly being used in manufacturing, thereby improving the efficiency of equipment diagnosis and facilitating materials development.

Through these transformation initiatives, we will provide solutions to the needs of society and create new value.

STEP 1

Promote aggressive and bold digitization

In order to enhance our capabilities of driving DX, we are making Companywide efforts in each area of human resources, work environment, and organizational culture.

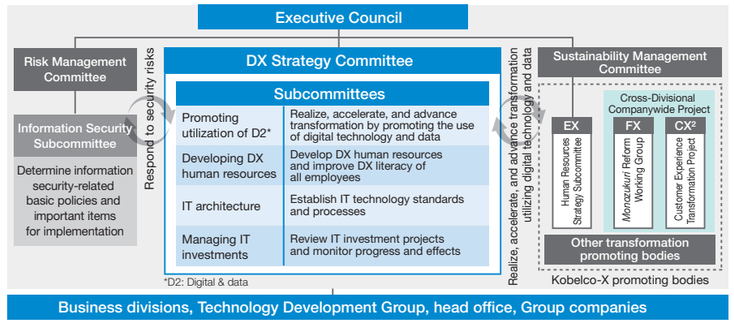
In terms of human resources development, as of the end of fiscal 2023, we have trained 593 IT evangelists who drive digitalization to improve operational efficiencies and 146 data scientists who are experts in data analysis.

In terms of work environment, we have completed the renewal of our enterprise resource planning (ERP) system aimed at achieving data-driven management. In addition, by promoting the use of digital tools such as no-code and low-code tools, we saved 250,000 working hours per year by the end of fiscal 2023, achieving our fiscal 2025 target ahead of schedule. Along with these, we are proactively introducing the latest technologies, such as ChaChat KIKoCa, a general-purpose generative AI for internal use with security ensured and the use of the metaverse at recruitment events. We are also utilizing new technologies to dramatically improve the efficiency of specific operations and test the use of VR spaces.

In terms of organizational culture, we will continue working on internal PR activities, as well as promoting training for improving the digital literacy and mindset of all employees, including executives, and strengthening incentive systems.

Companywide DX Promotion Structure

The DX Strategy Committee, formed as an auxiliary body to the Executive Council, is promoting Groupwide DX initiatives with a new structure of subcommittees in order to realize, accelerate, and advance the transformation of the Group into a more appealing company through the use of digital technology and data under Kobelco-X.



Providing Solutions for the Future Connecting People and Technology

Integration and Innovation of Diverse Intellectual Assets

Shinji Miyaoka
Director, Executive Officer
Oversees the Business Development Department

In April 2024, we made organizational changes to steadily implement the Medium-Term Management Plan (Fiscal 2024–2026). Taking on the challenge of carbon neutrality is one of the priority issues under the plan, as well as one of the Kobelco-X initiatives, green transformation (GX). In this effort, we require a coordinated, Companywide technology strategy that looks to 2050. With that aim, we have formed the Carbon Neutrality Technology Study Group under the GX Strategy Committee, which is an auxiliary body to the Executive Council, to formulate and promote medium- to long-term strategies for carbon-neutral technologies. Another medium- to long-term Companywide issue is the risk of labor shortages at manufacturing sites. To tackle this issue, we have formed the *Monozukuri* Reform Working Group as a Companywide cross-divisional organization. The working group will advance Companywide factory transformation (FX), including creating smart factories to address labor shortages and exploring solutions to production issues.

In order to systematically promote such a Companywide technology strategy with a medium- to long-term perspective, we have formed the Technology Strategy & Planning Department at the head office. The department took over the Companywide technology development functions from the Business Development Department and the functions to enhance *monozukuri* (manufacturing) capabilities from the Quality Management Department. It also takes on the steering function of Groupwide cross-divisional organizations such as the Carbon Neutrality Technology Study Group and the *Monozukuri* Reform Working Group, as described above. We believe that we can achieve more effective results by tackling difficult issues that need to be addressed over the medium to long term, across business divisions. In addition, we reorganized the Business Development Department at the head office by transferring the Companywide technology development functions to the Technology Strategy & Planning Department, clarifying that its main role is to create new businesses.

One of the two priority issues under the current Medium-Term Management Plan is to enhance earning power while pursuing growth. We also have positioned our "ambidextrous management" that focuses on both enhancing existing businesses and exploring new business opportunities as one of the two pillars of our business strategy under Kobelco-X. The Business Development Department is responsible for promoting these efforts. While the search for new business opportunities will also be undertaken by each business division as a way to pursue growth, the Business Development Department plays its part in creating new businesses in new domains that are not covered by existing businesses by providing support to business divisions and integrating diverse intellectual assets that demonstrate Kobelco's unique value across business divisions.

One example of these intellectual assets is the diverse and superior technologies that the Group has cultivated over nearly 120 years since its founding across a broad range of fields including steel, aluminum, advanced materials, welding, machinery, engineering, construction machinery, and electric power. Considering the nature of the assets, it is critical to tackle challenges that arise during the search for new businesses not only on the business division level but also through the effective use of technologies that are integrated across business segments.

On the other hand, to make the best use of our technology, we need to understand societal challenges and customer problems from a broad and medium- to long-term perspective. In this regard, we believe that we can contribute by leveraging the diverse array of business domains in which we have been engaged. As a corporate group that operates in both the materials and machinery businesses, we are capable of comprehending the markets and needs from diverse perspectives, even when dealing with the same customers and market. We believe that the strength of the Kobelco Group, namely Kobelco's unique value, is exemplified by its capacity to recognize new business opportunities from a broad range of perspective that encompasses both technology and market.

One such initiative illustrating Kobelco's unique value is the hydrogen-related business under study. In the machinery business fields, we are a "producer" of hydrogen or hydrogen provider, while in the materials business fields, we are a "user" of hydrogen. Taking advantage of this, we can explore commercial opportunities from both sides. To make use of such capabilities that our Group possesses, we have formed the Hydrogen Working Group, which spans business divisions, to investigate new businesses in the hydrogen-related field, as we recognize the transition to a carbon-neutral society as an opportunity. The hybrid-type hydrogen gas supply system is an outcome of these efforts, and we are currently conducting technical verification and feasibility studies.

Our aim is to generate numerous innovative business concepts leveraging Kobelco's unique value. From the perspective of CX^2 (a transformation initiative under Kobelco-X), our customers are considered as Kobelco Group's customers, rather than customers of individual business divisions. In addition, in the Customer Experience Transformation Project, we introduced a Companywide sales force automation (SFA) system and began sharing customer information throughout the Company. This enables us to search for new business opportunities based on shared customer information and promote the expansion of new business areas with a focus on a specific business domain (market).

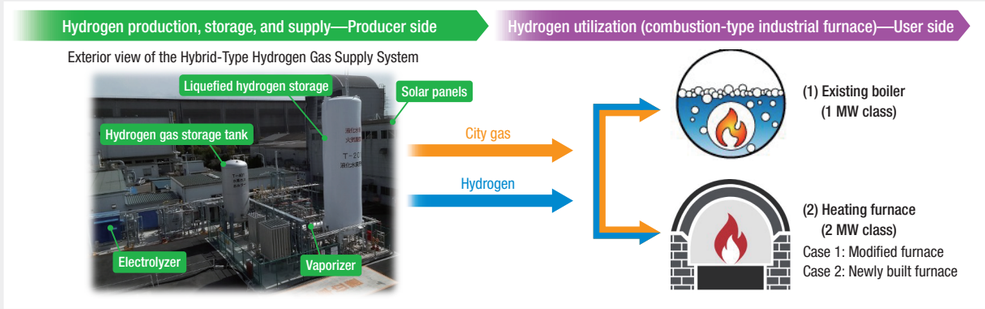
Hybrid-Type Hydrogen Gas Supply System

Machinery × Engineering × Advanced Materials
From the standpoint of a "hydrogen producer," we started the operation of the hybrid-type hydrogen gas supply system at Takasago Works (Hyogo Prefecture) in March 2023, and various element tests are ongoing. The system combines the distinctive products and technologies of respective business divisions and affiliates as follows.

(1) Cryogenic liquid hydrogen vaporizer under development, utilizing the machinery business' core technology of the Intermediate Fluid Vaporizer (IFV)
(2) High-purity Hydrogen Oxygen Generator (HHOG), developed by Kobelco Eco-Solutions Co., Ltd.
(3) Operation management system that monitors and controls hydrogen production and feed, utilizing the technological resources of the engineering business

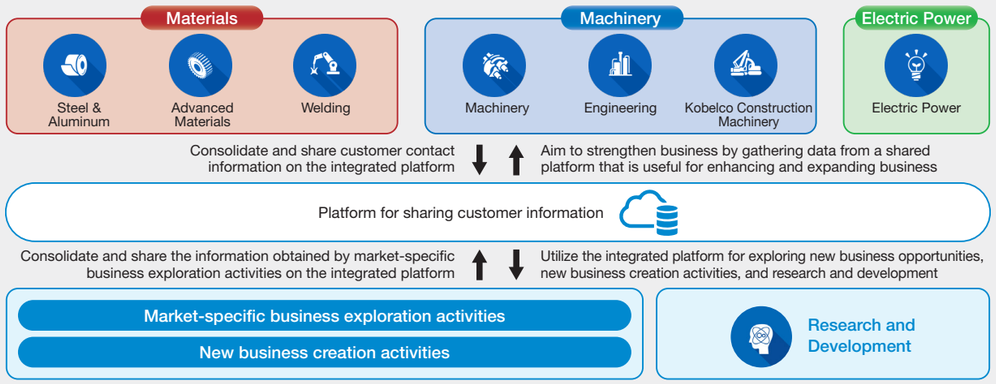
From the standpoint of a "hydrogen user," the Advanced Materials Business, together with the hydrogen producing team, jointly started a demonstration test to promote decarbonization in stages while considering economic efficiency, using a boiler and heating furnace (modified or newly built) on a scale similar to those used in many factories.* In fiscal 2023, we started a co-firing test with hydrogen and city gas (natural gas) using an existing boiler and gained various new insights. Going forward, we will continue demonstration tests aimed at commercialization in fiscal 2030, as we work to create and provide optimal solutions demonstrating Kobelco's unique value, which will serve both the hydrogen producer and user. In addition, the demonstration facility has attracted over 1,000 visitors from Japan and abroad who are interested in hydrogen over a period of around 12 months. Consequently, we are also utilizing the facility for marketing purposes, such as collecting customer feedback.

Configuration of hydrogen utilization demonstration facilities in operation at Takasago Works



* The demonstration of the system is partly supported by the New Energy and Industrial Technology Development Organization (NEDO) as part of the Development of Technologies for Realizing a Hydrogen Society project.

Customer Experience Transformation Project (CX^2)



Promoting Active Participation of Diverse Human Resources

With the aim of becoming a company in which diverse human resources can demonstrate their individual abilities to the fullest, we will reform our work environment and organizational culture. We will fully support the growth of all employees and support the development of their skills, while also proactively advancing work style transformation such as eliminating long working hours and encouraging employees to take days off.

Main Monitoring Indicators

15	Enhancing organizational diversity	Percentage of women in new graduate hires for career-track positions
16		Percentage of women in new graduate hires for general technical positions and their turnover
17		Number of female managers
18	Creating a work environment where employees can play active roles	Percentage of male employees taking paternity leave or special leave for childcare
19		Number of annual paid leave days taken
20	Encouraging the growth and initiative of every employee	Instilling the Group Corporate Philosophy
21		Improving and expanding employee training

For information on our human resources strategy, please see Kobelco Group Human Resources Strategy on p. 52.

For more information on our initiatives, please see Human Resources and Work-Life Balance on pp. 58–68 of ESG Data Book 2024.

Enhancing Organizational Diversity

Our Group is strengthening D&I development based on its D&I Basic Policy in order to realize a work environment where diverse human resources can play active roles.

Vision for the Future

Creating a work environment where diverse human resources can all play active roles

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

Basic Policy

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

Stimulating Cross-Organization Communication

Lunchtime Sessions

We hold online seminars once a month as a forum to learn about careers and D&I, inviting leaders from both within and outside the Company. Since the launch of this initiative in 2021, 36 sessions have taken place. We have had a diverse array of speakers, including Kobe Steel's executives, outside leaders, male employees who have taken childcare leave, employees with disabilities, and people who have struggled with illness. President and CEO Katsukawa spoke at the first session of fiscal 2024. He shared his thoughts on the development of D&I, as well as his personal life and other topics.

President and CEO Katsukawa talked at a lunchtime session.

Kobelco Group D&I Forum

In December 2023, we held a Kobelco Group D&I forum to provide employees with the opportunity to learn about, understand, and experience D&I, as well as to encourage them to take action on their own.

The program began with a keynote speech about D&I, followed by a panel discussion on the importance of D&I development and the expected outcomes, a wheelchair experience session, and a movie screening.

Wheelchair experience session

Panel discussion by presenters and the executive officer responsible for human resources

Diversity Network

Diversity Network (DNW), launched in fiscal 2021, is a grassroots activity by members who wish to improve D&I issues in the workplace. To realize the vision for the future, the DNW addresses a theme over a two-year period, beginning with assessing the current situation and progressing to the implementation of measures.

The DNW won several Kobelco Core Values Awards* in fiscal 2023, the third year since activities began.

* An initiative to commend activities that exemplify the Group Corporate Philosophy and contribute to promoting the implementation of the philosophy. For more information, please see Core Values of KOBELCO—Next 100 Project on p. 57.

Members who won the Kobelco Core Values Award Grand Prix for creating a barrier-free map.

Themes Addressed by DNW

- Support to facilitate everyone's participation
- Improving internal D&I awareness
- Active participation of mid-career hires
- Active participation of non-Japanese employees
- Active participation of female employees
- Active participation of employees with disabilities
- Active participation of technical employees
- Active participation of administrative employees

Grand Prix

Kobelco Barrier-Free Map

The team created a user-friendly barrier-free map that enables people with disabilities to visit our Kobe Head Office safely.

Special Award

Invigorate the Organization by Improving Internal D&I Awareness

Members from different departments worked together to arrange and organize a wheelchair experience session and the first D&I forum for Group companies.

Promoting Women's Participation in the Workplace

Networking Session for Female Employees in Technical Fields at Three Manufacturing Companies Based in Kobe

Since fiscal 2023, Kobe Steel has collaborated with Kawasaki Heavy Industries, Ltd., and Sumitomo Rubber Industries, Ltd., to hold networking sessions for female employees in technical positions with the aim of empowering women in technical fields to enrich their work and life. Each time, over 100 women participated, and we received feedback such as, "I had a valuable experience talking with women who are involved in technical work at other companies," "I empathized with the stories of women who have overcome the same problems, which motivated me," and "I discovered that I have career options." We will continue to work to create a workplace that encourages female employees in technical fields and highlights the significance of manufacturing companies in Kobe.

Participants from each company actively shared their views.

Panelists from each company discussed careers on stage.

Promoting Active Participation of Diverse Human Resources

Support for Employees with Disabilities

Universal Manners Test Grade 3 Qualification Obtained by Nearly 1,000 Executives and Managers

Reasonable consideration for all individuals with disabilities is now mandatory as a result of the amendment to the Act for Eliminating Discrimination against Persons with Disabilities. In response to this, we are encouraging all executives and employees to take the Universal Manners Test Grade 3 course, which teaches the concept and the appropriate way to interact with people with disabilities. This will also help us develop a diverse organizational culture by acquiring the perspective of others.

Promoting Understanding for the LGBT Community

Rainbow Flag Distribution Event

Since 2021, we have been implementing activities to increase LGBT allies* and create an environment where everyone, including LGBT individuals, can feel safe and secure. During this event, we distributed around 3,000 rainbow flags and fliers offering basic information on LGBT issues to spectators attending a KOBELCO KOBE STEELERS match to urge their understanding. In recognition of Kobe Steel's efforts in this event, we won the Best Practice award in Pride Index 2022.

Handing out rainbow flags at a rugby match

* An Ally is a person who acts proactively for LGBT issues as one's own matter.

Encouraging the Growth and Initiative of Every Employee

Self-Directed, Self-Driven Human Resources Development

We have introduced an educational video library containing over 10,000 titles which employees are free to select for self-directed, self-driven human resources development, alongside the existing training for new employees and stratified training. With an increasing number of users, positive interaction is taking place among users, fostering more autonomous learning habits.

To encourage efficient learning, we have also introduced a learning management system (LMS), which integrates the management of employee learning records and learning materials.

Self-Directed, Self-Driven Training

GLOBIS 学び放題

udemy business™

Frequently Viewed Courses in Fiscal 2023

	Courses
1	Critical Thinking Part 1 (Logical Thinking)
2	Presentation Skills
3	Facilitation
4	Critical Thinking Part 2 (Problem Solving)
5	Five Tips for Overcoming Work Challenges through Logical Thinking

Onboarding Initiative for Mid-Career Hires

Mid-career hires comprise approximately 25% of the Company's managers and career-track employees. We have been expanding the training system since fiscal 2023 to facilitate onboarding of mid-career hires.

We provide opportunities for mid-career hires to settle in and actively participate in the workplace based on their growth; immediately after joining the Company; after three months, and after 12–18 months. Such opportunities include introducing the Company's businesses and Groupwide initiatives, lectures on how to adapt to a new organization, panel discussions by senior employees, and internal network building via production site visits.

Training Programs for Executives of Overseas Group Companies

To develop and expand our Group's overseas business, it is important to facilitate opportunities for executives of overseas Group companies to have a deeper understanding of the Group Corporate Philosophy and increase their mutual understanding and interaction as Group members. In line with this approach, the Kobelco Group has held the Kobelco Global Session (KGS), a training program for overseas executives, on a continuous basis since fiscal 2011.

The KGS includes plant tours to foster a deeper understanding of the latest technologies in Japan and programs to improve leadership skills. We expect that the participants will develop an awareness as global leaders through interactions with Japanese executives.

We will continue to strengthen global management while sharing our values and aiming for mutual cooperation with the human resources who support the Kobelco Group in various countries and regions.

Kobelco Global Session 2023 attended by 20 executives from nine countries.

Job Assignment That Brings Employees' Enthusiasm for Growth and Ambitious Initiative

From the perspective of revitalizing the organization, developing employees, and encouraging autonomous career development, we promote the placement of the right person in the right position beyond the boundaries of business fields and job types.

In addition to Company-led placement, we have established a career self-development system that allows employees to apply to the department of their choice in order to provide opportunities for employees to autonomously develop careers, learn, and grow.

Career Self-Development System (Internal Recruitment System)

1	Application for a specific position	Departments recruit personnel internally.
2	Application for a specific position with Plus One	Departments recruit personnel internally. Employees engage in the work of the recruiting department while belonging to their current department.
3	Self-driven application for a division of choice	Employees apply to move to a desired organization or division of their own initiatives.

Voice of Employee who Has Used the System

Osaka Sales Section, Aluminum Flat Rolled Products Sales Department, Aluminum Flat Rolled Products Unit, Steel & Aluminum Business

After joining the Company, I worked in the production management and sales divisions, and I was seeking to obtain a more comprehensive understanding of the Company to expand my career horizons.

I utilized the Plus One career self-development system to apply for a specific position in the Recruitment & Training Group of the Human Resources Department, as I had a desire to contribute to the recruitment and retention of human resources.

Initially, I encountered difficulty in managing my primary role and concurrent tasks in this position. However, after engaging in a job hunting seminar as a staff member, I realized how I was contributing to the Company's recruitment activities as the person in charge of updating the recruiting page on the website, among other responsibilities. It also gave me a great chance to reflect on what type of job I aspire to pursue in the future and what kind of work style I would like to have, while drawing on my own experience.

I believe that the most appealing aspect of the career self-development system is that it allows us to attempt something new on our own initiative and map out our career path.

Promoting Active Participation of Diverse Human Resources

Creating a Work Environment Where Employees Can Play Active Roles

Since fiscal 2015, our Group has been working on a variety of efforts to improve productivity and create a healthy and fulfilling work environment.

Promoting Flexible Work Styles

We are moving forward with various measures such as promoting a hybrid work style of telework and work in the office, introducing a new leave system to expand support for work-life balance (Kobelco Life Support Leave), eliminating core time in the flextime system and promoting the use of digital tools.

Establishing a Healthy Work Environment

As telework and online meetings have become more common, we are rearranging the office space in stages.

At the Kobe Head Office, we are removing walls between departments and are also getting creative with desk arrangements, based on the theme of an office where communication occurs naturally. We have also set up solo workspaces to provide a productive work environment.

Rearranged layout of the Kobe Head Office

Addressing diversifying work values

Employees' values about work styles have diversified, and in particular, there has been a change in their attitudes toward relocation. Against this background, we are implementing measures to lessen employees' unwillingness to relocate and the burden it places on them, in an effort to create an environment where employees can work with greater peace of mind.

Measures to reduce the frequency of relocation	Measures to reduce the burden on relocating employees
• Formulation of guidelines on requirements for reducing the frequency of relocation • Permission for long-distance commuting (by Shinkansen and limited express train)	• Increased financial assistance for relocation (unaccompanied transfer allowance) • Broadened scope of permission for telework

Pursuing Governance That Supports Sustainable Growth

We recognize that corporate value encompasses not only business results and technological capabilities but also the stance on social responsibility to all stakeholders who are involved in our business activities, including customers, business partners, shareholders and investors, members of local communities, and employees. We believe that working earnestly to improve all of these factors leads to the enhancement of corporate value. We will strive to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities.

Main Monitoring Indicators

22	Compliance and risk management	Whistleblowing system usability
23	Human rights	Companies implementing human rights due dilligence
24	Safety and health	Lost time injury frequency rate
25	Quality assurance	Percentage of business sites certified under the Quality Guidelines
26	TQM	Kobelco TQM practical management program completion rate

Risk Management

Please see Risk Management on pp. 91–92 of ESG Data Book 2024.

Basic Policy

In accordance with the Companywide Risk Management Regulations and referring to the guidance issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as an international standard, we identify factors that hinder the Kobelco Group's sustainable development and enhancement of corporate value and take measures to address them. As targets for Companywide risk management, we have designated risks that have a material impact on the Group and stakeholders and require a Groupwide response as Top Risks and Significant Risks. These Top Risks and Significant Risks include ESG risks such as human rights, safety management, climate change, and natural disasters.

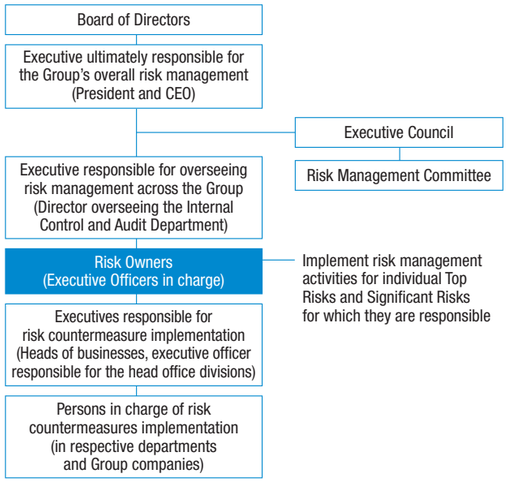
Classification and Definition of Risks

Risk Classification	Definitions
Top Risks	Of Significant Risks, risks that are likely to have a material impact if they materialize
Significant Risks	Risks that have a material impact on the Group and its stakeholders
Risks identified by each department/company	Risks identified by each department/company, excluding Top Risks and Significant Risks

Management Structure

The president and CEO is the person ultimately responsible for the Group's overall risk management, and the director who oversees the Internal Control and Audit Department is the person responsible for overseeing risk management across the Group. Meanwhile, individual risks are managed by the Risk Owners as the persons responsible for Groupwide management activities of each risk, and the countermeasures to these risks are implemented by the heads of businesses and the executive officer responsible for the head office under a risk management system that encompasses the entire organization. The Risk Management Committee has been established as an auxiliary body to the Executive Council. The committee undertakes tasks such as formulating and evaluating basic policies concerning risk management in general, planning specific policies concerning important issues in risk management, and approving and evaluating action plans for measures to reduce Top Risks and Significant Risks. The person responsible for overseeing risk management across the Group is appointed as the committee chair and all of the Risk Owners are appointed as committee members. The status of the activities of the Risk Management Committee is periodically reported to the Execu-

Management Structure

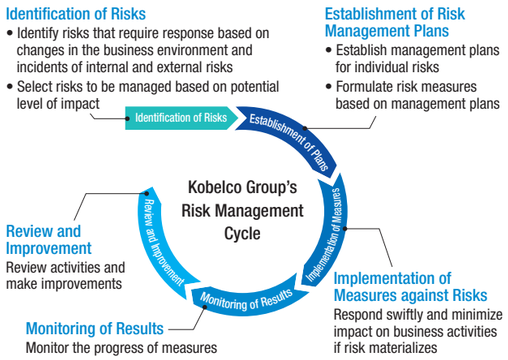


Pursuing Governance That Supports Sustainable Growth

tive Council, and instructions are given to the Risk Owners based on the results of discussions at the Executive Council. The risk management system, headed up by the president and CEO, is operated independently from the Audit & Supervisory Committee.

Under the direction of the Risk Owners, the management of individual risks is carried out by the person in charge of risk countermeasures implementation in each division in the following cycle: identifying risks, formulating risk management plans, implementing the plans, assessing results, and identifying required improvement for the following fiscal years. To ensure the effectiveness of activities, the Board of Directors manages and supervises activities to address Top Risks and Significant Risks, including ESG risks. They review the annual results of activities in respective business divisions for the improvement of the plans for subsequent fiscal years. This approach to risk management is also actively employed at Group companies as a Groupwide initiative.

In the event of an urgent and serious risk of loss with respect to risks including Top Risks and Significant Risks, we will appropriately communicate information and make decisions according to internal rules based on the Contact System in Case of Risk Occurrence and take appropriate measures to minimize damage.



Compliance

Based on the Group Corporate Philosophy, the Kobelco Group has positioned compliance as one of the key components of the business foundation that supports its business and is working to build organizational structures and implement initiatives as outlined below.

Please see Compliance on pp. 87–90 of ESG Data Book 2024.

Compliance Code and Standards

Under the Group Corporate Philosophy, the Kobelco Group has established the Six Pledges of KOBELCO that constitute its specific code of conduct to be implemented by all members of the Group in day-to-day operations in order to fulfill the Core Values of KOBELCO, which are the values that should be shared throughout the Group. We have created guidelines to facilitate the correct understanding of applicable laws and regulations as well as social norms relevant to our business operations. Each and every person, regardless of whether they are directors/executive officers or employees, will practice the Six Pledges of KOBELCO in accordance with the guidelines.

Compliance Structure

Kobe Steel has formulated its Compliance Regulations that set out basic matters related to its compliance system, operations, etc., based on the Group Corporate Philosophy.

(1) Compliance Committee

The Company has established the Compliance Committee as an advisory body to the Board of Directors. The committee drafts plans for Groupwide compliance activities, monitors the progress of the plans, and makes necessary revisions and improvements. The committee is comprised of the president and CEO, two other internal members, and four external members constituting a majority to provide a fair and impartial position, with one of the external members serving as the committee chair. Major Group companies have also established their own compliance committees.

(2) Kobelco Group's Compliance Program

The compliance activity plans are implemented based on the Kobelco Group's Compliance Program. The Internal Control and Audit Department of Kobe Steel carries out the program in coordination with its business divisions and Group companies under the supervision of the director/executive officer overseeing Companywide compliance and the executive officer responsible for Companywide compliance.

The Kobelco Group's Compliance Program consists of five pillars: (1) Commitment and Risk Assessment, (2) Setting Rules and Procedures and Securing Resources, (3) Training and Communication, (4) Monitoring and Response to Reports, and (5) Review and Improvement. By assessing the progress of the compliance activities of the Company and its Group companies with a focus on these five items and implementing them considering the characteristics of respective businesses and regions, we will implement comprehensive and effective compliance activities throughout the Group.

Kobelco Group's Compliance Program

- Commitment and Risk Assessment
- Setting Rules and Procedures and Securing Resources
- Training and Communication
- Monitoring and Response to Reports
- Review and Improvement

Compliance Initiatives

Our compliance activities include communicating the top management's commitment to compliance on a regular basis, creating various manuals, providing compliance training, establishing and operating the whistleblowing system, and conducting regular compliance awareness surveys.

Message from Independent Director (Compliance Committee Chair)

In recent years, there have been numerous incidents of misconduct in large companies. A lack of psychological safety and ineffective whistleblowing systems have been identified as factors that discourage individuals from reporting potential fraud. In order to prevent potential fraud and detect such signs at an early stage, it is imperative to establish a workplace environment that ensures psychological safety and an effective whistleblowing system. The annual compliance and employee awareness surveys conducted by Kobe Steel include questions pertaining to these matters. In particular, with a focus on the "usability" of the whistleblowing system, the Company analyzes the survey results and uses them to improve the system, while working to improve the percentage of positive responses as a Materiality indicator/target. From the aforementioned perspectives, the Company's efforts in this field are regarded as highly significant. I believe it is essential to promote similar efforts to Group companies in Japan and overseas.

Kunio Miura
Independent Director

Human Rights

Please see Human Rights and Labor on pp. 49–50 of ESG Data Book 2024.

Human Rights Initiatives
(Promoting Human Rights Awareness)

As a corporate group that operates globally, the Kobelco Group respects the International Bill of Human Rights adopted by the United Nations and implements initiatives in accordance with international standards. In March 2021, we began participating in the United Nations Global Compact. As a company that endorses the principles of protecting human rights and eliminating improper labor practices, we will continue our efforts to fulfill them and strengthen our initiatives to prevent human rights violations.

Revision of Basic Policy on Human Rights

As global awareness of human rights grows, we examined our Basic Policy on Human Rights and updated it into the Kobelco Group Basic Policy on Human Rights in December 2022, in accordance with the United Nations Guiding Principles on Business and Human Rights. Based on this policy, we are stepping up our efforts to comply with international norms.

Our human rights policy applies to all directors, executive officers, and employees of the Group. In addition, we will work to ensure that this policy is supported and implemented by our Group's business partners, including suppliers.

Human Rights Due Diligence

Based on the identification and evaluation results of potential adverse impact on human rights in our Group business activities, we are working to establish a due diligence process to prevent or mitigate such impacts.

Kobelco Group Basic Policy on Human Rights (Contents)

1. Respect for International Norms and Standards
2. Scope of Application
3. Compliance with Applicable Laws and Regulations
4. Training
5. Human Rights Due Diligence

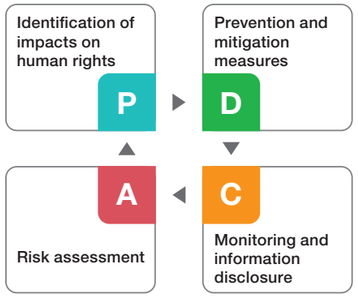
Appendix (Human Rights Issues)

1. Elimination of Forced Labor
2. Elimination of Child Labor
3. Prohibition of All Forms of Discrimination
4. Respect for Freedom of Association and the Right to Collective Bargaining
5. Appropriate Management of Working Hours
6. Ensuring Adequate Wages
7. Respect for Diversity and Realization of a Comfortable Work Environment
8. Consideration for the Rights of Indigenous Peoples
9. Contribution to the Local Community
10. Supply Chain

In fiscal 2022, Kobe Steel conducted its own risk assessment concerning the identification of human rights issues, risk evaluation, and the identification of impact on human rights. In fiscal 2023, the Company began expanding the scope of risk assessment to include its major domestic Group companies and overseas Group companies. We will strive to establish a human rights due diligence process throughout the Group by examining measures to mitigate the identified human rights risks and disclosing information to our stakeholders.

Pursuing Governance That Supports Sustainable Growth

Human Rights Due Diligence



Human Rights Risk Assessment Results

Fiscal Year	Scope	Identified Human Rights Issues
2022	Kobe Steel	• Occupational safety and health • Harassment • Procurement practices
2023	Domestic Group companies	• Occupational safety and health • Harassment
	Overseas Group companies	• Occupational safety and health • Women's rights • Working hours

Based on the risk assessment results, we identify human rights issues that pose a particularly high risk to human rights for each Group company.

Human Rights Risk Assessment Results and Plan (Number of Group Companies Covered)

Number of companies covered	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026
	Results		Plan		
Domestic	Kobe Steel only	3	33	50	—
Overseas	—	18	12	11	18

Safety and Health

Please see Safety and Health, Health and Productivity Management on pp. 51–55 of ESG Data Book 2024.

The Kobelco Group believes that safety and health are fundamental to business operations and take priority over all business activities. Based on this, we comply with relevant laws and regulations and carry out various safety and health activities to create a vibrant workplace where employees can work safely and securely.

In fiscal 2023, the final year of the Medium-Term Management Plan, we continued our efforts from the previous fiscal year to foster a safety-oriented culture and climate through checking the status of all-hands activities for raising safety awareness and watching out for each other and following up their progress. We also systematically strengthened site audits, including audits of domestic and overseas Group companies.

In fiscal 2024, the first year of Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), we are working to foster a safety-oriented culture and increase awareness for personnel development by communicating the commitment of top management, through their own voice, to employees. Along with this, we are also striving to create an even safer work environment by launching Companywide machine safety and DX initiatives, on which we conducted studies and tests under the previous Medium-Term Management Plan, while continuing to promote ongoing safety efforts to attain safety in regular operations.

Safety Code of Conduct Based on the Core Values of KOBELCO

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

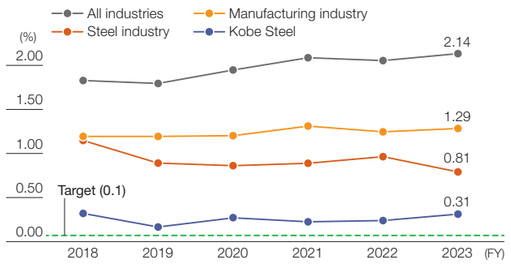
Key Objectives (Fiscal 2024)

- Fatal and serious accidents (involving three or more people at the same time): Zero
- Lost time injury frequency rate (LTIFR): 0.10 or less

Key Activities in Fiscal 2024

- Developing safety-oriented personnel who can check and ensure safety before starting work or taking an action (fostering a safety culture)
- Strengthening safety audits and support for Group companies (domestic and overseas)
- Promoting machine safety
- Safety and health initiatives combined with DX
- Initiative to establish an occupational safety and health management system

Lost Time Injury Frequency Rate



Notes
1. Lost time injury frequency rate (LTIFR) = (Number of injuries requiring absence from work / Number of total hours worked) x 1,000,000
2. Data for all industries, manufacturing industry, and steel industry is based on data from the Ministry of Health, Labour and Welfare, Japan, and calculated on a calendar year basis (January–December).
3. Data for Kobe Steel is calculated on a fiscal year basis (April–March of the following year).

Strengthening Safety and Health Audits and Support for Group Companies (in Japan and overseas)

Kobe Steel conducts safety and health audits for its own as well as its domestic and overseas Group companies. We check the status of management systems, legal compliance, and risk management, and provide support for improvement.

Under the Medium-Term Management Plan (Fiscal 2024–2026), we plan to audit 28 domestic Group companies and 27 overseas Group companies.

Safety and health audit at an overseas Group company

Work Support System Using Biometric Information Detection
(Enhanced measures to prevent heatstroke)

To mitigate the risk of accidents and exacerbation of illness while working alone under the scorching sun and working at night, we began introducing wearable devices at all production locations for early (automatic) detection and prevention of heatstroke. These devices employ a biometric information detection system to predict deterioration in physical condition.

- **Worker monitoring system**
  Sensors are attached to a worker's helmet to obtain vital data from the forehead. When the sensor detects abnormal conditions, the system notifies the worker wearing it, as well as the managing supervisor and nearby workers automatically.
- **Introduction of heatstroke prevention watch**
  The watch gives an alert with sound and light when it detects an increase in core body temperature.

Worker monitoring system

Heatstroke prevention watch

Health and Productivity Management Initiatives

In order to create a healthy work environment with safety and security ensured, we are promoting initiatives aimed at helping employees to maintain and improve their mental and physical well-being as described below. In recognition of our initiatives, we were certified as a 2024 Health and Productivity Management Organization (White 500) for the fifth time, as in the previous year.

Mental Health Initiatives

- Providing counseling rooms staffed by industrial counselors at all of our business locations.
- Creating a healthy workplace environment that considers work engagement based on the results of stress checks.
- Arranging a consultation with industrial physicians to follow up with employees who have reported irregularities in sleep-related questions in the stress check questionnaire. Promoting support for better sleep by developing and distributing educational videos on sleep.

Providing Improved Health Checkups (in cooperation with Health Insurance Association)

- Providing regular blood tests and endoscopic checkups, treatment of Helicobacter pylori.
- Providing checkups at health screening clinics for employees reaching the age of 50 or 60 as well as their spouses.

Activities to Help Employees Maintain and Improve Their Health

- Encouraging health improvement through campaigns to create exercise habits and improve sleep with a focus on walking and good sleep using the health support app "Pep Up."
- Distributing videos on stretching and low back pain prevention exercises on the intranet.

Pursuing Governance That Supports Sustainable Growth

Quality

Please see Quality on pp. 93–94 of ESG Data Book 2024.

Basic Policy

With the highest priority placed on preventing recurrence of the quality misconduct, the Kobelco Group is promoting initiatives to strengthen quality management and improve its quality control process.

From the perspective of our customers and business partners, we aim to achieve quality that is trusted by and brings satisfaction to customers and all stakeholders, while working to instill the Quality Charter, which constitutes a part of the Six Pledges of KOBELCO, among all employees and promoting Kobelco TQM activities.

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.

Companywide Policy on Quality Improvement

- Strengthening the infrastructure that can provide "Trusted Quality"
- Strengthening management capabilities to provide "Satisfying Quality"

Implementation Structure

Quality Management Committee

The Company established the Quality Management Committee in April 2019 as an advisory body to the Board of Directors. The committee's purpose is to monitor and make recommendations on activities to enhance quality management (Kobelco TQM*), including the effectiveness of measures to prevent recurrence of the quality misconduct.

Members of the committee include two internal executives of the Company and three external experts selected by the Board of Directors who have technical or management knowledge on quality control.

* Total quality management: A method of business management for comprehensive quality control. Kobelco TQM aims to strengthen the management of each business segment while identifying legal compliance issues that serve the needs of customers and society and addressing them with the participation of all employees.

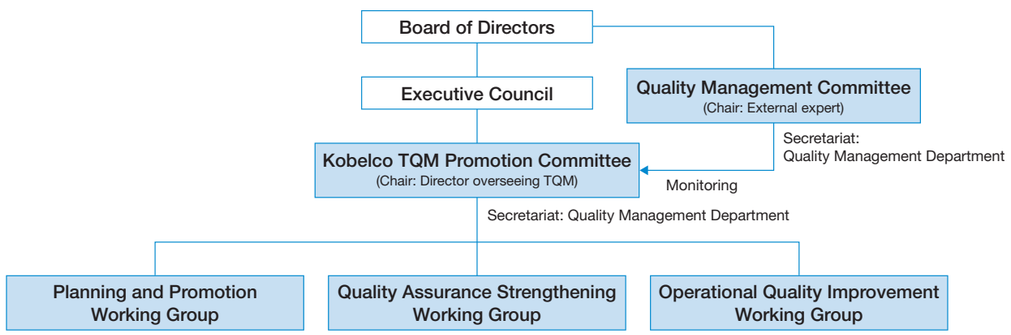
Kobelco TQM Promotion Committee

The Kobelco TQM Promotion Committee was established as an auxiliary body to the Executive Council, taking over the activities of the Kobelco TQM Promotion Meetings under the previous Medium-Term Management Plan.

While improving measures to prevent recurrence of the quality misconduct, the committee will work to improve quality management capabilities by promoting the Kobelco TQM activities, which began in fiscal 2020, and encouraging its practice in daily operations throughout the Group. As Groupwide measures, the committee will work on enhancing middle management, strengthening quality assurance, and improving operational quality through quality control circle (QC circle) activities, as it contributes to achieving the goals of management issues.

The committee, chaired by the director overseeing Companywide TQM activities, consists of 12 members from the head office, business divisions, etc.

The Quality Management Committee monitors the Kobelco TQM Promotion Committee's activities and reports their progress to the Board of Directors. In addition, the TQM Promotion Committee aims to raise the level of its capabilities by receiving the recommendations of external members of the Quality Management Committee.



Building Responsible Supply Chains

Please see Building Responsible Supply Chains on pp. 69–71 of ESG Data Book 2024.

Basic Policy

In order to realize KOBELCO's View of the Future, as a responsible member of the global supply chain, the Kobelco Group actively promotes initiatives to address issues such as human rights and environmental challenges, not only within the Group but also throughout its supply chains.

In accordance with our Basic CSR Procurement Policy for Building Responsible Supply Chains, announced in September 2022, we will ensure a stable supply of our products and services as we fulfill our social responsibilities while working to grasp the supply chain issues in the procurement of raw and other materials.

Basic CSR Procurement Policy

Our Group has formulated the Basic CSR Procurement Policy, which systematizes its approach and action agenda to build responsible supply chains and shares it with all of its business partners.

● Approach/Basic Procurement Policy

Our Group's procurement divisions implement activities in accordance with the basic procurement policy as provided below.

1. Compliance with laws, regulations, and other social norms
2. Fair and impartial transactions
3. Coexistence with the global environment through procurement
4. Strengthening of partnerships with business partners
5. Control of confidential information

● Approach and Requests to Our Business Partners

Our Group requests its business partners to understand and practice the following in order to work together to build responsible supply chains.

Compliance	Human rights and labor	Safety and health
Environment	Fair trade and ethics	Quality and safety
Information security	Business continuity plan	Social contribution

● Steering System

Our Companywide policy is proposed by the Sustainability Management Committee to the Executive Council for deliberation to build consensus. The approved policy is carried out by operation managers at procurement divisions under respective business divisions. From the viewpoint of risk management, procurement activities are conducted in cooperation with the Risk Management Committee to strengthen the policy implementation.

● Action Agenda

The Kobelco Group engages in activities according to the following action agenda and works to build a responsible supply chain.

1. Notification of Requests to Our Business Partners to the suppliers of our business partners
2. Solicitation for compliance with Requests to Our Business Partners and support for improvements
3. Information disclosure
4. Cooperation with business partners
5. Cooperation with employees, Group companies, and affiliates

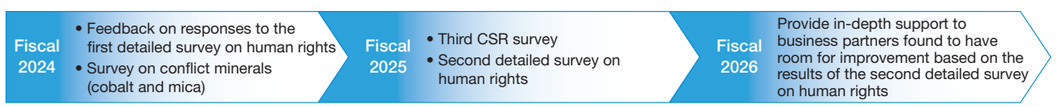
Initiatives for Fiscal 2023

In order to build responsible supply chains, we have conducted surveys to better understand the current situation and used the PDCA cycle.

Theme	Description of Initiatives
Governance structure	To confirm the development of internal governance structures at major business partners (approximately 330 companies), we conducted the first general CSR survey in February 2022. Following this, we conducted a second survey of the same business partners in February 2024 to see the changes from the first survey.
Human rights and labor	• In February 2024, we distributed a guidebook to support the improvement of human rights issues, which clearly states the items that we request to address in the area of "human rights and labor," to suppliers who were found to be inadequate in their internal governance structure in terms of "human rights and labor" in the first general CSR survey. • At the same time, we conducted the first detailed survey on human rights for the purpose of confirming compliance with laws and regulations related to human rights and labor at each business partner. We are now providing feedback to each business partner based on the results of the responses.
Conflict minerals	• We have confirmed that Kobe Steel is not purchasing conflict minerals (tin, tantalum, tungsten, and gold) subject to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act. • We will also conduct a survey on cobalt and mica, which are considered the most likely to violate human rights next to the above minerals.
Establishment of a supply chain grievance desk	In order to receive requests for consultation on human rights in supply chains, we joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) in April 2024 and established a structure to respond appropriately, fairly, and transparently, to the opinions received through JaCER's engagement and remedy platform as a third-party point of contact.

Initiatives for Fiscal 2024 and Beyond

We have designated "human rights and labor" and "conflict minerals" as important items, and will advance initiatives based on the PDCA cycle, continuously understanding the situation at our business partners and promoting support and other measures.



Roundtable Discussion among the Board Chair, Audit & Supervisory Committee Chair, and the President and CEO

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

Yoshihiko Katsukawa
President, CEO and
Representative Director

Yumiko Ito
Independent Director
(Chair of the Board of Directors, Chair of the Nomination & Compensation Committee)

The new Medium-Term Management Plan (Fiscal 2024–2026) has begun under President and CEO Katsukawa's new leadership, following the completion of the previous Medium-Term Management Plan in fiscal 2023. Two independent directors, Yumiko Ito (Chair of the Board of Directors and Chair of the Nomination & Compensation Committee) and Masaaki Kono (Chair of the Audit & Supervisory Committee), were invited to participate in a candid discussion, moderated by President and CEO Yoshihiko Katsukawa.

About New Management Structure

Katsukawa After the 2024 General Meeting of Shareholders, we commenced a new management structure.

Ito I was appointed as Chair of the Board of Directors at the Board of Directors' meeting held after the 2024 Ordinary General Meeting of Shareholders. From the perspective of an independent director, I believe it is important to enhance the corporate value of the Group by having executives engaged in high-quality discussions and enhancing their execution capabilities. To that end, I consider that my primary mission as the Board chair is to spur discussions among both external and internal directors from diverse backgrounds.

Kono I have been serving as Chair of the Audit & Supervisory Committee since 2020. In order to enhance the corporate value of the Group, I am striving to make sure that discussions at the Board of Directors cover all facets of management, not limited to audits required by law.

As a member of the Nomination & Compensation Committee, I was involved in the development of a succession plan for the president and CEO as well as the appointment of Mr. Katsukawa as the new president and CEO. The Nomination & Compensation Committee began discussing the successor to the former president and CEO Mitsugu Yamaguchi in the middle of the previous Medium-Term Management Plan. Actually, we had deliberated on the possibility of transferring the baton to the next leader prior to the start of the final year of the previous Medium-Term Management Plan, allowing the new president and CEO to take charge of the next plan from the outset of the formulation stage. However, we eventually resolved to accomplish the previous plan under the leadership of the former president and CEO Yamaguchi, in order to establish a stable earnings base, which was a major theme of the previous Medium-Term Management Plan. We then had further in-depth discussions concerning the next president and CEO candidate in the fall of 2023 and nominated then-Executive Vice President Katsukawa as we shifted to the current Medium-Term Management Plan. President and CEO Katsukawa has a proven track record of improving the Group's earnings base, even in difficult times, and has demonstrated sincerity in his role as CFO in the communication with institutional investors. Based on this, I regard him as a leader capable of making the right decisions even in the face of challenging circumstances.

Ito I have been serving as Chair of the Board of Directors, as well as Chair of the Nomination & Compensation Committee after the 2024 Ordinary General Meeting of Shareholders. Although I was not directly involved in the nomination of the new president and CEO this time in my capacity as a member of the Nomination & Compensation Committee, I am aware that the committee discussed and determined the competencies required of the president and CEO, taking into account the business environment and other factors, and concluded that Mr. Katsukawa satisfied the criteria. I remember clearly that when the quality misconduct was made public in 2017, Mr. Katsukawa was at the forefront of dealing with the situation. Based on my legal and risk management background, I feel confident that he will carry out his duties successfully, drawing on his previous experience while extending his attention to strengthening risk management and global governance.

Kono Mr. Katsukawa played a leading role in promoting ROIC-based management in the Company. As ROIC management progresses, it becomes evident what level of ROIC target each business segment should aim for. When we first discussed the portfolio in fiscal 2021, the initiative still seemed immature. We are now seeing a significant progress in the steel castings and forgings, titanium, and crane businesses, as they have become profitable by promoting the concept of ROIC at each business unit and visualizing the current status of business, while lowering the break-even point and increasing awareness of the need to improve selling prices.

Katsukawa Thank you, Mr. Kono and Ms. Ito. Up until fiscal 2023, I was in a position with numerous opportunities to engage in dialogue with stakeholders. Throughout these sessions, I committed to moving forward with our initiatives while taking into account the overall balance and consistency. We integrated the input received from institutional investors one by one in a visible manner, and as a consequence, we were eventually able to implement the PDCA cycle through ROIC-based KPI management. With this foundation in place, I believe we can discuss our business portfolio more smoothly.

Medium-Term Management Plan (Fiscal 2024–2026) Completed through Intensive Discussions

Ito Discussions on the current Medium-Term Management Plan began in earnest around May 2023. After preliminary hearings from executives, we held monthly discussions on strategic themes such as carbon neutrality, internal control, human capital investment, and new businesses. This plan was formulated after very careful discussions. Despite the vast range of technical topics, the reference materials prepared by the executive side for the review meetings were clear and easy to understand, facilitating productive discussions.

Kono In terms of the formulation process, as Ms. Ito said, I have the impression that careful discussions were held from an early stage. By conducting interviews with each business division, we gained deeper understanding of the positioning of the next Medium-Term Management Plan to proceed our discussion. During these discussions, I emphasized the importance of making efforts to clarify the numerical targets of ROIC, pointing out that the targets presented may not be clear enough, although I fully understood the presence of numerous uncertainties in the direction of the government policy and the trend of new technological innovation as we move toward 2030. In addition, I suggested that any changes or any investment decisions regarding the KPI management and its achievement status be communicated to stakeholders in a timely manner.

Ito We had a lot of discussions about the positioning of the Medium-Term Management Plan as an important topic. We decided the theme—"Transformation into an appealing company"—through a series of discussions regarding the most effective and appealing way to communicate the Group's steadiness and potential to stakeholders. I am personally quite fond of the new plan, including its formulation process.

Katsukawa As we deliberately avoided setting any preconditions prior to discussion at the Board of Directors' meetings, we were able to have insightful discussions with a wide range of perspectives and recommendations from all of the independent directors. Initially, we had set specific ROIC targets for each business division in the explanatory documents for shareholders and institutional investors, but we anticipated that excessive level of detail in these targets could impede effective communication. Then, we finally decided to set targets for each of the materials segment and machinery segment. This was also a decision reached after intensive discussions that lasted until shortly before the announcement. This Medium-Term Management Plan is a product of extensive discussions with the involvement of all outside directors.

Roundtable Discussion with the Board Chair, Audit & Supervisory Committee Chair, and the President and CEO

We are now seeing a significant progress in the steel castings and forgings, titanium, and crane businesses, as they have become profitable by promoting the concept of ROIC at each business unit and visualizing the current status of business, while lowering the break-even point and increasing awareness of the need to improve selling prices.

Dramatic Improvement of the Effectiveness of the Board of Directors, Creating a Forum for Lively Discussion

Katsukawa What changes have you noticed in the discussions at the Board of Directors' meetings and its effectiveness?

Kono Speaking from my capacity as a member of the Audit & Supervisory Committee, I am convinced that the effectiveness of the Board of Directors has increased considerably. I believe we have a system in place that allows us to access the Group's necessary information at any time through the Audit & Supervisory Committee, which conducts on-site inspections of respective business locations as well as interviews with directors and executive officers. According to the Audit & Supervisory Committee's audit summary report and the Corporate Governance Committee's survey, the effectiveness of the management structure has significantly improved.

Ito I also think that the effectiveness of the Board of Directors is increasing, which seems to be proportional to the time spent. I acknowledge that discussions may need extended hours as they become more intense; however, in my capacity as Chair of the Board of Directors, my priority is to ensure the intensity of discussions, while maintaining efficiency for that. I hope to review our practice once again in terms of the reference materials we receive at the Board meetings and the explanations from executives and seek ways to allocate more time for discussion among directors, particularly on high-priority matters.

Katsukawa Whenever executives prepare materials, I instruct them to keep the materials concise and the explanations short, even if they had exhaustive discussion up until then. I have discovered in dialogue with institutional investors that too much information tends to dilute things when communicated to others. We still have a long way to go, but I believe this spirit is gradually becoming more widely recognized. In addition, although it may sound contradictory, executives are constantly striving to offer independent directors with objective and substantial decision-making materials that assist them in taking an impartial view of the Group. In April 2024, we established the Sustainability Management Meetings as a forum separate from the Board of Directors to foster more active discussions among directors on the Group's major sustainability-related activities in the areas of carbon neutrality, human resources, quality, etc., with the aim of sharing views and exchanging opinions with executives, including those from business divisions, broadly and regularly.

Kono I highly evaluate the Sustainability Management Meetings, since it will provide an opportunity to regularly engage in dialogue with members of each committee, whom we have not directly interacted with, as well as an opportunity to explore a topic for discussion at the Board of Directors' meetings. I have high hopes for this new forum helping us independent directors better understand the Company. I am looking forward to seeing what kinds of discussions we have there.

Groupwide, Global Risk Management

Kono The Audit & Supervisory Committee has consistently highlighted the effectiveness of risk management as a key focus, and has undertaken thorough evaluations of its effectiveness at Groupwide and global levels. By defining Group Standards (common rules and procedures that set out minimum requirements for the Group companies), we have unified the level of Group governance, despite certain variations depending on the location. Looking back on the past few years, we have made significant progress overall. We will continue to keep informed of Group companies' efforts to better understand their problems through regular meetings with their auditors, while proactively engaging in communication with their internal control departments as well. Our next step is to figure out how to strengthen the management structure of Group companies operating overseas.

Katsukawa For overseas Group companies, we have established regional headquarters that function as a consultation desk in the event of a management problem. Business management is undertaken by each business division of Kobe Steel, but we hope that risk management is implemented in collaboration with consultation desks at respective overseas regional headquarters.

Ito Fostering effective governance and internal control at Groupwide and global levels is a challenge for any multinational company. The Group has a framework in place where each Group company is managed by its individual business divisions; Groupwide risk management activities are led by Risk Owners, who are in charge of highly specialized risk management execution. I believe that the effectiveness of the system is increasing, and the support of the overseas regional headquarters as a consultation desk will help to enhance on-site support as well as communication that involves interaction with the head office divisions, contributing to developing an effective organizational structure.

We integrated the input received from institutional investors one by one in a visible manner, and as a consequence, we were eventually able to implement the PDCA cycle through ROIC-based KPI management.

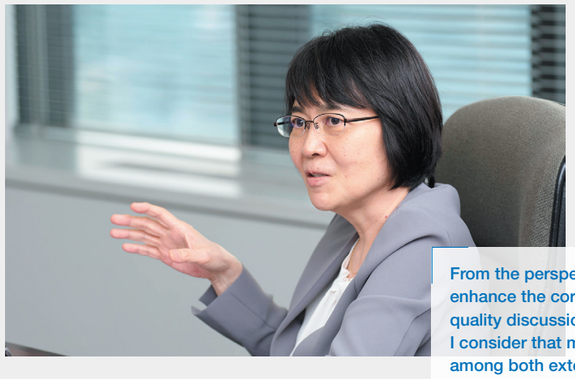
Aiming to Enhance Corporate Value through Kobelco-X, a Transformation Initiative with the Participation of All Group Members

Kono In the past, Mr. Katsukawa and I discussed which of the two management styles the Group pursues—centripetal or centrifugal. Our view at that time was that the Group had been moving toward centripetal management for about 10 years. Previously, emphasis was placed on ensuring Group governance in operating diverse businesses, but now the Group has shifted its focus to providing new added value by integrating technologies across business divisions as it aims to demonstrate the Group's comprehensive strengths. Since the beginning of the previous Medium-Term Management Plan, the Group has been promoting centripetal management by establishing cross-divisional committees, such as the Business Portfolio Management Committee and the Investment and Loan Committee, aimed at strengthening the Board of Directors' monitoring function. I believe that the results of these efforts are becoming increasingly visible.

Katsukawa In an effort to strengthen sustainability management, we have launched Kobelco-X with a concept that encourages the participation of all Group members. Transformation into an appealing company requires all Group members' active involvement and their commitment to advancing the transformation together. This calls for centripetal management, where I, as the leader of Team Kobelco, must spearhead the transformation. I will do my part as I continue to engage in dialogue with stakeholders.

Ito The current Medium-Term Management Plan is symbolized as the "step," using the analogy of the triple jump (hop, step, and jump). This is a run-up period to accumulate strength for the last jump and to fly farther. Now that the foundation has been laid under the previous Medium-Term Management Plan, which corresponds to the "hop" stage, employees may be feeling a sense of achievement. I believe that an appealing company is the one that generates excitement among stakeholders, and the Group is now working toward specific goals to transform itself into such an exciting company under the Medium-Term Management Plan. As an independent director, I will support the Group's transformation into a more exciting company through monitoring and overseeing the Group's steady implementation of the plan, while addressing identified challenges and responding flexibly to ever-changing circumstances.

Kono For the Group's medium- to long-term growth, it is crucial to strengthen its financial base so that it can invest in future growth while also providing shareholders with continuous and stable returns. In order to share the perspective with stakeholders on the direction that the Group should aim for, we, the independent directors, held a panel discussion for analysts and institutional investors in fiscal 2023. While the Group is stepping up these types of IR activities, we hope to continue to support ongoing dialogue efforts with stakeholders, including employees, both internally and externally.



From the perspective of an independent director, I believe it is important to enhance the corporate value of the Group by having executives engaged in high-quality discussions and enhancing their execution capabilities. To that end, I consider that my primary mission as the Board chair is to spur discussions among both external and internal directors from diverse backgrounds.

Directors (Including Audit & Supervisory Committee Members, as of June 19, 2024)

Kazuhiko Kimoto
Director, Executive Officer

Shinji Miyaoka
Director, Executive Officer

Koichi Sakamoto
Director, Executive Officer

Yoshie Tsukamoto
Independent Director

Shinsuke Kitagawa
Independent Director

Hajime Nagara
Executive Vice President and Representative Director

Yoshihiko Katsukawa
President, CEO and Representative Director

Masaaki Kono
Independent Director, Audit & Supervisory Committee Member

Yumiko Ito
Independent Director

Gunyu Matsumoto
Director (Audit & Supervisory Committee Member, full time)

Nobuko Sekiguchi
Independent Director, Audit & Supervisory Committee Member

Yuichiro Goto
Director (Audit & Supervisory Committee Member, full time)

Kunio Miura
Independent Director, Audit & Supervisory Committee Member

Directors

Yoshihiko Katsukawa

President, CEO and Representative Director

Compliance Committee Member
Nomination & Compensation Committee Member
Corporate Governance Committee Member

Number of Company shares owned: 43,600

Apr. 1985 Joined the Company
Apr. 2015 Officer
Apr. 2017 Managing Executive Officer
Apr. 2018 Senior Managing Executive Officer
Jun. 2018 Director, Senior Managing Executive Officer
Apr. 2021 Director, Executive Officer
Apr. 2023 Executive Vice President and Director
Apr. 2024 President, CEO and Director (incumbent)

Hajime Nagara

Executive Vice President and Representative Director

Compliance Committee Member
Corporate Governance Committee Member

Number of Company shares owned: 42,400

Apr. 1985 Joined the Company
Apr. 2016 Officer
Apr. 2018 Managing Executive Officer
Apr. 2020 Senior Managing Executive Officer
Jun. 2020 Director, Senior Managing Executive Officer
Apr. 2021 Director, Executive Officer
Apr. 2023 Executive Vice President and Director (incumbent)

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

Koichi Sakamoto

Director, Executive Officer

Quality Management Committee Member

Number of Company shares owned: 17,200

Apr. 1990 Joined the Company
Apr. 2012 General Manager of the Materials Research Laboratory in the Technical Development Group
Oct. 2017 General Manager of the Development Planning Department
Apr. 2019 Executive Officer
Jun. 2023 Director, Executive Officer (incumbent)

Duties
Oversees the Quality Management Department, the Technology Strategy & Planning Department, and the Intellectual Property Department. Oversees the Technical Development Group. Oversees companywide quality. Oversees companywide TQM activities. Oversees companywide technological development.

Shinji Miyaoka

Director, Executive Officer

Number of Company shares owned: 2,400

Apr. 1994 Joined the Company
Apr. 2018 General Manager of the Corporate Planning Department
Apr. 2022 Executive Officer
Jun. 2023 Director, Executive Officer (incumbent)

Duties
Oversees the Business Development Department and the IT Planning Department. Oversees companywide information systems.

Kazuhiko Kimoto

Director, Executive Officer

Corporate Governance Committee Member

Number of Company shares owned: 27,700

Apr. 1988 Joined the Company
Apr. 2018 Executive Officer
Apr. 2020 Managing Executive Officer
Apr. 2021 Executive Officer
Jun. 2024 Director, Executive Officer (incumbent)

Responsibilities and Important Concurrent Positions
Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office). Responsible for the special assignments from the president and CEO. Assists the director overseeing the General Administration and CSR Department in IR activities.

Yumiko Ito

Independent Director

Chair of the Board of Directors
Nomination & Compensation Committee Member (Chair)
Corporate Governance Committee Member

Number of Company shares owned: 8,400

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 Joined 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 of Sharp Corporation
Jun. 2016 Executive Managing Officer and General Counsel of 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)
Mar. 2023 Outside Director of NIPPON EXPRESS HOLDINGS, INC. (incumbent)

Shinsuke Kitagawa

Independent Director

Corporate Governance Committee Member (Chair)

Number of Company shares owned: 2,500

Apr. 1981 Joined the Ministry of International Trade and Industry
Sep. 2012 Director-General, Trade and Economic Cooperation Bureau, the Ministry of Economy, Trade and Industry (METI)
Jun. 2013 Commissioner, Small and Medium Enterprise Agency, METI
Jul. 2015 Retired from METI
Nov. 2015 Advisor of MITSUI & CO., LTD.
Apr. 2016 Executive Managing Officer of MITSUI & CO., LTD.
Apr. 2019 Senior Executive Managing Officer of MITSUI & CO., LTD.
Jul. 2020 President & CEO of Mitsui & Co. Global Strategic Studies Institute
Jun. 2022 Director of the Company (incumbent)
Mar. 2023 Left the post of Senior Executive Managing Officer of Mitsui & Co.
Left the post of President & CEO of Mitsui & Co. Global Strategic Studies Institute
Jun. 2023 President of the Japan Commercial Arbitration Association (incumbent)
Outside Audit & Supervisory Board Member of YUTAKA TRUSTY SECURITIES Co., Ltd. (incumbent)

Yoshie Tsukamoto

Independent Director

Corporate Governance Committee Member

Number of Company shares owned: 0

Apr. 1986 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Jun. 2000 General Manager, goo company of NTT X Corporation
Nov. 2002 General Manager, MSN Business Department of Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)
Jul. 2003 Executive Officer of Microsoft Co., Ltd.
Feb. 2007 Vice President and General Manager, Media Business Preparation Office of ACCESS CO., LTD.
Aug. 2008 General Manager, Marketing Solution Office, Corporate Planning Department of NTT Communications Corporation
Oct. 2012 President, CEO and Representative Director of NTTCom Online Marketing Solutions Corporation (incumbent)
Jun. 2024 Director of the Company (incumbent)

Director, Audit & Supervisory Committee Members

Gunyu Matsumoto

Director (Audit & Supervisory Committee Member, full time)

Number of Company shares owned: 1,300

Apr. 1989 Joined the Company
Apr. 2017 General Manager of the Accounting Department
Apr. 2021 General Manager of the Finance and Accounting Department
Apr. 2023 General Manager, the Internal Control and Audit Department (incumbent)
Jun. 2023 Director, Audit & Supervisory Committee Member of the Company (incumbent)

Yuichiro Goto

Director (Audit & Supervisory Committee Member, full time)

Number of Company shares owned: 24,503

Apr. 1990 Joined the Company
Apr. 2017 Executive Officer
Apr. 2020 Managing Executive Officer
Apr. 2021 Executive Officer
Jun. 2024 Director, Audit & Supervisory Committee Member of the Company (incumbent)

Masaaki Kono

Independent Director, Audit & Supervisory Committee Member

Audit & Supervisory Committee Chair
Nomination & Compensation Committee Member
Corporate Governance Committee Member

Number of Company shares owned: 5,800

Apr. 1979 Joined The Dai-Ichi Kangyo Bank, Limited
Mar. 2006 Executive Officer of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2008 Managing Executive Officer of Mizuho Corporate Bank, Ltd.
Apr. 2011 Managing Executive Officer of Mizuho Financial Group, Inc.
Jun. 2011 Managing Director and Managing Executive Officer of Mizuho Financial Group, Inc.
Apr. 2012 Managing Executive Officer of Mizuho Bank, Ltd.
Managing Executive Officer of Mizuho Corporate Bank, Ltd.
Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.
Apr. 2013 Director of Mizuho Financial Group, Inc.
Deputy President and Deputy President–Executive Officer (Representative Director) of Mizuho Bank, Ltd.
Deputy President & Executive Officer of Mizuho Corporate Bank, Ltd.
Jul. 2013 Deputy President & Executive Officer of Mizuho Financial Group, Inc.
Apr. 2016 Advisor of Orient Corporation
Jun. 2016 President and Representative Director of Orient Corporation
Apr. 2020 Chairman and Representative Director of Orient Corporation
Jun. 2020 Chairman and Director of Orient Corporation (incumbent)
Director, Audit & Supervisory Committee Member of the Company (incumbent)

Kunio Miura

Independent Director, Audit & Supervisory Committee Member

Compliance Committee Member (Chair)

Number of Company shares owned: 5,800

Apr. 1979 Appointed as judge
Mar. 1988 Resigned as judge
Apr. 1988 Admitted to the bar in Japan
Apr. 1997 Established Kawamoto and Miura Law Office; appointed as Representative (incumbent)
Jun. 2003 Outside Corporate Auditor of YAMAHA CORPORATION
Jun. 2008 Outside Audit & Supervisory Board Member of ASAHI INTELLIGENCE SERVICE CO., LTD. (incumbent)
Jun. 2010 External Corporate Auditor of Sumitomo Seika Chemicals Company, Limited (incumbent)
Jun. 2020 Director, Audit & Supervisory Committee Member of the Company (incumbent)
Jun. 2021 External Director (Audit and Supervisory Committee Member) of Sumitomo Seika Chemicals Company, Limited.
Jun. 2023 External Director of Sumitomo Seika Chemicals Company, Limited (incumbent)

Nobuko Sekiguchi

Independent Director, Audit & Supervisory Committee Member

Number of Company shares owned: 1,800

Nov. 2005 Joined CAPCOM CO., LTD.
Apr. 2011 Corporate Officer supervising Management Planning, CAPCOM CO., LTD.
Apr. 2016 Managing Corporate Officer, Head of Management Planning and Human Resources, CAPCOM CO., LTD.
Jun. 2019 Outside Director of DUSKIN CO., LTD.
Jun. 2020 Outside Director, Audit & Supervisory Committee Member of H2O RETAILING CORPORATION (incumbent)
Jun. 2022 Director, Audit & Supervisory Committee Member of the Company (incumbent)

Corporate Governance

Basic Stance on Corporate Governance

The Kobelco Group recognizes that corporate value encompasses not only business results and technological capabilities but also the stance on social responsibility to all stakeholders, including shareholders and investors, customers, business partners, members of local communities, and Group employees. We believe that working earnestly to improve all of 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 Group is undertaking. In the development of the framework, we place importance on the following: establishing a system that contributes to improving corporate value through appropriate risk-taking, collaborating with stakeholders, promoting appropriate dialogue with investors in the capital market, ensuring the rights of and fairness for shareholders, and ensuring transparency.

Based on this belief, our Group aims to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities.

Please visit our corporate website to learn more about our basic approach to corporate governance and management policies.
https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/files/Basic_Policy_and_Initiatives.pdf

Initiatives to Strengthen Corporate Governance

1999 | 2010 | 2015 | 2020 | 2024 (FY)

Philosophy and Policies

- 2000 Establishes Corporate Code of Ethics
- → 2006 Establishes Corporate Philosophy
- → 2017 Turns corporate philosophy into the Core Values of KOBELCO and establishes the Six Pledges of KOBELCO Men and Women
- → 2020 Establishes the new Group Corporate Philosophy by integrating the newly formulated KOBELCO's View of the Future and KOBELCO's Mission
- 2015 Establishes the Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.

Organizational Structure

- 1999 Introduces an internal company system and adopts an executive officer system
- → 2010 Abolishes the internal company system and introduces a business unit system
- 2024 Establishes Sustainability Management Meetings
- 2015 Establishes the Meetings of Independent Directors
- 2003 Establishes the Compliance Committee as an advisory committee to the Board of Directors
- 2016 Becomes a company with an Audit & Supervisory Committee
- 2018 Reassesses the role of the Board of Directors from the standpoint of enhancing its oversight functions
- → 2021 – Shifts to a Board of Directors that places greater emphasis on decisions regarding important management directions as well as on monitoring that encompasses risk management
  – Establishes the Corporate Governance Committee as an advisory body to the Board of Directors
- 2022 Reduces the maximum number of directors (excluding directors who are Audit & Supervisory Committee members) from 15 to 10

Directors and Executive Officers

- 2007 Appoints two independent directors
- 2015 Establishes principles on appointment of directors/Audit & Supervisory Board members and establishes standards for independent directors/auditors
- 2016 Establishes training policy for directors and executive officers
- 2019 Appoints the Company's first female director
- 2021 Abolishes the positions of senior managing executive officer and managing executive officer

Effectiveness Evaluation

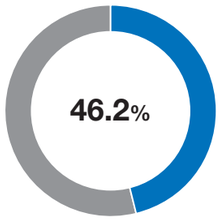
- 2016 Introduces evaluation system for the Board of Directors

Remuneration

- 2016 Revises directors' remuneration system (introduces stock-type remuneration)
- 2024 Revises directors' remuneration system (introduces ESG-related indicators, etc.)

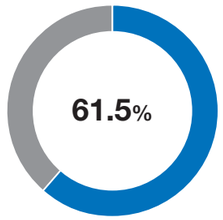
Corporate Governance Highlights

Percentage of independent directors:



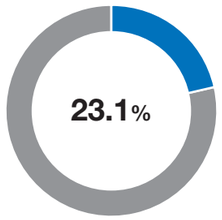
6 of 13, including directors who are Audit & Supervisory Committee members

Percentage of non-executive directors

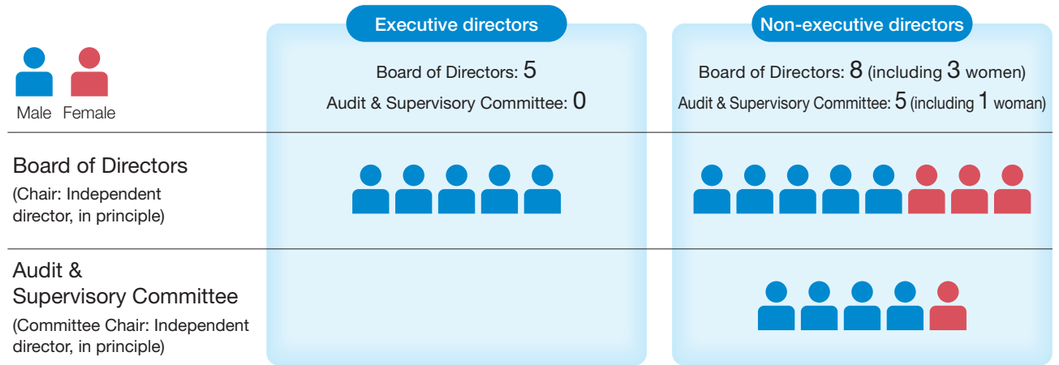


8 of 13, including directors who are Audit & Supervisory Committee members

Percentage of female directors



3 of 13, including directors who are Audit & Supervisory Committee members



Note: Our Company has registered all six independent directors as independent directors with a financial instruments exchange.

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

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

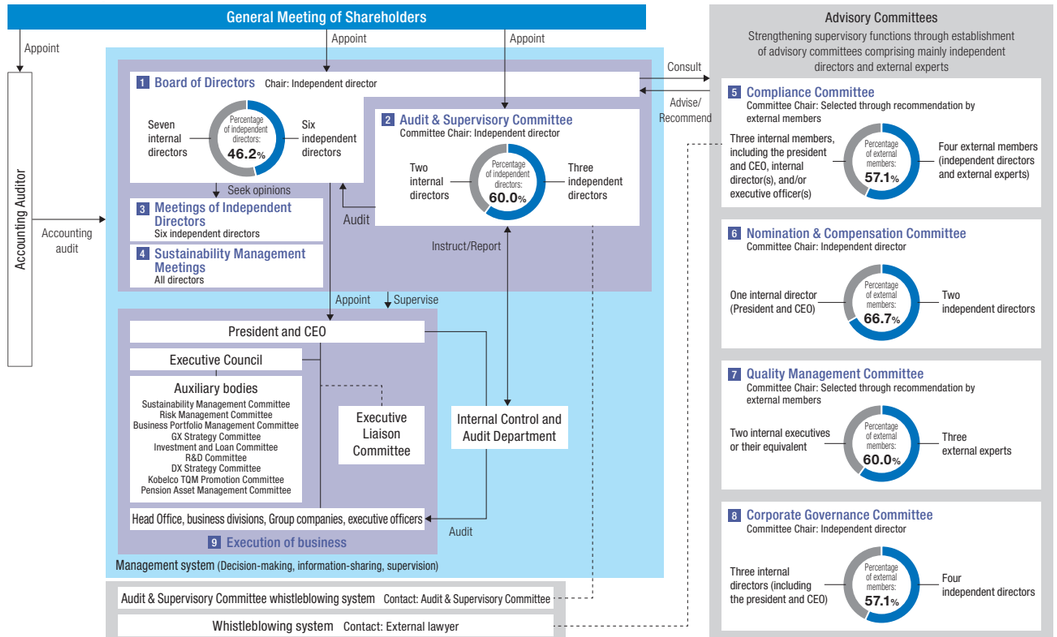
Furthermore, the Company believes it is necessary for the Board of Directors to hold active discussions and make appropriate decisions regarding the risk management and the distribution of management resources for a wide range of businesses, and at the same time, to flexibly supervise business execution. In order to achieve this, it is desirable that the Board of Directors have members with a correct understanding of the Company's business execution without completely separating the supervisory and execution functions.

In line with this approach, the Company has adopted an Audit & Supervisory Committee whose members have voting rights on the Board of Directors. Under this governance structure, the Company aims to enable comprehensive audits of its extensive businesses, maintain and strengthen the supervisory function of the Board of Directors, and accelerate decision-making on management, with no clear boundaries that separate the supervisory and execution functions.

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

Corporate Governance

Our Corporate Governance System



1 Board of Directors

The number of directors (excluding directors who are Audit & Supervisory Committee members) shall be not more than 10 as stipulated under the Articles of Incorporation of the Company. The Company takes the following measures to ensure that an appropriate number of directors constitutes the Board of Directors to facilitate substantial discussion at meetings of the Board of Directors as well as enhance the auditing function, while considering its diversity.

The Company's Board of Directors places emphasis on determining important management directions and monitoring, including risk management. In addition to the president and CEO, directors who oversee the specific functions of Companywide importance shall be appointed as executive directors. In order to further enhance active discussions, appropriate decision-making, and supervision, it is essential to reflect external fair and neutral viewpoints and the viewpoints of stakeholders including minority shareholders. Therefore, in addition to the independent directors who are Audit & Supervisory Committee members, the Company invites several independent directors who are not Audit & Supervisory Committee members to the Board of Directors. The Chair of the Board of Directors is elected from among the members who are independent directors.

2 Audit & Supervisory Committee

In principle, the Audit & Supervisory Committee of Kobe Steel consists of five directors, including two internal directors and three independent directors. This membership is not only in accordance with the rules of Japan's Companies Act on a company with an Audit & Supervisory Committee, which require at least three non-executive directors (the majority of whom shall be independent directors), but also ensures transparency and fairness and encourages satisfactory auditing for the execution of duties by directors responsible for a wide range of business segments. The Audit & Supervisory Committee Chair is selected from among the members who are independent directors.

Internal directors who are full-time 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 directors who are 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 shall have a considerable degree of knowledge on finance and accounting in order to improve the effectiveness of audits.

3 Meetings of Independent Directors

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

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

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

4 Sustainability Management Meetings

The Company established the Sustainability Management Meetings to strengthen the monitoring function of the Board of Directors by sharing broad awareness periodically and exchanging opinions with executive management, including business divisions, and discussing the Group's major sustainability-related activities (Companywide strategies in the areas of carbon neutrality, human resources, quality, etc.).

The Sustainability Management Meetings consists of all the directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary.

5 Compliance Committee

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

The Compliance Committee consists of the president and CEO, the director/executive officer overseeing Companywide compliance, the executive officer responsible for Companywide compliance, lawyers (without a retainer agreement executed by the Company) as a contact point for the internal whistleblowing system, independent directors, and external experts. The majority of the committee consists of members from outside the Company. The committee chair is selected through mutual recommendation among the external members.

The Compliance Committee formulates fundamental policies regarding compliance activities, monitors the progress of compliance activities, and submits reports and recommendations on necessary actions to the Board of Directors. The committee holds regular meetings semiannually and ad-hoc meetings when necessary.

6 Nomination & Compensation Committee

The Company has established the Nomination & Compensation Committee as a body to report on matters such as the nomination, appointment, and dismissal of candidates for directors and executive officers, including the appointment of a chief executive officer as well as the remuneration system for directors and executive officers and other matters, with the aim of further increasing the fairness and transparency of the operation of the Board of Directors. The Nomination & Compensation Committee consists of three to five members appointed by the Board of Directors, including the president and CEO, with the majority of members comprising independent directors. Meetings are held at least once every fiscal year and as needed. The Board of Directors fully respects the opinions reported by the Nomination & Compensation Committee and decides on the matters reported. The committee chair is selected from among the members who are independent directors.

7 Quality Management Committee

The Company has established the Quality Management Committee as an advisory body to the Board of Directors. The committee undertakes the continuous monitoring and makes recommendations regarding quality management enhancement activities within the Group, as well as the monitoring of the effectiveness of measures to prevent recurrence of the quality misconduct. The membership of the committee consists of two internal executives of the Company or their equivalent and three external experts selected by the Board of Directors who have technical or legal knowledge on quality control. The committee chair is selected through mutual recommendation among the external members.

8 Corporate Governance Committee

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

The Corporate Governance Committee consists of the president and CEO, the director/executive officer overseeing the Corporate Planning Department, the director/executive officer overseeing the General Administration and CSR Department, and independent directors appointed by the Board of Directors. Independent directors form a majority of the committee. The committee chair is selected through mutual recommendation among the members who are independent directors. The Corporate Governance Committee meets at least once every fiscal year and calls a meeting as needed.

9 Execution of business

The Board of Directors places emphasis on determining important management directions and monitoring that encompasses risk management. The executive officers shall be responsible for the execution of business. The Company's executive officers are appointed by the Board of Directors. They do not constitute a statutory body, but they are deemed as an important position for executing business entrusted by the Board of Directors. Under this structure, the Executive Council (which meets twice a month) is convened as a forum for deliberating important matters related to management and matters to be discussed by the Board of Directors. The membership of the Executive Council consists of the president and CEO, executive directors, the executive officer responsible for the Corporate Planning Department, executive officers nominated by the president and CEO (heads of business divisions), presidents of affiliated companies, standing directors who are full-time Audit & Supervisory Committee members, and members appointed for each project.

The Executive Council is not a decision-making body, but a forum for frank discussion aimed at giving additional consideration to the execution of business by each business division and the Group from various aspects. Matters deliberated by the Executive Council are submitted to the Board of Directors as matters to be resolved or reported.

To enhance the effectiveness of deliberations at the Executive Council, the Company forms various auxiliary committees dedicated to addressing key matters concerning its business strategy, such as sustainability management, risk management, business portfolio management, GX strategy, investment and loans, and Kobelco TQM promotion, among others.

In addition, the Company establishes the Executive Liaison Committee (which meets quarterly) consisting of directors, executive officers and fellows who execute business, and the presidents and executives of affiliated companies nominated by the president and CEO.

The Executive Liaison Committee is a forum to share information on important matters related to management, and it is also considered a venue to conduct training by inviting instructors from within and outside the Company in order to acquire and update as appropriate various knowledge necessary for the integrated management and business execution of the Group.

Corporate Governance

Knowledge, Experience, and Skills That Are Particularly Expected to Be Demonstrated for the Improvement of the Functions of the Board of Directors (Skills Matrix)

In order to address the Group's medium- to long-term material issues (materiality) and to implement the Medium-Term Management Plan (Fiscal 2024–2026), which was formulated and announced in May 2024, we have put together a skills matrix of the knowledge, experience, and skills that the Board of Directors particularly expects the directors to demonstrate for the improvement of the functions of the Board of Directors. These areas of knowledge, experience, and skills will be reviewed as necessary in response to changes in the business environment, the formulation of new management plans, and other changes.

Views on Knowledge, Experience, and Skills That Are Particularly Expected to Be Demonstrated for the Improvement of the Functions of the Board of Directors

- The Kobelco Group aims to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities.
- In order for the Board of Directors to appropriately determine important management directions and conduct monitoring that encompasses risk management, aimed at enhancing the Kobelco Group's corporate value over the medium to long term, we believe it is necessary to have the Board of Directors consisting of directors who have well-balanced knowledge, experience, and skills in the following three key areas: 1. Comprehensive skills in overall management, 2. Skills in solving social issues and creating new value, and 3. Skills in further strengthening the business foundation.

  In particular, we expect independent directors to demonstrate their knowledge, experience, and skills with regard to insights into other industry sectors.
- Items in the key areas have been determined after discussion at the Corporate Governance Committee and the Nomination & Compensation Committee, taking into account the Company's business strategy and business characteristics as well as the business environment and the Company's management plan.

	Name			Gender	Length of service as director (Years)	Attendance at Board of Directors' meetings (FY2023)	Attendance at Audit & Supervisory Committee meetings (FY2023)		Comprehensive skills in overall management		Skills in solving social issues and creating new value			Skills in further strengthening the business foundation			Insights into other industry sectors
									Business management and administration	ESG	Sales strategy and marketing	Technical development, intellectual properties, production technologies, and DX	Global business	Finance and accounting	Organization and human resources	Legal and risk management	
Directors	Yoshihiko Katsukawa President, CEO and Representative Director	Internal	Executive	Male	6	19/19 (100%)	—		●	●			●	●			
Directors	Hajime Nagara Executive Vice President and Representative Director	Internal	Executive	Male	4	19/19 (100%)	—		●	●					●	●	
Directors	Koichi Sakamoto Director, Executive Officer	Internal	Executive	Male	1	14/14 (100%)	—		●	●		●					
Directors	Shinji Miyaoka Director, Executive Officer	Internal	Executive	Male	1	14/14 (100%)	—		●		●	●	●				
Directors	Kazuhiko Kimoto Director, Executive Officer	Internal	Executive	Male	—	—	—		●	●	●		●				
Directors	Yumiko Ito Independent Director	Outside/ Independent Member	Non-Executive	Female	5	19/19 (100%)	—			●			●			●	●
Directors	Shinsuke Kitagawa Independent Director	Outside/ Independent Member	Non-Executive	Male	2	19/19 (100%)	—			●			●			●	●
Directors	Yoshie Tsukamoto Independent Director	Outside/ Independent Member	Non-Executive	Female	—	—	—		●		●	●					●
Directors who are Audit & Supervisory Committee members	Gunyu Matsumoto Director, Audit & Supervisory Committee Member	Internal	Non-Executive	Male	1	14/14 (100%)	12/12 (100%)		●					●	●		
Directors who are Audit & Supervisory Committee members	Yuichiro Goto Director, Audit & Supervisory Committee Member	Internal	Non-Executive	Male	—	—	—			●	●	●					
Directors who are Audit & Supervisory Committee members	Masaaki Kono Independent Director, Audit & Supervisory Committee Member	Outside/ Independent Member	Non-Executive	Male	4	19/19 (100%)	17/17 (100%)		●	●				●			●
Directors who are Audit & Supervisory Committee members	Kunio Miura Independent Director, Audit & Supervisory Committee Member	Outside/ Independent Member	Non-Executive	Male	4	19/19 (100%)	17/17 (100%)			●						●	●
Directors who are Audit & Supervisory Committee members	Nobuko Sekiguchi Independent Director, Audit & Supervisory Committee Member	Outside/ Independent Member	Non-Executive	Female	2	19/19 (100%)	17/17 (100%)			●			●	●			●

Notes: 1. This matrix does not present all the knowledge, experience, and skills that each person possesses, but rather maximum four ticks (•) are given for areas that are particularly expected.
2. Directors Koichi Sakamoto, Shinji Miyaoka, and Gunyu Matsumoto took office as Director on June 21, 2023. Since then, the Board of Directors and the Audit & Supervisory Committee have met 14 times and 12 times, respectively.

Corporate Governance

Initiatives to Ensure the Effectiveness of the Board of Directors

The Company carries out the following initiatives in order to ensure that the Board of Directors fulfills its decision-making and supervisory functions appropriately.

- Every year, the Audit & Supervisory Committee interviews each director to verify the decisions on business execution made by the Board of Directors and the implementation of efficient business execution as stipulated in the basic policy of the internal control system.
- In the operation of the Board of Directors, the Company distributes meeting materials at least three days prior to the date of the meeting as necessary in order to enable active and sufficient deliberations at meetings of the Board of Directors. To this end, the Company will promote the use of electromagnetic means with due consideration for the protection of trade secrets, so that meeting materials can be received regardless of the whereabouts of the directors.
- In addition to meeting materials for the Board of Directors, the Company provides the directors with sufficient information and explanation as necessary, upon the request of the directors, etc.
- To revitalize and deepen discussions at meetings of the Board of Directors and further enhance the monitoring function for business activities, the Company has an independent director serve as the Chair of the Board of Directors, in principle.
- The Company has established a secretariat for the Board of Directors within the Corporate Planning Department. The Secretariat determines and organizes the annual schedule of meetings of the Board of Directors and anticipates agenda items to the extent possible, in advance of the fiscal year. In addition, the Secretariat coordinates with each department to ensure that the number of deliberation items and the frequency of meetings are appropriate, and that sufficient deliberation time is secured.
- The Board of Directors and the Audit & Supervisory Committee strive to improve the effectiveness of the supervisory function of the Board of Directors by seeking advice from external experts and others at the Company's expense when deemed necessary.
- Through supervision and auditing of the internal control system, the Board of Directors and the Audit & Supervisory Committee ensures the smooth provision of information as requested by each director and Audit & Supervisory Committee member.
- For the verification of the effectiveness of the Board of Directors, the Corporate Governance Committee requests each director to complete a questionnaire every fiscal year and provides a preliminary evaluation of the survey results. Based on this, the Board of Directors discusses and evaluates its effectiveness and identifies issues at its meetings. The questionnaire items are reviewed by the Board of Directors based on the evaluation results of each fiscal year. A summary of evaluation results is disclosed every fiscal year.

Evaluation Results for Fiscal 2023

Overview of the Effectiveness Evaluation of the Board of Directors

Evaluators	All 13 directors
Implementation process	Conducted questionnaire survey targeting all directors and individual interviews by the Corporate Governance Committee. The Company entrusted a third-party organization to carry out the questionnaire survey.
Evaluation items	1. Structure of the Board of Directors; 2. Agenda of Board of Directors' meetings; 3. Materials for Board of Directors' meetings; 4. Operation of the Board of Directors; 5. Provision of information to directors; 6. Discussions during Board of Directors' meetings; 7. Monitoring function of the Board of Directors; 8. Mutual evaluation of directors; and 9. Other
Evaluation method	• Based on the results of the questionnaire and interviews, the Corporate Governance Committee submits to the Board of Directors the results of the effectiveness evaluation and proposes the future direction for improving the effectiveness. • The Board of Directors reviews the evaluation results and identifies current issues. Based on these, the Board of Directors deliberates future initiatives for improving effectiveness and makes decisions on future measures.

Summary of Analysis and Evaluation Results

- In the evaluation of Board effectiveness for fiscal 2022, we found that it is necessary to strengthen the monitoring function of the Board of Directors by setting a planned agenda and deepening discussions on the realization of a path to enhance corporate value over the medium to long term.
- Therefore, in fiscal 2023, as a result of efforts to share information with directors and hold discussions with executives on themes concerning the business portfolio and sustainability to formulate the Medium-Term Management Plan (Fiscal 2024–2026), as well as major investment projects in a well-planned manner, the Board of Directors has deepened its understanding of the executives' efforts and found that the function of the Board of Directors as a monitoring board has been enhanced.
- Based on the above, the Company believes that the effectiveness of the Board of Directors has been continuously improved based on the effectiveness evaluation results so far. We will continue with these initiatives in fiscal 2024 and strive to make further improvements.
- Additionally, the Company established the Sustainability Management Meetings in April 2024 to further strengthen the monitoring function of the Board of Directors, as a forum to share understanding and exchange opinions with executives, broadly and regularly, on our Group's major sustainability activities (Companywide strategies in areas such as carbon neutrality, human resources, quality, etc.)

Future Initiatives for Improving Effectiveness

- The Company will continue to utilize the Meetings of Independent Directors and offline meetings to further strengthen the monitoring function of the Board of Directors by regularly exchanging opinions with executives on major sustainability activities at the newly established Sustainability Management Meetings.
- The Company will continue to work to improve the efficiency and discussion-oriented operation of the Board of Directors.

Training and Succession Plan for Directors and Executive Officers

Training for Directors and Executive Officers

In order for directors and executive officers to fulfill their roles and responsibilities, the Company offers various training programs as opportunities to acquire and appropriately update the necessary knowledge. The Company will support the expenses for training.

Views on the Development of Successors to the CEO

The Company recognizes that the development of successors to the CEO is one of the most important issues for its management. The qualities and human resources required to solve the Company's management issues and enhance corporate value are discussed on a continued basis at the Nomination & Compensation Committee, chaired by an independent director and composed of a majority of independent directors.

For more details, please see Corporate Governance on p. 81 of ESG Data Book 2024.

Remuneration for Directors and Executive Officers

Remuneration for the Company's directors and executive officers consists of basic remuneration (fixed compensation) based on the remuneration rank determined according to rank and assigned duties, performance-based compensation consisting of the portion linked to division performance and the portion linked to individual evaluation for each fiscal year, and medium- to long-term incentive compensation based on stock compensation with the aim of sharing interest in corporate value enhancement with shareholders. The policy concerning remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is determined through resolution adopted by the Board of Directors, and the policy concerning remuneration for directors who are Audit & Supervisory Committee members is determined through discussion among all Audit & Supervisory Committee members.

The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee. If it is necessary to revise the remuneration system, the committee will present a revised remuneration plan at a meeting of the Board of Directors for resolution.

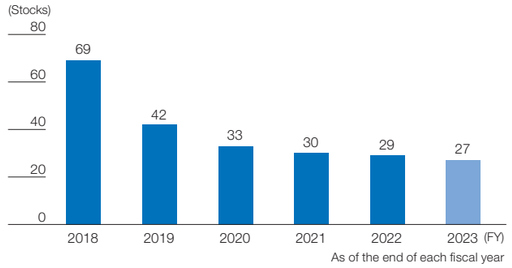
For more details, please see Corporate Governance on pp. 82–84 of ESG Data Book 2024.

Strategic Holdings of Shares

- Our Basic Policy on Strategic Holdings of Shares states that we will engage in strategic holding of shares if it is deemed necessary for alliances and other arrangements that contribute to the growth of our Group, after considering capital efficiency, economic rationality, and other factors; however, such holding will be kept to a minimum and reduced in stages. In line with the policy, the Company conducts verification on the necessity of strategic holdings of listed companies' shares every year, and those holdings that are judged to have diminished significance are reduced through sale or other means.

For more details, please see Corporate Governance on p. 85 of ESG Data Book 2024.

Changes in the Company's Strategic Holdings of Shares



Approach to Listed Group Companies

Our Company pursues the ideal form of capital relations by comprehensively taking into account the various situations of Group companies in terms of the business contents, scale, financial strategies for business development, financing, etc., for the overall enhancement of corporate value as a corporate group. From these perspectives, two of our subsidiaries are currently listed: Nippon Koshuha Steel Co., Ltd. and Kobelco Wire Company, Ltd.

For more details, please see Corporate Governance on p. 86 of ESG Data Book 2024.

Message from New Independent Director—Providing support for the social transformation driven by the Kobelco Group from a fresh standpoint

Yoshie Tsukamoto
Independent Director

Aiming to become a business entity that drives innovation into the future, the Kobelco Group is working to enhance its corporate value by providing solutions to the needs of society, including taking on the challenge of realizing carbon neutrality, while making the best use of the talents of its employees and technologies. I totally endorse the Group's efforts.

Achieving carbon neutrality is a global issue.

The Company's technologies, such as the MIDREX® Process and hybrid-type hydrogen gas supply system, contribute to addressing the challenges for the entire human race and making people's lives around the world safer and more prosperous. This is a challenging endeavor as a technology company. I believe that numerous business opportunities lie ahead as we spread and expand these technologies.

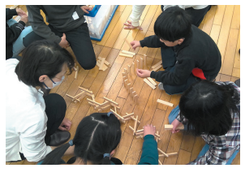
I've worked in the IT sector for about 30 years and was involved in the establishment and growth of the Japanese internet market from scratch. Search engines and other internet services have become indispensable in our lives, transforming our lifestyles. The market has grown at an unprecedented pace and scale due to the power of information technology, as well as the simultaneous emergence of a monetization model where service is provided free of charge, while income is derived from advertising. In order to develop a technology that transforms society, it is crucial to have a business model that enables its widespread use.

As an independent outside director, I will candidly express my ideas and ask questions, leveraging my knowledge and experience to the best of my abilities, thereby assisting Team Kobelco in bringing about innovative change and contributing to the growth of the Group.

Communication with Stakeholders

The Kobelco Group is committed to proactive communication with its stakeholders. We are earnestly listening to our stakeholders through dialogues with shareholders and other investors and through surveys of our customers and business partners. Recognizing that improving management transparency is a top priority, we are promoting timely, appropriate, and extensive information disclosure. 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, with a focus on supporting the young people of the next generation.

Stakeholders	Objectives	Main engagement activities (Fiscal 2023)
Shareholders and Investors	Promote understanding of the Kobelco Group and enhance corporate value through timely and appropriate information disclosure	• Active dissemination of information, including timely disclosure of information through integrated reports and convocation notices • Individual meetings with and plant tours for institutional investors • Briefings on financial results, progress of the Medium-Term Management Plan, ESG, and various initiatives promoted by respective business segments, as well as panel discussions by independent directors • Online briefings for individual shareholders For more information on our dialogue with capital markets, please see the Company's corporate website. https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/files/capital_markets_23_e.pdf
Customers	Improve product/service quality	• Implementation of questionnaire surveys that request our customers to answer questions covering a wide range of topics, including product quality, services, and delivery
Business Partners	Work together to build responsible supply chains that address various issues, including human rights and environmental issues	• Dissemination of the Basic CSR Procurement Policy to our business partners through briefings and video distribution Implementation of the second CSR survey for major business partners • Obtaining letters of consent from key business partners who endorse the policy Distribution of a guidebook on human rights to some of our business partners, along with a detailed questionnaire For details, please see Responsibility in Supply Chains on p.99.
Employees	Encourage each and every employee to work with pride and a sense of fulfillment in their work, and to achieve self-improvement by demonstrating their own individuality and strengths	• Core Values of KOBELCO—Next 100 Project activities • Human resources development • Initiatives for human rights • Initiatives for diversity and inclusion (D&I) • Safety and health For details, please see the Core Values of KOBELCO—Next 100 Project, human resources development, human rights, D&I, and safety and health on pp.52, 57, 88–92, and 93–99.
Community Members	• Contribute to society as a member of the local community • Invigorate society through sports activities, including the KOBELCO KOBE STEELERS' activities aimed at ensuring interaction with the local community and society, and various sports support activities	**Social Contribution Activities** • Kobelco Community Contribution Fund: Established in fiscal 2006 as a 100th anniversary project of our Company's founding, the fund is carrying out activities aimed at supporting children. • Kobelco World Children Support Program: Established in fiscal 2021 as a support activity for children around the world who are in need due to natural disasters, such as earthquakes, volcanic eruptions and conflicts, the program is making donations every year. • Kobelco Green Project—Kobelco Forest Fairy Tale Prize We have implemented various initiatives, including Kobelco Forest Fairy Tale Prize, which nurtures children's love for nature, forest development activities by Group employees, and environmental education outreach at children's centers in Kobe City. The Kobelco Forest Fairy Tale Prize solicits stories about forests from elementary, junior high, and senior high school students across Japan. The stories that win the Gold Prize are turned into picture books and donated to schools, libraries, and other institutions under the the sponsoring local government.  **Contributions to Society through Sports** • Promotion of various activities based on the business partnership agreement with Kobe City • Contribution to the healthy development of youth through rugby • Support for various organizations' activities through rugby

For details, please see Communities (Communication with Stakeholders) on pp.98–101 of ESG Data Book 2024.

Participation in Sustainability Initiatives and External Evaluations

Participation in Sustainability Initiatives (Listed below are only major ones)

TCFD

SDGs

White Logistics Movement

#HereWeGo203030
(Challenge Initiatives for 30% of Executives to be Women by 2030)

United Nations Global Compact

Kobe Steel, Ltd. signed the United Nations Global Compact (UNGC) and was registered as a participant company in March 2021.

The companies and organizations that sign the UNGC are committed to the ten principles for the protection of human rights, elimination of unfair labor, conservation of the environment and prevention of corruption.

Male Leaders Coalition for Empowerment of Women

Declaration of Partnership Building

GX League

External Evaluations (Listed below are only major ones as of August 2024)

FTSE4Good Index Series

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

MSCI Japan ESG Select Leaders

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

THE INCLUSION OF Kobe Steel, Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Kobe Steel, Ltd. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

MSCI Japan Empowering Women (WIN) Select Index

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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CDP

Scored A- (A-minus) by CDP in the Climate Change category

Platinum Kurumin

PRIDE Index

Gold Award for three years running

2024 Health and Productivity Management Organization (White 500)

Fifth selection

2023 Award for Excellence in Corporate Disclosure

Ranked first in the steel and non-ferrous metal category