

Group Corporate Philosophy

Group Corporate Philosophy Created by All Group Members Working Together

The Kobelco Group Corporate Philosophy was established in 2020. Following the quality misconduct that was made public in 2017, we launched a project to formulate our corporate philosophy by revisiting who we are and what we aspire to achieve, in order to transform our once closed-off corporate culture. In its formulation process, we placed an importance on taking a bottom-up approach. Through Dialogue Platforms and other forms of discussions at each workplace, we created opportunities for not only management and selected members but also for all members of the Group to give considerable thought about our mission. Integrating the thoughts of all, the Group Corporate Philosophy was completed over a period of about one year.

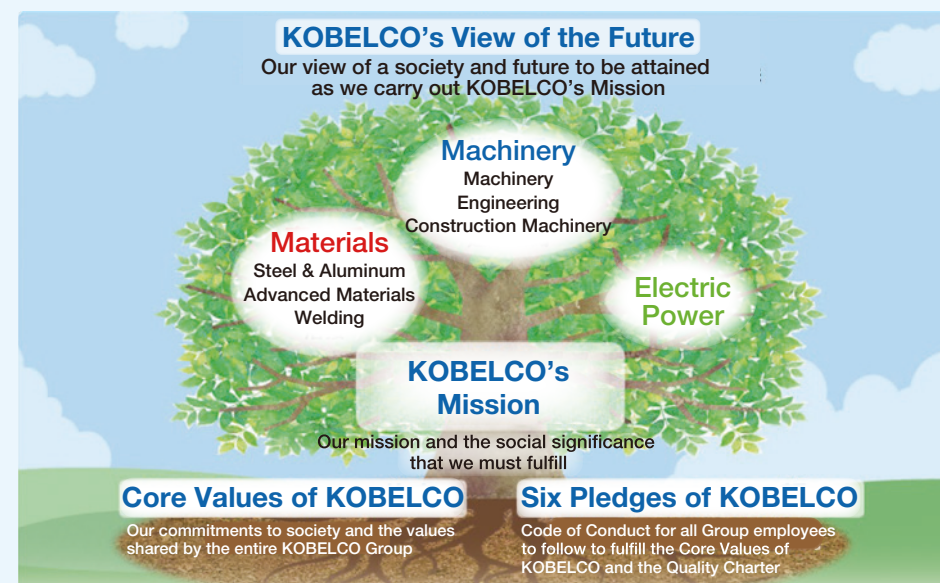
The Group Corporate Philosophy comprises four elements: KOBELCO's View of the Future and KOBELCO's Mission, along with the Core Values of KOBELCO and the Six Pledges of KOBELCO, which present our values to be shared and code of conduct.

KOBELCO's View of the Future incorporates the spirit that has been passed down since its founding: Making the world today and in the future a better place by providing products that can be used safely and reliably for a long time while offering new value to society.

KOBELCO's Mission represents its vision of providing solutions to the needs of society in ways only possible by KOBELCO, integrating diverse businesses, technologies, and qualities of its people that it has developed through the effort to meet societal demands.

The Group strives to realize a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as stated in its Group Corporate Philosophy formulated by Group employees.

KOBELCO's View of the Future	Our view of a society and future to be attained as we carry out KOBELCO's Mission We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.
KOBELCO's Mission	Our mission and the social significance of the KOBELCO Group that we must fulfill Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.
Core Values of KOBELCO	The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group <ol style="list-style-type: none"> 1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live. 2. We value, and support the growth of, each employee on an individual basis, while creating a cooperative and harmonious environment. 3. Through continuous and innovative changes, we create new values for the society of which we are a member.
Six Pledges of KOBELCO	Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter <ol style="list-style-type: none"> 1. Uphold the Highest Sense of Ethics and Professionalism 2. Contribute to the Society by Providing Superior Products and Services Quality Charter 3. Establish a Comfortable but Challenging Work Environment 4. Live in Harmony with the Local Community 5. Contribute to a Sustainable Environment 6. Respect Each Stakeholder



Framework for Sustainability Management

Promotion of Sustainability Management Based on the Group Corporate Philosophy

The Kobelco Group promotes sustainability management based on the Group Corporate Philosophy by addressing key management issues that are classified into two categories: a business foundation area that underpins business activities, and a value creation area that drives business growth.

We will pursue sustainable growth and the medium- to long-term enhancement of our corporate value to realize a world envisioned in KOBELCO's View of the Future as we carry out KOBELCO's Mission.

Group Corporate Philosophy

KOBELCO's View of the Future

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

KOBELCO's Mission

Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.

Core Values of KOBELCO

Six Pledges of KOBELCO

KOBELCO's View of the Future

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

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

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

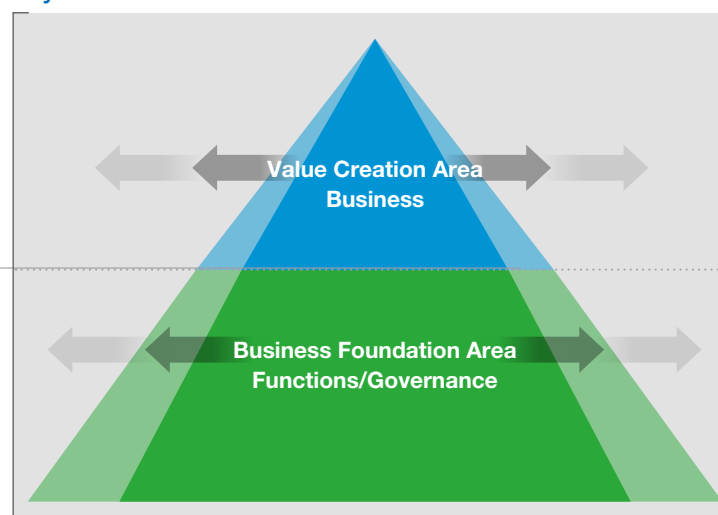
KOBELCO's Mission

Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.

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

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

Key Issues to Address



Tackling Societal Challenges through Core Businesses

Create new value by providing technologies, products, and services through research and development and manufacturing

Prerequisites for Continued Corporate Existence

Convey the lessons learned from the quality misconduct and respond to new social responsibilities associated with changes in society while complying with laws and regulations and adhering to corporate ethics

Promotion Tools

SDGs

17 global goals and 169 targets



Promotion of business operations with awareness of the SDGs

Information disclosure

Use of assessments

ESG External Assessments

Objective evaluation of Group activities

Message from the Chair of the Sustainability Management Committee

Promotion of Sustainability Management in the Kobelco Group

Sustainable management is increasingly becoming a requirement for companies, with a particular emphasis on the Sustainable Development Goals (SDGs) in recent years. With the world facing various social issues, the common goal of society and companies is to enhance sustainability. In this context, what is important for a company to strive for sustainable growth by addressing societal challenges through its activities.

With this in mind, our Group has organized its approach to sustainability management into a framework for sustainability management. Under this framework, we are working to further enhance corporate value by fulfilling our corporate social responsibilities and providing solutions to the needs of society through the provision of enhanced technologies, products, and services.

Our Group's sustainability management is promoted under the initiative of the Sustainability Management Committee, an auxiliary body to the Executive Council, which undertakes the implementation of the management cycle for important issues. The Sustainability Management Committee promotes effective operation of activities by setting up subcommittees dedicated to specific issues of importance.

In fiscal 2024, the Company newly established Sustainability Management Meetings, consisting of all directors, as a forum to share understanding and exchange opinions on our Group's major sustainability activities with executives and business divisions broadly and regularly, strengthening the Board of Directors' monitoring function.



Hajime Nagara

Executive Vice President and Representative Director
Chair of the Sustainability Management Committee

Materiality of the Kobelco Group (Key Issues)

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. Through the identification of these key issues, we have reaffirmed our Group's view of the future and mission. We also have set indicators and targets for materiality items in order to take more concrete steps toward the realization of our Group's materiality (key issues). The progress status is managed by the Sustainability Management Committee. Indicators and targets are regularly reviewed in light of changes in the environment surrounding business activities. From fiscal 2024, they were reviewed in conjunction with the

consideration of the Kobelco Group Medium-Term Management Plan (fiscal 2024 to 2026). The Group will strive to achieve sustainable growth by tackling the five items of materiality.

Our Group has a diverse employee base as we operate a wide range of businesses at sites around the world. We are committed to developing diversity, fostering mutual respect for the unique personality, individuality, and diverse qualities of each individual, and creating a work environment where every employee can work actively while performing to the best of their abilities. We will continue to work to provide solutions to the needs of society and create new value.

This ESG Data Book has been created to provide information on our ESG initiatives in a more comprehensive form, reflecting our stakeholders' input and ideas. We sincerely hope that this helps our stakeholders better understand the Group.

Framework for Promoting Sustainability Management

Framework for Promoting Sustainability Management

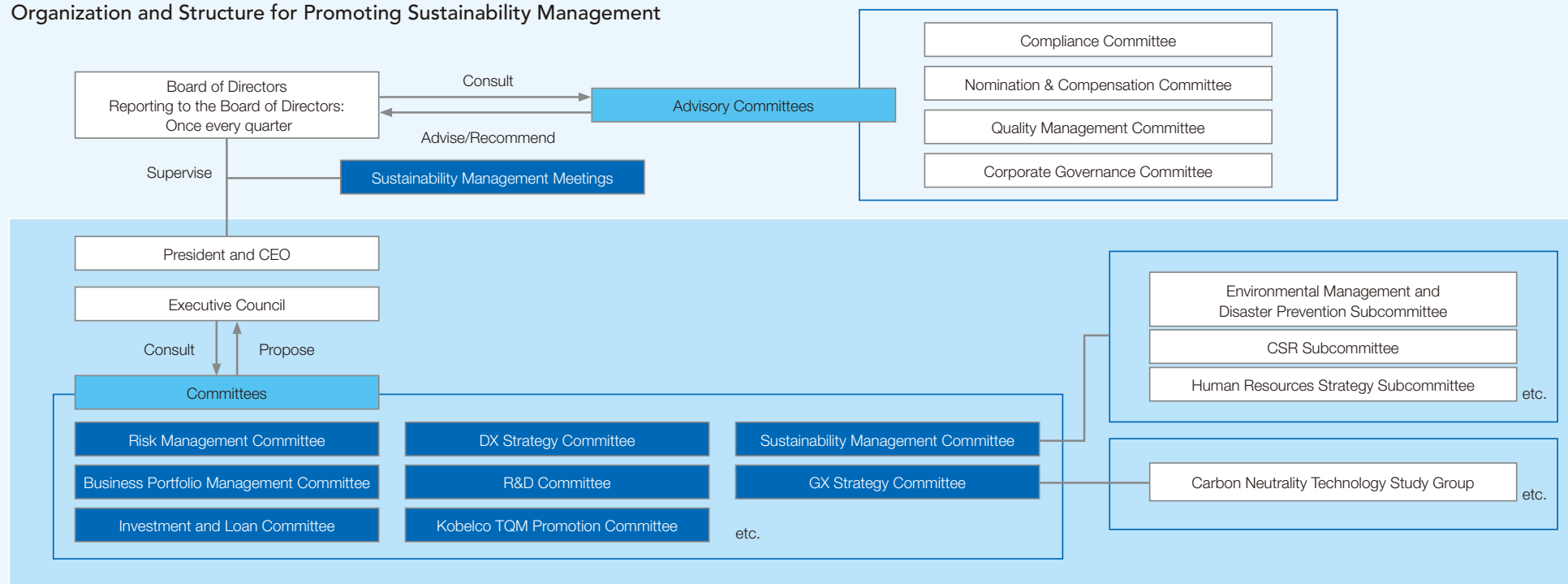
In promoting sustainability management, priority issues are addressed through a management cycle that centers on the Sustainability Management Committee, an auxiliary body to the Executive Council. While proactively disclosing information and utilizing promotion tools, such as ESG external assessments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

In fiscal 2024, the CO₂ Reduction Promotion Subcommittee was separated from the Sustainability Management Committee and renamed the GX Strategy Committee to further advance GX strategy. We have strengthened the Board of Director's 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, boardly and regularly on our Group's major sustainability activities.

Sustainability Management Committee

Chair (Responsible officer):	Hajime Nagara, Executive Vice President and Representative Director
Report to the Board of Directors:	Once every quarter
Meetings:	Once every quarter
Functions:	<ul style="list-style-type: none"> • Identify sustainability-related issues of the Group • Create the schedule for sustainability promotion activities • Advise on the Group's Medium-Term Management Plan • Monitor and advise on sustainability promotion activities • Announce information on the initiatives that the Company supports and promote relevant activities • Take responses to external assessments on ESG

Organization and Structure for Promoting Sustainability Management



Materiality and Indicators/Targets

Materiality

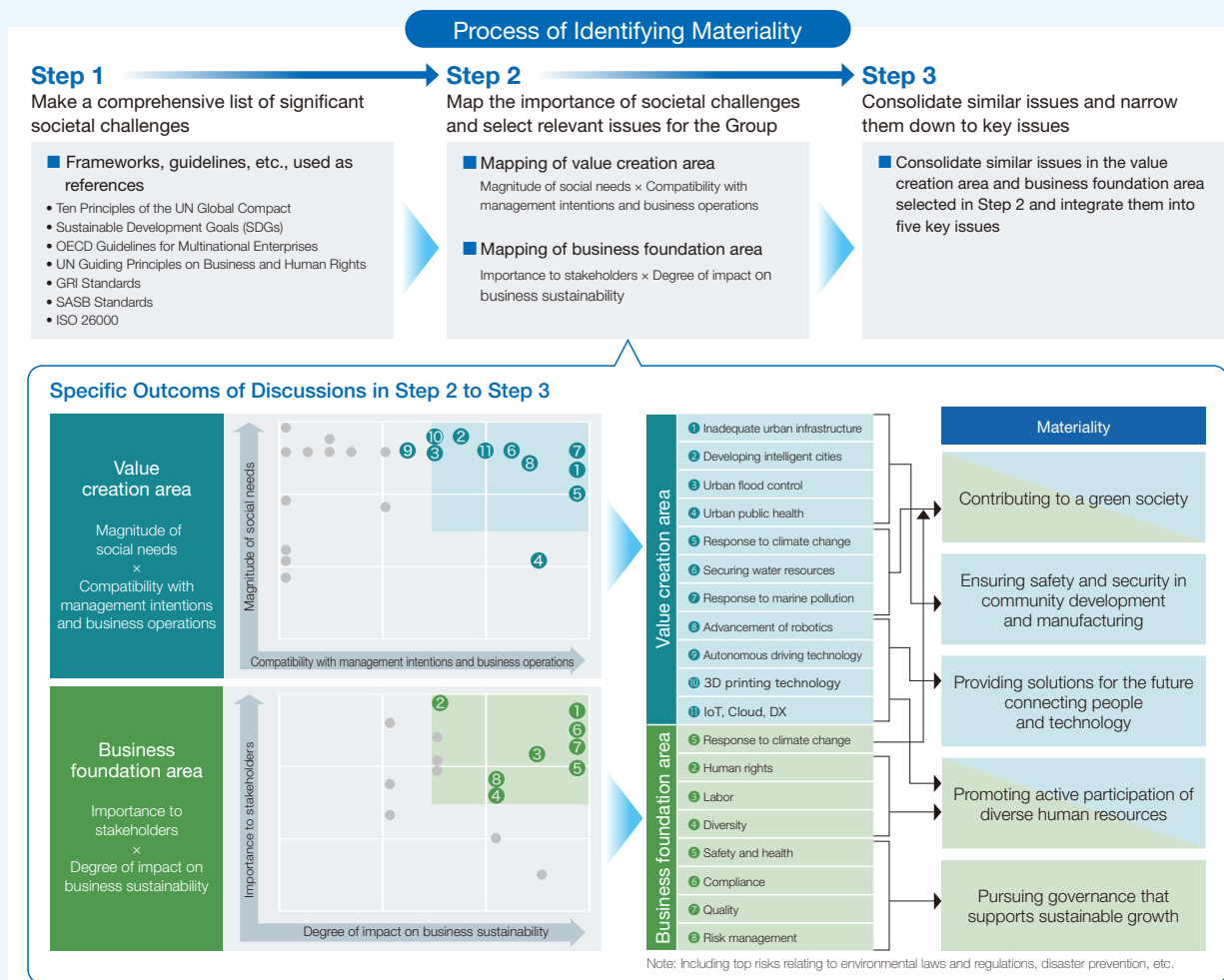
Based on the Group Corporate Philosophy, we identified five items of materiality (key issues) that the Group must address to achieve sustainable growth while ensuring profitability, and become a corporate group indispensable to society by providing solutions to the needs of society and creating new value. The Group will address societal challenges by tackling the five items of materiality and strive to achieve sustainable growth.

For each item of materiality, we have set specific indicators and targets to achieve, and we are managing their progress. This year, we reviewed the materiality indicators and targets as follows, taking into account changes in the external environment and other factors. Please refer to pages 8–9 for the status of our efforts against the annual indicators and targets up to the previous fiscal year.

Process of Identifying Materiality











Under the leadership of the Chair of the CSR Committee (currently the Sustainability Management Committee), we evaluated the appropriateness of the materiality evaluation process and analysis results and identified issues of materiality that should be addressed with priority. The identified issues of materiality were checked for consistency with the Group Corporate Philosophy and discussed among the members of the management team, including independent directors, and then finalized with the approval of the Board of Directors.

Materiality	Subcategory	Indicators
Contributing to a green society	Response to climate change	(1) 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
	Response to resource recycling	(4) Water recycling rate
		(5) Water pollutant (COD, TP) load in restricted areas
		(6) Disclosure based on the TNFD recommendations
Ensuring safety and security in community development and manufacturing	Supplying energy focused on S+3E	(7) Continuous stable supply of electricity
		(8) Percentage of eco-friendly products in steel products
	Providing materials and machinery that meet needs	(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
Providing solutions for the future connecting people and technology	Manufacturing and operational transformation through digitalization (DX)	(13) Employee awareness survey results on DX
	Integration and innovation of diverse intellectual assets	(14) Number of ideas for new businesses
Promoting active participation of diverse human resources	Enhancing organizational diversity	(15) 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
	Creating a work environment where employees can play active roles	(18) Percentage of male employees taking paternity leave or special leave for childcare
		(19) Number of annual paid leave days taken
		(20) Instilling of the Group Corporate Philosophy
Pursuing governance that supports sustainable growth	Encouraging the growth and initiative of every employee	(21) Improving and expanding employee training
		(22) Whistleblowing system usability
	Compliance and risk management	(23) Companies implementing human rights due diligence
	Human rights	(24) Lost time injury frequency rate
	Safety and health	(25) Percentage of business sites certified under the Quality Guidelines
	Quality assurance	(26) Kobelco TQM practical management program completion rate
	TQM	



*A green society is not limited to the narrow meaning of a society that merely uses natural energy, but is defined as a society that addresses climate change and resource recycling.

Materiality and Indicators/Targets

Kobelco Group's Materiality		Indicators and Targets				Description of Initiatives
		Indicators	Targets	Actual (FY2020)	Actual (FY2023)	
Contributing to a green society   	Response to climate change	(1) Reduction of CO ₂ emissions in production processes	2030: Down 30–40% (compared to FY2013) 2050: Taking on the challenge of realizing carbon neutrality	20% reduction ¹	20% reduction	• Promoted energy-saving activities and implement initiatives in line with the roadmap toward carbon neutrality in the ironmaking process.
		(2) Contribution to reduction of CO ₂ emissions through technologies, products, and services	2030: 61 million tons (including at least 45 million tons through MIDREX® Process) 2050: 100 million tons or more	40.77 million tons	61.18 million tons ²	• Increased sales and expanded the lineups of technologies, products, and services that contribute to CO ₂ reduction.
		(3) Reduction of CO ₂ emissions in the electric power business	2030: Increasing efficiency of coal-fired power plants to the USC level or higher 2050: Taking on the challenge of realizing carbon neutrality	—	—	• Implemented initiatives in line with the roadmap toward carbon neutrality in the electric power business, including ammonia co-firing/single-fuel firing and the use of biomass.
	Response to resource recycling	(4) Water recycling rate	Maintaining at 95% or higher	95.9%	96.3%	• Promoted efficient use and thorough recycling of water.
		(5) By-product recycling rate	Recycling of three main items ³ FY2025: 99%	98.9%	99.1%	• Promoted recycling of the three main items and reduce final disposal amounts.
Ensuring safety and security in community development and manufacturing    	Supplying energy focused on S+3E ⁴	—	—	—	—	—
	Providing materials and machinery that meet needs	(6) Percentages of target products in the product mix	FY2025: Percentage of wire rods/bars and high-tensile strength steel in the steel products: 52%	44%	48%	• The percentage of wire rods/bars and high-tensile strength steel has steadily increased as we secured the sales volume of special steel wire rods and ultra-high-tensile strength steel roughly in accordance with the plan due to our efforts to steadily capture the recovery in automobile demand after the pandemic and demand for automotive weight reduction. In steel plates and other sectors, we are working to expand the sales volume of high-value-added products tailored to customer needs.
	Improving safety and productivity	—	—	—	—	—
Providing solutions for the future connecting people and technology   	Reforms in manufacturing and operations through digitalization (DX)	(7) Hours of office work streamlined by digitization	FY2023: 125,000 hours/year FY2025: 250,000 hours/year	—	259,000 hours/year	• Have implemented measures to improve the no-code/low-code development environment and promote civil development ⁵ since fiscal 2022, and achieved targets for fiscal 2025 ahead of schedule.
		(8) Progress rates of reconstruction of existing systems ⁶	FY2025: 100%	—	63.6%	• The integration and renovation of the SAP ERP system (for financial accounting and the machinery businesses) and the large-scale restructuring of the design system are generally on schedule. The new SAP ERP system was launched in April 2024 as planned.
		(9) Number of DX personnel trained	a. IT evangelists ⁷ FY2023: Approx. 500 b. Data scientists ⁷ FY2023: Approx. 140	a. 35 b. 99	a. 593 b. 146 (cumulative)	• Made progress as planned and achieved the target. To improve effectiveness, the following measures are underway. a. Enhance the follow-up after training. Strengthen the sharing of case studies and information dissemination in the IT evangelist community. b. Continuous follow-up through introductory and intermediate training and advanced training by specialized departments and networking events.
	Integration and innovation of diverse intellectual assets	(10) New business creation	FY2025: Multiple task forces (TFs) to create new businesses FY2030: Multiple TFs to launch new businesses (Annual target earnings: 1 billion yen or more per business)	—	One business	• Continued to explore new businesses centered on the hydrogen working group and explored medium- to long-term growth areas next to the hydrogen sector. In addition, built a foundation for new activities from fiscal 2024, such as creating guidelines for new business activities.
		(11) Number of employees with PhDs	—	177	168	• Promoted initiatives for encouraging employees to obtain academic degrees and the hiring of students with PhDs.

¹ Due to a revision of the calculation method and scope of targets, the figures for fiscal 2020 have been revised retroactively.

² The latest coefficients are used to calculate the contribution to reduction of CO₂ emissions through technologies, products, and services.

³ Three main items: Slag, dust, and sludge



⁴ S+3E = Safety + Energy Security, Economic Efficiency, and Environment

⁵ Employees in the back-office sections develop apps using no-code, low-code tools on their own.

⁶ Progress rates of the plan to rebuild existing IT systems, excluding the mainframe, which was planned at the time of formulation of the Medium-Term Management Plan (Fiscal 2021–2023)

⁷ a. IT evangelists (DX personnel who utilize IT to plan and implement business reforms in their own divisions), b: Data scientists (DX personnel capable of advanced data analysis)

Materiality and Indicators/Targets

Kobelco Group's Materiality		Indicators and Targets				Description of Initiatives
		Indicators	Targets	Actual (FY2020)	Actual (FY2023)	
Promoting active participation of diverse human resources 	Diversity and inclusion	(12) Percentage of women in new graduate hires	FY2023: a. Career-track administrative positions: 50% or more b. Career-track technical positions: 15% or more c. General technical positions: 15% or more	a. 34% b. 16% c. 9%	a. 44% b. 13% c. 9%	<ul style="list-style-type: none"> • Career-track positions: Introduced scout-type service and participated in seminars for female students. • General technical positions: Enhanced approach to schools/institutes to promote recruitment
		(13) Percentage of female managers	FY2023: Twice the fiscal 2020 level	2.3% ⁸	3.1%	<ul style="list-style-type: none"> • Enhanced the mid-career recruitment of women.
		(14) Percentage of employees with disabilities	2.3% (statutory employment rate)	2.34%	2.62%	<ul style="list-style-type: none"> • Conducted recruiting activities based on the statutory employment rate.
		(15) Number of non-Japanese employees	—	87	87	<ul style="list-style-type: none"> • Continued to conduct recruiting activities at universities in China. • Continued recruiting activities in Taiwan, South Korea, and Vietnam.
	Work style transformation	(16) Percentage of male employees taking special leave for childcare	FY2023: 100%	77.8%	94.5%	<ul style="list-style-type: none"> • Conducted activities to raise awareness at various D&I seminars, etc.
		(17) Turnover of employees with less than 10 years of service	Less than 15%	15.8%	21.1%	<ul style="list-style-type: none"> • Conducted various work style transformation activities and activities to support work-life balance, etc.
		(18) Overtime hours	—	16.6 h (per month/employee)	16.1 h (per month/employee)	<ul style="list-style-type: none"> • Conducted activities at each business unit, such as finishing work by 7:00 pm and setting a day with no overtime work, etc. • Carried out activities for improving business operations to increase operational efficiency.
		(19) Number of annual paid leave days taken	15 (per year/employee)	11.0 days	18.0 days	<ul style="list-style-type: none"> • Encouraged the taking of annual leave based on annual plans created through two-way communication between supervisors and individual employees in a planned manner.
		(20) Total hours worked	Under 2,000 hours/year	1,978 h	2,050 h	<ul style="list-style-type: none"> • Conducted activities at each business unit, such as finishing work by 7:00 pm and setting a day with no overtime work, etc. • Carried out activities for improving business operations to increase operational efficiency.
		(21) Continuation of employee awareness survey		Ongoing	Ongoing	<ul style="list-style-type: none"> • Continued to implement the survey between fiscal 2021 and fiscal 2023.
	Human resources development	(22) Improving and expanding employee training	a. Total hours trained (across all employees) b. Average hours of training per employee	a. 364,545 h b. 30.8 h ⁹	a. 380,056 h b. 33.0h ⁹	<ul style="list-style-type: none"> • Conducted training for selected leaders, in addition to stratified training based on the issues of each department and open training that can be selected by individuals. • Implemented self-directed, self-driving learning support (video training service).
Pursuing governance that supports sustainable growth 	Compliance and risk management	(23) Number of reported whistleblowing cases	—	112 cases	117 cases	<ul style="list-style-type: none"> • Disseminated information about the whistleblowing system through various in-house training sessions, intranet, posters, cards, leaflets, etc. • Conducted training for employees, who are in charge of addressing whistleblowing, explaining how to handle the information obtained from whistleblowers and criminal penalties in the event of leakage of confidential information.
	Human rights	(24) Participation rate in employee training	Implementation of Groupwide human rights training	—	100% (e-learning participation rate at Kobe Steel)	<ul style="list-style-type: none"> • Conducted human rights training for all employees using video-based learning materials (the theme for fiscal 2023 was harassment). • Continued training for those in charge of promoting employee training at Group companies (How to conduct training overseas is to be determined separately).
	Safety and health	(25) Lost time injury frequency rate	0.10 or less	0.28	0.31	<ul style="list-style-type: none"> • Implemented priority items, which include (1) Improving safety awareness and heightening attention to each other with participation of all members, (2) Conducting audits of business locations, including domestic and overseas Group companies, and improvement activities, and (3) Systematically introducing machinery safety and human safety support tools. In terms of training, we conducted machinery safety training for a total of 1,144 employees by the end of fiscal 2023.
		(26) Expansion of safety and health training		694	1,367	<ul style="list-style-type: none"> • Implemented new employee training, new supervisor training, and line manager training to help them acquire knowledge and skills related to safety and health.
	Quality assurance	(27) Accreditation rate in compliance with Quality Guidelines in internal quality audit	FY2023: 70% of internal quality audit target locations	—	67%	<ul style="list-style-type: none"> • A total of 75 sites were approved for compliance, and the approval rate was 67% (cumulative). Working to improve quality assurance levels by self-diagnosing the status of compliance with the Quality Guidelines at each site in our Group.
		(28) Automation rate of testing and inspection equipment as defined by the Company	—	—	—	<ul style="list-style-type: none"> • Based on the plan, we are promoting consistent automation from the input of test and inspection data to the preparation of test results.
		(29) Continuation of customer satisfaction survey		Ongoing	Ongoing	<ul style="list-style-type: none"> • Conducted surveys with questions tailored to each business division considering the difference of business operations.
	Corporate governance	(30) Improving the effectiveness evaluation of the Board of Directors		Ongoing	Ongoing	<ul style="list-style-type: none"> • Conducted questionnaire surveys targeting all directors and individual interviews by the Corporate Governance Committee.

⁸ Due to a revision of the calculation method (to include seconded employees and employees taking leave of absence), the figures for fiscal 2020 have been retroactively revised.

⁹ The time required for an e-learning lesson is estimated at 15 minutes per person.