

Kobelco Group

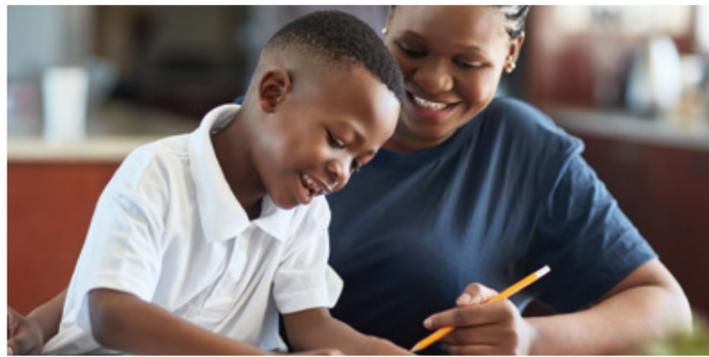
Integrated
Report
2023

The background of the cover features a high-angle, circular aerial view of a city, likely New York City, showing a dense urban landscape with skyscrapers and a large body of water. This central image is overlaid with a white network of interconnected nodes and lines, suggesting a digital or global connectivity theme. Three thick, curved, overlapping bands in blue, red, and green sweep across the scene, adding a sense of motion and modernity. The overall color palette is dominated by light blues and whites, with the vibrant colors of the swooshes providing contrast.

KOBELCO



Develop businesses driving the creation of social value



Establish a healthy living environment



Make advances in technology
Provide technologies, products, and services that meet diverse needs



Ensure economic stability



Conserve the global environment

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.

enjoying safe,

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.



Improve the employment environment



Encourage cultural exchanges
Embracing diversity



Mitigate natural disaster risks



Achieve a mobility society



Build a livable environment and co-creative society





Contribute to enhanced automobile collision safety through offering multi-material solutions

Drive the decarbonization of a variety of products through promoting the use of low-CO₂ blast furnace steel products



Help to eliminate shortages of skilled construction workers and improve safety through promoting the use of K-DIVE®, a remote operation technology for construction machinery



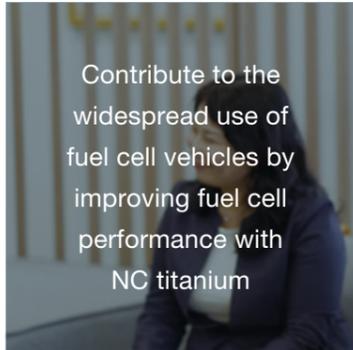
Enhance the performance of electric vehicles with our highly efficient magnetic materials

Achieve environmentally friendly *monozukuri* (manufacturing) at carbon-neutral plants



Expand the use of recycled aluminum through promoting the use of highly recyclable aluminum cans

Contribute to customer *monozukuri* (manufacturing) by improving the functionality of welding robots using AI



Contribute to the widespread use of fuel cell vehicles by improving fuel cell performance with NC titanium

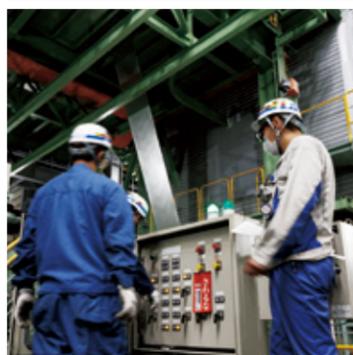
Enhance the environmental performance of transportation equipment through promoting the use of lightweight materials

Drive decarbonization at construction sites through promoting the use of environmentally friendly construction machinery

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.



Contribute to the widespread use of hydrogen in plants through providing hybrid hydrogen supply systems



Contribute to the widespread use of hydrogen through promoting the use of high-performance compressors



Drive the decarbonization of the steel industry through promoting the use of the direct reduction ironmaking process



Achieve environmentally friendly heating and cooling through promoting the use of heat pumps

Contribute to the increase of wind power generation facilities by improving construction efficiency through our welding solutions

Reduce greenhouse gas emissions through the effective use of sewage sludge energy



Provide a stable supply of energy to local communities through our urban power plants with low environmental impact

Kobelco Group Integrated Report 2023

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

The purpose of this Integrated Report is twofold. The first is to clearly show what the Group aims for through the value creation process by unraveling the Group's corporate story with the keyword of "comprehensive strengths," along with information on economic capital and other forms of capital, which are the source of our Group's comprehensive strengths that have been cultivated over its 117-year history. The second is to foster understanding about the Group's businesses and initiatives by presenting the progress of Kobelco Group Medium-Term Management Plan (Fiscal 2021-2023) announced in May 2021.

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

Period Covered	This Integrated Report covers fiscal 2022 (from April 1, 2022 to March 31, 2023). When necessary, this report makes reference to fiscal years before and after the period.
Guidelines Referenced	<ul style="list-style-type: none"> Sustainability Reporting Standards of the Global Reporting Initiative (GRI) ISO 26000 (Guidance on social responsibility) International Integrated Reporting Framework (IFRS Foundation) Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI)
Initiatives We Value	<ul style="list-style-type: none"> United Nations Global Compact Sustainable Development Goals (SDGs) Recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)
Production Process	<ol style="list-style-type: none"> After publishing Kobelco Group Integrated Report 2022, we asked analysts, institutional investors, Group employees, and other internal and external stakeholders to give their frank opinions and comments on the report. We also applied for awards offered by outside organizations for relative assessment of the report. In light of these assessments for the previous report, the Integrated Report Editorial Subcommittee under the Sustainability Management Committee wrote a draft of this report in cooperation with the Head Office departments and business divisions. The production of Kobelco Group Integrated Report 2023 proceeded based on discussions with the management team through the Sustainability Management Committee, etc.

Kobelco Group's Information Disclosure Scheme

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

▶ For details about each tool, please see our corporate website.

ESG Data Book https://www.kobelco.co.jp/english/about_kobelco/outline/integrated-reports/	
Sustainability https://www.kobelco.co.jp/english/sustainability/index.html	
Investor Relations https://www.kobelco.co.jp/english/ir/	

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

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This Integrated Report describes our Group's ESG initiatives in Section 4 (Initiatives to Promote Sustainability), but it does not cover all of our Group's ESG-related data. For further details, please refer to the ESG Data Book and our corporate website.

▶ ESG Data Book 2023

E (Environment) p.10-
S (Social) p.48-
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▶ Our corporate website

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

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Disclaimer Regarding Forward-Looking Statements

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

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

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

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 standards 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 and offering new value to society.

KOBELCO's Mission represents its vision of creating solutions to social issues in ways only possible by KOBELCO through the combination of diverse businesses, technologies, and qualities of its people developed in the efforts to address social needs.

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 with all employees involved.

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

Promotion of 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.



Message from the President and CEO

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives. To bring about such a world, we will continue to contribute to the development of society while maximizing the Group's comprehensive strengths.

Mitsugu Yamaguchi

President, CEO and Representative Director

山口 貢



Message from the President and CEO

For People, Now and in the Future

Since its founding in 1905, the Kobelco Group has provided solutions to society through its technologies, products, and services. Even today, 117 years after the founding, the spirit of working for the benefit of society and the world has been handed down from generation to generation in our Group.

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, as stated in the Group Corporate Philosophy. To bring about such a world, we will continue to contribute to the development of society by maximizing the Group's comprehensive strengths.

Entering the Final Year of the Medium-Term Management Plan

The Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), which began amid the outbreak of COVID-19, has entered its third and final year. Over the past three years, there have been many changes that have affected our overall business activities, such as sluggishness in the automotive industry due to semiconductor shortages and rising prices of energy and raw materials due to heightened geopolitical risks, in addition to response to COVID-19. Even in such circumstances, we have been working to build a business foundation that enables us to steadily carry out the tasks we must tackle in the medium- to long-term, such as addressing climate change.

We started our Medium-Term Management Plan with two priority issues: (1) Establishing a stable earnings base and (2) Taking on the challenge of realizing carbon neutrality. Although the business environment remained challenging due to the many changes as mentioned above, we steadily implemented our key measures, strengthened our *monozukuri* (manufacturing) capabilities, and improved selling prices. As a result, ordinary profit for fiscal 2022 was 106.8 billion yen. In fiscal 2023, the final year of the Medium-Term Management Plan, we forecast an ordinary profit of approximately 145 billion yen, and we feel that our efforts to date have achieved a certain result in establishing a stable earnings base. We anticipate that the business environment will remain unstable, but we will work to build a stronger foundation so that we can secure stable earnings even in such an environment.

With regard to carbon neutrality, our Group's business opportunities are increasing as the world accelerates its efforts to address global climate change. Our Group has so far provided many distinctive products globally, but we expect to develop new business operations by combining our Group's diverse businesses. While steadily reducing CO₂ emissions in our own production processes, we hope to play an even greater role in helping our customers reduce their CO₂ emissions.

Establishing a Stable Earnings Base

For establishing a stable earnings base, we have been working on five key measures. Although progress has largely been made as planned, our aluminum-related businesses are struggling to achieve projected results due to the accelerated electrification in the automotive sector, which has delayed the decision to use aluminum, a lightweight material, and slow progress in passing on soaring prices of raw materials to selling prices in the aluminum industry. We are making steady efforts to gain the understanding of our customers about cost pass-through, and we hope to recover to a certain degree during this fiscal year, as we are seeing positive results in terms of sales volume expansion.

For the Group as a whole, the Kobe Power Plant No. 3 and No. 4 units, which were successfully started up as planned, have contributed significantly to the establishment of a stable earnings base, and we will continue to secure stable earnings in the electric power business. In addition, we will work to curb volatility in the materials businesses and expand the machinery businesses to further reinforce our earnings base.

Taking on the Challenge of Realizing Carbon Neutrality

With regard to CO₂ reduction in the ironmaking process, we see the growing interest in the MIDREX[®] Process. In fiscal 2022, we received an order for the world's first commercial MIDREX H₂[™] direct reduced iron (DRI) plant that uses 100% hydrogen as reducing gas. It proves that our Company already has the technology applicable to the hydrogen society in the future, capturing increasing attention to our initiatives in this area. This also had a positive effect internally— the MIDREX[®] Process was once again recognized as a world-class technology that we own and it has led to enhancing the pride of our employees. We intend to use this technology not only to sell plants, but also to reduce CO₂ emissions from our own ironmaking process and to sell low-carbon iron sources for use by steelmakers including ourselves, by combining it with the technologies developed by our Company's steel business. We will strive to contribute to reduction of CO₂ emissions in every possible way.

Another example of combining our Group's technologies is the hybrid-type hydrogen gas supply system that was released last year. Although industries are accelerating efforts to utilize hydrogen, the current focus has been on large-scale applications, with no significant progress in small- to medium-scale applications in terms of case studies for actual utilization. We believe that it is very meaningful that our Group, which actually uses hydrogen, is working on the study of the hydrogen supply system. In fact, it has attracted attention from outside, and many business operators and government officials have been visiting our demonstration facilities from the construction stage. This project is not only an initiative that capitalizes on our strengths, but also an important initiative to deepen integration within our Group by combining businesses in different sectors.



Message from the President and CEO

As part of the effort to take on the challenge of realizing carbon neutrality under the Medium-Term Management Plan, we strive to contribute to reduction of CO₂ emissions through our technologies, products, and services. We believe that contributing to CO₂ reduction is not only our responsibility required by society, but also a business opportunity to utilize our Group's strengths. KOBELCO's Mission, which constitutes the Group Corporate Philosophy, states that our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies. As set forth in the statement, the diversity of our technologies and human resources is a major asset of our Group. We will thoroughly discuss how we can make the most of our resources to contribute to CO₂ reduction for the next Medium-Term Management Plan.

Initiatives Leading to the Next Medium-Term Management Plan

In fiscal 2023, the final year of the Medium-Term Management Plan, we will make a draft of the next Medium-Term Management Plan. As discussions are progressing, we recognize that further enhancement of profitability is essential in view of future large-scale investments to achieve carbon neutrality, etc. We need to aim even higher since the targets of the current Medium-Term Management Plan are not sufficient to establish a satisfactory stable earnings base that enables us to achieve our medium- to long-term target of ROIC of 8% or higher. In the next medium-term management plan, we aim to further improve earnings by accelerating and implementing concrete initiatives in response to growth markets while continuing to strengthen our financial base.

Kobelco Group's Management Resources Form the Foundation of the Comprehensive Strengths

I believe that the strength of our Group lies in the diversity of our technologies and human resources, and that it will be pivotal in our business strategy to harness comprehensive strengths derived from such a diversity. While it is important to continue to leverage this strength, it is also necessary to take a flexible approach according to changes in society in addressing diversity, along with the declining birthrate and aging population in Japan and other countries, as well as the increasing mobility of human resources.

There is renewed attention to the idea that viewing human resources as capital and creating maximum value from it is important for the sustainable enhancement of corporate value. As clearly articulated in the statement of "Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies" in KOBELCO's Mission of the Group Corporate Philosophy, we recognize that our employees are the most important part of our Group, and this awareness has been passed down from generation to generation in both management and the workplace. In order to create new value in the future, from our initiatives that include taking on the challenge of realizing carbon neutrality, we must further invest in our human resources through developing employee skills, creating a safe and healthy work environment, and building a system that promotes active participation of diverse human resources, and we will further enhance investments in these areas. In human capital management efforts, it is important not only to address tangible aspects such as facilities and employment systems, but also to work on intangible aspects, including creating a workplace where each and every employee can openly express their opinions.

One of the measures we are taking for that purpose is the digital transformation (DX) initiative. For the promotion of DX strategy, we have established the DX Strategy Committee to comprehensively formulate and implement our Group's strategy in this area. While there are many challenges to be addressed in DX, there are a lot of things that are made possible with DX. We believe that each employee's effort to make their work more efficient will lead to improving work productivity and creating a healthy workplace as well. Compared to when I joined the company, the way we work has changed dramatically due to the advent of digital technologies, such as the spread of personal computers, mobile phones, and smartphones, and the expanded use of the Internet. I believe that our ongoing DX initiative will further change the way we work and facilitate the sharing and utilization of information. By promoting these interactive approaches, we hope to create a mechanism that will ensure diversity in technology and human resources.

Since assuming the position of president, I have continued to stress the importance of communication to all employees. I do this because I believe improving the quality of communication and increasing the quantity of interactions with those around us will allow us to carry out our work more efficiently, promote mutual understanding, and bring better results. Even during the COVID-19 pandemic, our employees have been making various efforts to communicate with their supervisors, subordinates, and colleagues. This must be a factor that enables us to secure a certain level of earnings even in a difficult business environment. I have been engaged in internal communication proactively through face-to-face dialogues with people at business locations and answering questions from employees at Kobelco Gathering, an annual online event. Unfortunately, due in part to the spread of COVID-19, I was not able to visit business sites and communicate with our employees for more than three years. Currently, I am increasing opportunities to visit business sites and talk with employees to make up for the lack of in-person communication during the past years.

In addition, it is also important to engage in dialogue with shareholders, investors, and other external stakeholders. We hold interactive dialogues with those in the capital market on various occasions, such as explanatory meetings on the progress of the Medium-Term Management Plan, the status of individual businesses, our ESG initiatives, etc., where senior executives, including myself and the heads of business divisions, talk as speakers. We will continue to strive to maximize our corporate value through proactive communication with various internal and external stakeholders.

Moving Toward a Sustainable Society

I believe that addressing social issues and meeting customer needs, including achieving carbon neutrality, is our Group's mission, and at the same time it becomes new business opportunities. Our Group is one of the few companies in the world with a diverse range of businesses, which encompass materials, machinery, and electric power. Having diverse businesses means having diverse technologies, human resources, and markets. We believe that we are capable of creating new value by demonstrating our comprehensive strengths through a combination of all of these. In fact, we have produced results in the form of CO₂ reduction solutions in the ironmaking process and the hybrid-type hydrogen gas supply system. In addition, I feel that there is a growing awareness within the Company of the need for collaboration across business divisions. We will continue to contribute to the realization of a sustainable society through our Group's technologies, products, and services.

Message from the Chair of the Sustainability Management Committee

We will provide solutions to the needs of society while fulfilling various corporate social responsibilities.

Hajime Nagara

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



Promotion of Sustainability Management in the Kobelco Group

In recent years, companies have been required to practice sustainable management, starting with addressing the Sustainable Development Goals (SDGs). With the world facing various social issues today, the common goal of society and companies is to enhance sustainability. In this context, what is important for a company is to strive for sustainable growth by resolving social issues through business 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

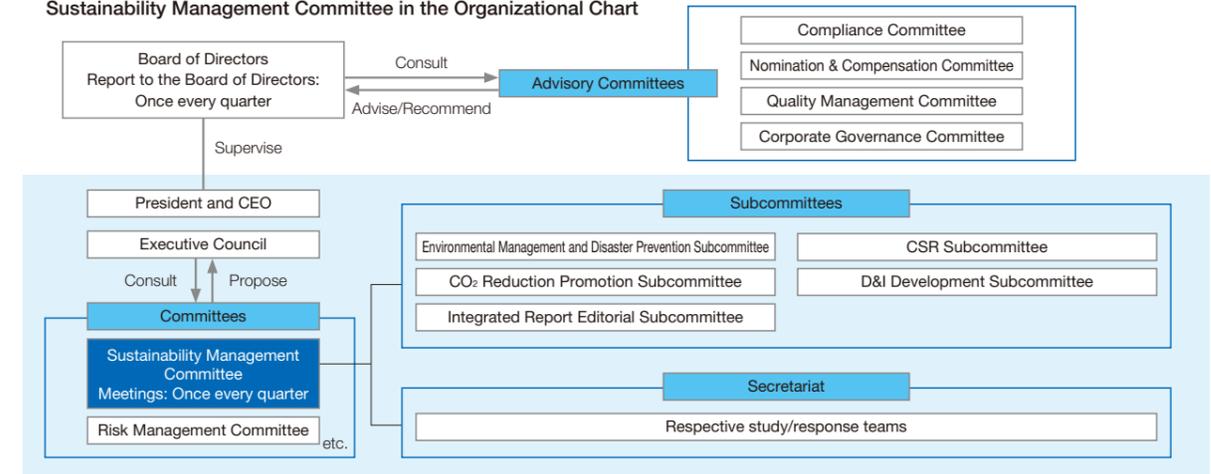
our corporate social responsibilities and contributing to resolving social issues through the provision of enhanced technologies, products, and services.

Our Group's sustainability management is promoted under the initiative of the Sustainability Management Committee, an auxiliary body of 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.

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

Sustainability Management Committee in the Organizational Chart



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 the Group's view of the future and its mission. We 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 of activities is managed by the Sustainability Management Committee. Although there are some remaining issues, I feel that we made largely satisfactory progress with these initiatives in fiscal 2022.

The environment surrounding our business activities 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, initiatives related to biodiversity, and initiatives for supply chains and diversity and inclusion (D&I). The Group will promote the resolution of these issues by tackling the five items of materiality and achieve sustainable growth.

Our Group has a diverse employee base because we operate a wide range of businesses at 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 will continue to work to address social issues and create new value.

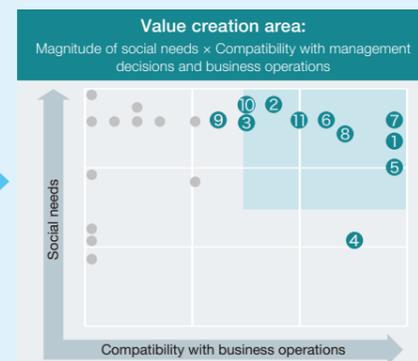
Process of Identifying Materiality

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 examined issues of materiality that should be addressed with priority.

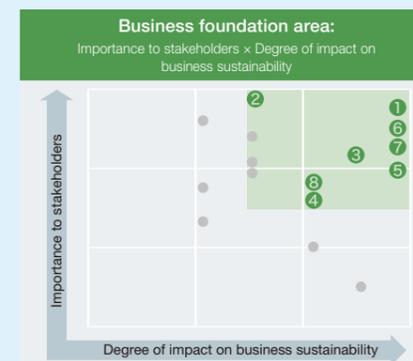
1 Comprehensively identify social issues with reference to megatrends and the following international frameworks and guidelines

- Ten Principles of the UN Global Compact
- Sustainable Development Goals (SDGs)
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- GRI Standards
- SASB Standards
- ISO 26000

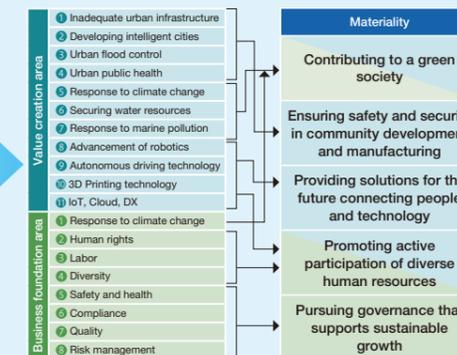
2 Score the social issues on their level of importance



from the following viewpoints and map them out



3 Merge key issues that are common to both of the value creation and business foundation areas and identify similar issues



4 Discuss issues several times at the management level, including independent directors, while checking their consistency with the Group Corporate Philosophy

5 Finalize materiality and receive approval from the Board of Directors

Note: Including top risks relating to environmental laws and regulations, disaster prevention, etc.

Materiality and Indicators/Targets

1 The latest coefficients are used to calculate the contribution to reduction of CO₂ emissions through technologies, products, and services. The figure for fiscal 2022 was calculated with revised coefficients.
 2 Three main items: Slag, dust, and sludge.
 3 S+3E = Safety + Energy Security, Economic Efficiency, and Environment.
 4 Employees in the back-office sections develop their own apps using no-code/low-code tools.
 5 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).
 6 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).
 7 Figures for fiscal 2020 and 2021 have been revised due to changes in the calculation method (including the addition of e-learning and training provided at each business site). The time required for an e-learning lesson is estimated at 15 minutes per person.
 8 Figures for fiscal 2020 and 2021 have been revised due to changes in the calculation method (changed to figures by fiscal year).
 *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 of the Kobelco Group		Indicators and Targets					Main Initiatives in FY2022
		Indicators	Targets	Actual (FY2020)	Actual (FY2021)	Actual (FY2022)	
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 levels) 2050: Taking on the challenge of realizing carbon neutrality	Down 21%	Down 16%	Down 20%	• Promote 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	44.91 million tons	58.91 million tons ¹	• Expand sales 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	—	—	—	• Implement 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%	95.7%	96.2%	• Promote efficient use and thorough recycling of water.
		(5) By-product recycling rate	Recycling of three main items ² FY2025: 99%	98.9%	99.3%	99.2%	• Promote 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 ³	—	—	—	—	—	
	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%	46%	44%	• In fiscal 2022, we worked on increasing orders aimed at improving the product mix as planned, but the target was not achieved due to sluggish demand for automobiles. We will strive to increase the percentage of target products by steadily capturing the future recovery of demand for automobiles, while enhancing competitiveness and expanding global sales.
Improving safety and productivity	—		—	—	—		
Providing solutions for the future connecting people and technology 	Reforms in manufacturing and operations through digital transformation (DX)	(7) Hours of office work streamlined by digitization	FY2023: 125,000 hours/year FY2025: 250,000 hours/year	—	76,000 hours/year	122,000 hours/year	• Implemented measures to improve the no-code/low-code development environment and promote civil development ⁴ since fiscal 2022.
		(8) Progress rates of reconstruction of existing systems ⁵	FY2025: 100%	—	18.4%	40.3%	• 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 will be launched in April 2024.
		(9) Number of DX personnel trained	a. IT evangelists ⁶ FY2023: Approx. 500 b. Data scientists ⁶ FY2023: Approx. 140	a. 35 b. 99	a. 128 b. 113 (cumulative)	a. 278 b. 137 (cumulative)	• Progress is being made as planned and the target is expected to be achieved. To enhance effectiveness, we will implement the following measures in the future. 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)	—	Two businesses	One business	• Continued to explore new businesses centered on the hydrogen and semiconductor working group and explored areas of focus next to the hydrogen and semiconductor fields.
		(11) Number of employees with PhDs	—	177	175	170	• Promoted initiatives for encouraging employees to obtain academic degrees and the hiring of students with PhDs.
Promoting active participation of diverse human resources 	Diversity and Inclusion (D&I)	(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. 35% b. 6% c. 8%	a. 48% b. 10% c. 8%	• Career-track positions: Introduced scout-type service and participated in seminars for female students • General technical positions: Increased recruiting at schools
		(13) Percentage of female managers	Double the percentage from fiscal 2020 (5.4%)	2.7%	2.8%	3.0%	• Enhanced the mid-career recruitment of women
		(14) Percentage of employees with disabilities	2.3% (statutory employment rate)	2.34%	2.56%	2.64%	• Conducted recruiting activities based on the statutory employment rate
		(15) Number of non-Japanese employees	—	87	76	74	• Conducted recruiting activities at universities in China • Began recruiting activities in Taiwan and South Korea
		(16) Percentage of male employees taking special leave for childcare	FY2023: 100%	77.8%	78.5%	88.0%	• Raised awareness at various D&I seminars, etc.
		(17) Turnover of employees with less than 10 years of service	Less than 15%	15.8%	19.5%	20.0%	• Conducted various activities to improve work styles and activities to support work-life balance, etc.
		Work style reform	(18) Overtime hours	—	16.6 h (per month/employee)	17.2 h (per month/employee)	16.5 h (per month/employee)
	(19) Number of annual paid leave days taken		15 (per year/employee)	11.0 days	13.9 days	17.0 days	• 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	2,057 h	2,050 h	• 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	Ongoing	• Continued to implement the survey in fiscal 2022
	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 ⁸	a. 349,585 h b. 30.9 h ⁸	a. 408,216 h b. 35.9 h	• 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 • Introduction of a video training service that enables employees to learn anywhere and anytime
Pursuing governance that supports sustainable growth 	Compliance and risk management	(23) Number of internal reporting (whistleblowing) cases	—	112	113	111	—
	Human rights	(24) Participation rate in employee training	Implementation of Groupwide human rights training	—	76.4% (e-learning participation rate at Kobe Steel)	79.9% (e-learning participation rate at Kobe Steel)	• Conducted e-learning on harassment at Kobe Steel (for staff, foremen, and managers) • 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 ⁸	0.22 ⁸	0.24	• Implemented priority items, which include (1) Improving safety awareness and heightening attention to each other with participation of all members, (2) Monitoring the management status through safety and health diagnosis and conducting activities for improvement, and (3) Conducting test operation and evaluation of machinery safety and human safety support tools.
		(26) Expansion of safety and health training	—	694	778	1,820	• 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	—	35%	47%	• In fiscal 2022, 24 sites were approved for compliance, and the approval rate was 47% (cumulative). Continue 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	—	—	—	—	• Based on the plan, we are promoting consistent automation from the input of test and inspection data to the preparation of test results. To further enhance the soundness of data, we are developing plans to partially automate the processes where consistent automation was difficult in the past.
(29) Continuation of customer satisfaction survey		—	Ongoing	Ongoing	Ongoing	• Conducted surveys with questions tailored to each business unit considering the difference of business operations.	
Corporate governance	(30) Improving the effectiveness evaluation of the Board of Directors	—	Ongoing	Ongoing	Ongoing	—	

Roundtable Talk among Three Independent Directors



Fiscal 2023 is the final year of the Kobelco Group Medium-Term Management Plan (Fiscal 2021-2023). Throughout the period, we have boldly tackled a wide range of issues, with Materiality as a starting point, in both value creation and business foundation areas with a focus on sustainability management. Three independent directors, Hiroyuki Bamba (Chairman of the Board of Directors), Yumiko Ito (Chair of the Corporate Governance Committee), and Masaaki Kono (Chair of the Audit & Supervisory Committee), sat down for a candid discussion about the progress of discussions at the Board of Directors as well as the Company's efforts to leverage human capital that has been made thus far.

Kobelco Group's Sustainability Management Steadily Evolving

Kono: I feel the Medium-Term Management Plan is generally progressing smoothly. For example, regarding "Contributing to a Green Society," one of the Group's action items for Materiality, the Sustainability Management Committee took the lead in establishing a framework for cross-divisional discussions about the Group's roadmaps for the steelmaking process and for the electric power business, which were set forth in the Medium-Term Management Plan, and steady progress has been made. I see it as a great step forward. For another key issue, contribution to reduction of CO₂ emissions through the Group's technologies, products, and services, I believe that the results of the efforts are steadily materializing as exemplified by technologies and products such as the MIDREX® process, Kobenable Steel, and the hybrid-type hydrogen gas supply system.

Ito: The Group also has demonstrated its strength of

creating new value by combining technologies of not only one business division but also multiple business divisions, as seen in the CO₂ reduction solution in the ironmaking process using the MIDREX® process. In relation to another action item of Materiality "Providing solutions for the future connecting people and technology," my focus is on K-DIVE®, developed by Kobelco Construction Machinery Co., Ltd. As every industry is facing difficulties in securing human resources, I believe K-DIVE® can be regarded as an example of best practice in that it shows the direction of how to provide solutions to society by incorporating elements of digital transformation (DX) into the Group's distinctive technologies and products.

Bamba: ROIC (return on invested capital) was also introduced in the Medium-Term Management Plan. The Group's investment and loan projects, which includes capital



Hiroyuki Bamba
Independent Director
(Chairman of the Board of Directors)



Yumiko Ito
Independent Director
(Chair of the Corporate Governance Committee)



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

investments, are enormous, and the results of those investments have a significant impact on our business. By using ROIC as a benchmark, the Company has been able to analyze its approach to capital investment and establish a detailed feasibility study method. From progress management to exit strategies, I feel that initiatives are being carried out in a steady and thorough manner.

Ito: I feel that the introduction of ROIC has led to further deepening of discussions on the executive side at meetings of the Investment and Loan Committee and the Business Portfolio Management Committee. The Board of Directors regularly receives reports on the status of business execution, and the ROIC tree is used as an evaluation system. I think this indicates that ROIC is gaining recognition within the organization.

Bamba: The Company carried out the measures to prevent recurrence of the quality misconduct, which was made public in 2017. Looking back now, I feel that it was quite significant that the Company tackled the fundamental organizational problems such as the lack of communication within the Company and undertook drastic reforms, not limited to corrective measures to ensure compliance in quality. In addition, the Company established the Group Corporate Philosophy in May 2020 and set forth the Group's Materiality in 2021 to present a concrete vision of what it aims for. Based on these, the Company formulated and implemented the Medium-Term Management Plan. This is one of the major factors that support the Medium-Term Management Plan's steady progress.

A Certain Level of Improvement Achieved in the Effectiveness of the Board of Directors

Bamba: At the Board of Directors meetings over the past year, we discussed the human resource development of the Group while sharing our views as outside directors with experiences at other companies, at the suggestion of independent directors to include human capital issues such as human resource development plans in the agenda. At offline meetings held after the Board of Directors meetings, we regularly received feedback from the investor relations (IR) team on the evaluation of the Company from the capital markets and discussed how to improve the value of the Group. Through these, we the management team realized once again that it was important to visualize our Group's growth scenario to the capital markets and provide explanations with clear distinctions between burgeoning businesses and businesses that are beginning to produce results. As Chairman of the Board of Directors, I believe it is extremely important to select agenda items in advance for the Board of Directors meetings. So, prior to the selection of agenda items at the Board of Directors meetings, I usually make a request to include specific themes, or suggest

adding some topics that have been discussed actively at the Meetings of Independent Directors, which consists of all six independent directors of the Company. I recognize that it is a responsibility of an independent director to fulfill supervisory functions of the Board of Directors.

Ito: The Corporate Governance Committee, which I chair, conducts an evaluation of the effectiveness of the Board of Directors. Looking back at fiscal 2021, I thought that there were few opportunities to discuss topics related to the business foundation area. Therefore, in fiscal 2022, we used the Meetings of Independent Directors and offline meetings to share information among directors and hold discussions with the executive side on a total of 13 occasions. We have a system in place to take up matters that directors consider important at the Board of Directors and discuss important agenda items as deeply as possible, and that is working well. I believe the effectiveness of the Board of Directors has been significantly improving.

Kono: The Audit & Supervisory Committee has focused on the effectiveness of the management structure and of risk

Roundtable Talk among Three Independent Directors



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management during the period of the Medium-Term Management Plan. In terms of the effectiveness of the Board of Directors, we feel that the Board of Directors holds a broader range of discussions, which has been highly evaluated by the Audit & Supervisory Committee. In terms of risk management, the Company has established a management structure that connects different business divisions by setting up various cross-organizational committees. I think this has enabled the Company to respond in a timely and appropriate manner to new risks that have emerged during this fiscal year, such as geopolitical risks, rising interest rates, and exchange rate fluctuations. With a view to promoting Group-wide initiatives globally, we believe it will be necessary to further instill this spirit throughout the Group, including overseas Group companies and their subsidiaries.

For Active Participation of Diverse Human Resources to Support KOBELCO

Bamba: Communication is the foundation of human capital management. As a focus under the Medium-Term Management Plan, the Company has worked to enhance two-way communication between management and employees, between business divisions, and between head office and business divisions, and achieved a significant improvement in this area. In addition, recently there has been a growing awareness of succession plans for developing successors who will be top executives, by providing them with experience of transfers between different business divisions, creating opportunities for accumulating management experience at overseas subsidiaries, etc. Since 2018, the Group has been conducting employee awareness surveys about the workplace and the Company, and the results of the survey have been reported to the Board of Directors. The Group had started such awareness surveys even before the momentum for the utilization of human capital increased in corporate management, showing that the Group embraces a corporate culture that values its employees.

Kono: What is the Kobelco Group aiming for? What does each employee offer to achieve the common goal through their own work? In order to improve employee engagement, the Group must continue to convey messages that will be the answer to these questions as part of the IR initiatives targeted at employees. The Company holds an annual event called "Kobelco Gathering" where President Yamaguchi explains the financial results of the fiscal year to employees. During a session, President Yamaguchi explains the ROIC tree and clarifies what each business division must do. I was impressed by the president's willingness to share the

direction that each employee should pursue.

The president is making good use of human capital, and I believe that he is exactly on the right path. The Kobelco Group has formulated its Corporate Philosophy and Materiality by having its employees take the lead and discuss the future vision. Going forward, it will be necessary to instill this attitude and spirit throughout the Group as a foundation of the organization. I also believe that DX is an important factor in human capital utilization. Since fiscal 2020, the Company has trained 278 IT evangelists and 137 data scientists. From the perspective of human resource development and employee engagement, I feel that it is crucial to foster an awareness of reforming day-to-day routine operations among all members of the Group.



We, the management team, realized once again that it was important to visualize our Group's growth scenario to the capital markets and provide explanations with clear distinctions between burgeoning businesses and businesses that are beginning to produce results.

Ito: How to secure human resources is becoming a key issue not only for the Kobelco Group but also for other companies. Along with work style reforms through DX, I suppose that personnel recruitment will be a key factor in the next medium-term management plan. This means it will become even more important to build a system to steadily secure human resources by analyzing the human resource portfolio and utilizing mid-career recruitment, as well as a system to maintain and improve the Company's reputation and employees' pride in the Company. In terms of promoting

active participation of women, we still have issues to be addressed, but considering that more than 20% of the current career-track and managerial employees are those who have joined Kobe Steel as mid-career hires, I think the Company has considerable potential for embracing diversity and inclusion by making good use of external talents. In addition, we are seeing further increased diversity in age of members of the Board of Directors, with the appointment of directors in their early 50s at the General Meeting of Shareholders in June 2023, as in the previous year.

Becoming a Unique Solution Provider with Comprehensive Strengths

Bamba: During training for directors, I had the opportunity to learn about the history of Kobe Steel. Looking from a big-picture perspective, I realized once again that the Group has been engaged in a wide variety of businesses for a long time, as exemplified by the manufacture of compressors that has continued since its founding. This convinced me that contributing to society and providing solutions to society are part of the DNA of the Kobelco Group. If we have the understanding of how the Company has evolved, I believe it will naturally become clear what the growth strategy for the next medium-term management plan should be. The focuses of the next medium-term management plan include: 1. Securing stable earnings in profitable areas and maintaining ordinary profit of approximately 100 billion yen, 2. Mapping out a growth path for emerging technologies, products, and services such as the MIDREX® Process, and 3. Quickly detecting changes in the external environment and making the best management decisions at that point to address uncertainty in future issues, such as the realization of a hydrogen society. I strongly feel that this is the key to increasing the Kobelco Group's value.

Kono: In the next medium-term management plan, we must continue to work on establishing a stable earnings base and taking on the challenge of realizing carbon neutrality. Regarding establishing a stable earnings base, it is important to further accelerate discussions on the desirable business portfolio for the Group. Regarding taking on the challenge of realizing carbon neutrality, the Group has emerging technologies and products that will be the seeds for achieving carbon neutrality, and the Company is entering a stage where it should make investment and management decisions that will turn these seeds into large trees. In the next medium-term management plan, I hope the Kobelco Group will show a concrete path to become a unique solution provider with comprehensive strengths and its capability of combining the technologies of various



In the next medium-term management plan, I hope the Kobelco Group will show a concrete path to become a unique solution provider with comprehensive strengths. We believe this will lead to the Group, which is capable of combining the technologies of various businesses, being valued as a conglomerate premium.

businesses is valued as a conglomerate premium.

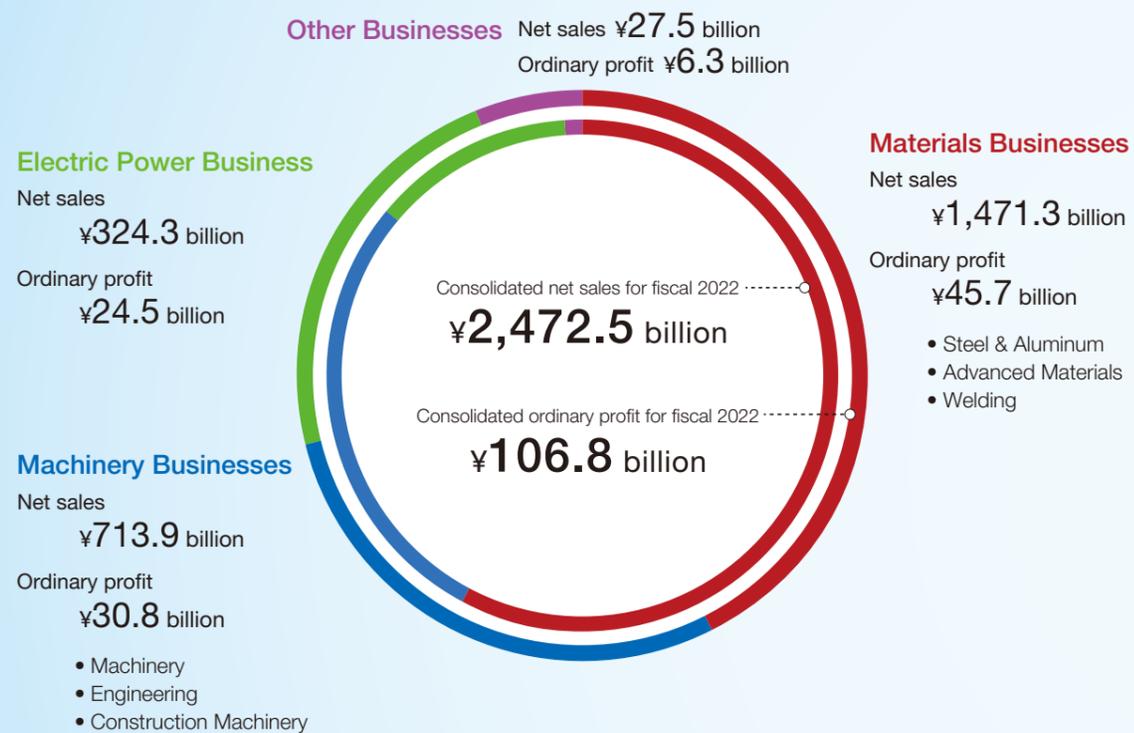
Ito: In November 2022, Kobe Steel announced the establishment of the Kobelco Future Pioneering Co-Creation Research Center in collaboration with Osaka University in order to explore solutions for innovation in manufacturing where people and digital technologies coexist. In tackling social issues such as carbon neutrality, it is important to move forward with proactive approaches through collaboration and partnerships like this. In addition, discussions on business portfolios are important for investment decisions aimed at carbon neutrality, and the foundation for all of them relies on human resources, as mentioned earlier. Moving toward the next medium-term, I recognize that my role is to help delve into human capital management and human resource strategies, and to ensure corporate governance and Group/global governance, which form the basis for the next medium-term management plan.

Overview of the Kobelco Group (Fiscal 2022)

Founded	Capital (consolidated)	Total assets (consolidated)	Number of employees (consolidated)
1905	¥250.9 billion	¥2,874.7 billion	38,488

Global operations (consolidated)	Group companies	Research and development expenses	Number of intellectual property rights owned
22 countries	251 <small>Subsidiaries 202 Affiliated companies 49</small>	¥36.7 billion	8,115 <small>(Japan 3,525, Overseas 4,590)</small>

Net Sales and Ordinary Profit



Global Locations



Materials Businesses

Steel & Aluminum	Advanced Materials	Welding
<ul style="list-style-type: none"> Wire rods and bars Steel sheets (hot-rolled, cold-rolled, surface treated) Steel plates Aluminum flat-rolled products Other (steel billets, foundry pig iron, pig iron for steelmaking, slag products) 	<ul style="list-style-type: none"> Steel castings and forgings Aluminum-alloy and magnesium-alloy castings and forgings Titanium and titanium alloy Aluminum-alloy forgings and fabricated products Aluminum extrusions and fabricated products Copper rolled products Steel powder 	<ul style="list-style-type: none"> Welding materials (covered welding electrodes, wires for automatic and semi-automatic welding, fluxes) Welding robots Welding power supplies Robotic welding systems Welding-related testing, analysis, and consulting

Machinery Businesses

Machinery	Engineering	Construction Machinery
<ul style="list-style-type: none"> Equipment for energy and chemical fields Equipment for nuclear power plants Tire and rubber machinery Plastic processing machinery Ultra-high-pressure presses Vapor deposition systems Metalworking machinery Various compressors Refrigeration compressors Heat pumps Various plants (steel rolling, nonferrous metals, etc.) Various internal combustion engines 	<ul style="list-style-type: none"> Various plants (direct reduction ironmaking, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc.) Civil engineering Urban transit systems Chemical and food processing equipment 	<ul style="list-style-type: none"> Hydraulic excavators Mini excavators Environmental recycling machinery Crawler cranes Wheel cranes Mini wheel loaders

Electric Power Business

- Electric power supply
- Heat supply

Other Businesses

- Special alloys and other new materials (target materials, etc.)
- Analysis and testing of materials
- High-pressure gas cylinder manufacturing
- Superconducting products
- General trading company

Note: Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other Businesses segment, has come under the Machinery segment. According to this change, the two items "Special alloys and other new materials (target materials, etc.)" and "Analysis and testing of materials" will be under the Machinery segment from fiscal 2023.

- Materials Businesses [▶ See p. 62-65](#)
- Machinery Businesses [▶ See p. 66-69](#)
- Electric Power Business [▶ See p. 70-71](#)

DNA of the Kobelco Group, a Provider of Solutions for Society

Since the founding of Kobe Steel in 1905, the Kobelco Group has worked for the development of society with customers as we create and provide the products they need. We have worked diligently with craftsmanship in manufacturing while listening sincerely to customers and responding to their requests. We believe our willingness to boldly take on various challenges to provide solutions for the development of society represents the mission and social significance of our Group.

Sparing no effort for the benefit of society

The spirit of tackling social issues

Suzuki Shoten, the predecessor of Kobe Steel, worked to establish domestic production of industrial products that Japan depended on for import, with the corporate philosophy of “enhancing national interests,” which was passed down to our Company. With the mission of contributing to the “independence of Japanese industry” in the heavy industry sector, Kobe Steel launched many of Japan’s first domestically produced products not only in the steel sector but also in the aluminum, copper, machinery, engineering, and construction machinery businesses.

Just three months after the end of World War II, the Company resumed production of wire rods, and contributed to Japan’s early recovery. In the Great Hanshin-Awaji Earthquake of 1995, our Company suffered a lot of damage, including damage to the blast furnace at Kobe Works (currently Kobe Wire Rod & Bar Plant). The blast furnace, which was initially expected to require six months to repair, was restored in a short period of two and a half months, thus becoming a symbol of Kobe City’s post-earthquake reconstruction.

The spirit of sparing no effort for the benefit of society, which the Company has cultivated since its founding, is now a core value of the Kobelco Group that strives to help realize a sustainable society through its technologies, products, and services.



About the background photo



A sugar cane press (1,200 tons) made by Kobe Steel—Japan’s first sugar production machinery, which had been imported from the U.K. and Germany.



- 1914 Begins developing Japan’s first air compressor
- 1926 Completes Japan’s first cement plant
- 1930 Completes Japan’s first domestically produced electric shovel
- 1940 Begins production of Japan’s first welding electrodes
- 1955 Begins industrial production of Japan’s first titanium metal
- 1962 Japan’s first plant export (to former East Pakistan)
- 2022 Announces the launch of Japan’s first low-CO₂ blast furnace steel product Kobenable Steel

Flexibly responding to the changes of the times

A corporate culture that drives growth through taking on new challenges

In the prewar period, our Company entered various business fields, all of which required advanced technology. Therefore, we aggressively introduced and avidly absorbed new technologies from overseas companies, while actively recruiting human resources from outside. Through these efforts, we have nurtured a corporate culture that encourages the willingness to respond to people’s wishes and take on new challenges, as well as a spirit of contributing to the growth of the Company and the development of society, as we build trust from customers in each task, which brings a request for the next new tasks.

Even today, such corporate culture and spirit remain as the common values shared by all members of the Kobelco Group, as expressed in KOBELCO’s View of the Future and KOBELCO’s Mission.

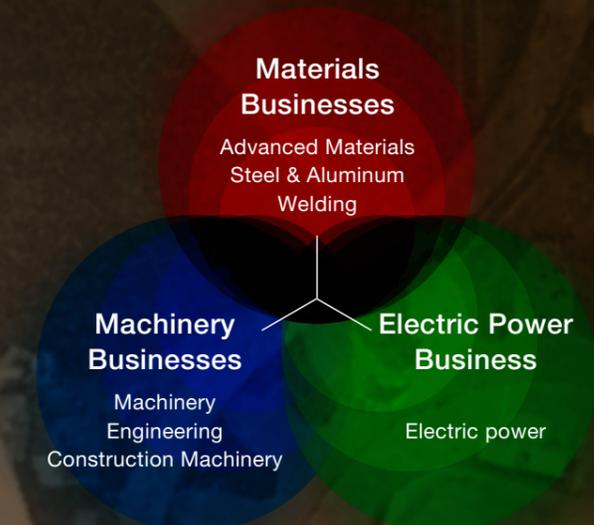
Aiming to become a company required by society, by bringing innovation through combining technologies of different business segments

Pursuing Group’s comprehensive strengths

When you hear the name Kobe Steel, the first thing that comes to mind is probably a steel manufacturer, but our Company has many other businesses in its three core business areas—materials businesses (steel & aluminum, advanced materials, and welding), machinery businesses (machinery, engineering, and construction machinery), and the electric power business, which leverages the technology and know-how that we have developed over many years of in-house power generation operations at steelworks. In such a wide range of business fields, we provide solutions for the issues faced by our customers.

The technologies refined in the respective business domains generate rare and unique values and strategies, regardless of scale, leading us to hold the largest market shares in many technologies, products, and services in Japan and overseas.

Furthermore, the integration of those technologies that were once separately developed in different business fields creates synergy that will be the seeds of innovation. Our endeavor to create new values continues, as exemplified by multi-material solutions that combine steel, aluminum, and welding technology in the field of automotive weight reduction and electrification, low-CO₂ ironmaking technology that combines the technologies of our steel and engineering businesses, the hybrid-type hydrogen gas supply systems developed in collaboration between the machinery and engineering businesses that share their management resources.



Embracing diverse values and enhancing organizational creativity

Integration of diverse technologies and unique qualities of individuals

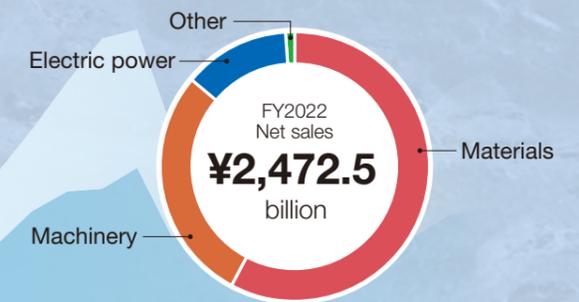
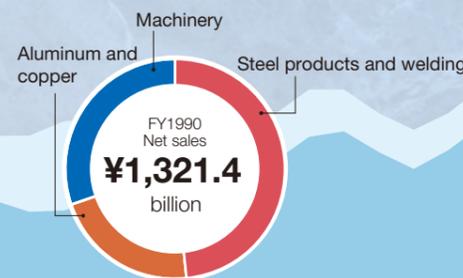
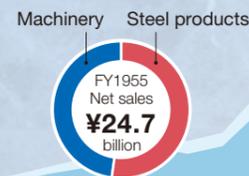
KOBELCO has become a global brand that is recognized in various countries around the world. Behind such business development, there are people who support a wide range of business areas. The Kobelco Group has skilled personnel who are well-versed in not only various materials and machinery products but also process and control technologies, production control, and quality management for manufacturing them, as well as people who have professional skills in areas such as marketing, sales, accounting, and legal affairs. Integrating such diverse expertise of individuals leads to enhancing our Group’s corporate value.

Our Group also has a free and open atmosphere that promotes the utilization of skills of our human resources and various technological elements and a corporate culture that allows us to share diverse values while providing support for the growth of each individual. This culture enables many mid-career hires, who have experience in various different industries, to play an active role in a wide range of divisions of the Company.

Going forward, we will continue to take on challenges as “Kobelco one team,” interacting with each other in ways that transcend organizational boundaries, and fostering a corporate culture that respects new ideas derived from different views and ways of thinking.

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

In 1905, the general partnership trading company Suzuki Shoten acquired a steel business in Wakinohama, Kobe, called Kobayashi Seikosho, operated by Seiichiro Kobayashi, and changed its name to Kobe Seikosho. Then, in 1911, Suzuki Shoten spun off the company to establish Kobe Steel Works, Ltd. in Wakinohamacho, Kobe. Over the 117 years since its founding, our Group has been responding to the social issues and demands of the times through its materials, machinery, and electric power businesses.



Overseas sales
Domestic sales

Notes 1. Domestic sales are calculated by subtracting overseas sales (value of exports until fiscal 1998, consolidated overseas net sales from fiscal 1999) from company-wide net sales (non-consolidated basis until fiscal 1980, consolidated basis from fiscal 1981).
2. The ratios of sales in the pie charts are based on the simple total of net sales of each segment, including inter-segment transactions.

1900- Industrial modernization	1950- Post-war reconstruction	1955- Rapid economic growth	1995- Great Hanshin-Awaji Earthquake	2005- Global financial crisis	2020- Acceleration of the sustainability movement
Establishment of the Group and development of business foundation for expansion of Japanese steel industry	Early resumption of steel production after the war and establishment of a position as a pioneer in the industrialization of titanium	Building the foundation for integrated management of steel, nonferrous metals, and machinery; Overseas expansion of the KOBELCO brand	From disaster recovery to improved competitiveness; Contributing to the restoration of local communities with a new style of urban power plant	Strengthening Group management and business structures for the next 100 years	Taking on the challenge of realizing carbon neutrality to achieve a sustainable society

Groupwide

<p>1905 Founded</p> <p>1937 Listed on the stock market</p>	<p>1960 Opens office in New York</p> <p>1979 Establishes KOBELCO as international unified trademark</p> <p>1988 Establishes U.S. headquarters</p>	<p>2000 Establishes Corporate Code of Ethics</p> <p>2006 Establishes corporate philosophy</p> <p>2011 Establishes China headquarters</p>	<p>2017 Launches Next 100 Project</p> <p>2017 Announces quality misconduct and formulates measures to prevent recurrence</p> <p>2017 Establishes headquarters in Southeast Asia and South Asia</p>	<p>2019 Establishes regional headquarters in Europe</p> <p>2020 Establishes Group Corporate Philosophy</p> <p>2021 Announces Kobelco Group Medium-Term Management Plan (Fiscal 2021-2023)</p>
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Materials Businesses

<p>1905 Begins steel casting and forging business</p> <p>1916 Begins steel products business</p> <p>1917 Begins copper business</p>	<p>1937 Begins aluminum business</p> <p>1940 Begins welding business Produces Japan's first welding electrodes</p>	<p>1955 Begins titanium metal business Begins Japan's first industrial production of titanium</p> <p>1959 Establishes integrated steel production</p>	<p>1968 Establishes production base in Thailand</p> <p>1970 Completes Kakogawa Works</p>	<p>1979 Develops ARCMAN™ welding robot</p>	<p>1990 Establishes manufacturing and sales base for automotive hot-dip galvanized steel sheet in the U.S.</p>	<p>2006 Starts operations of special steel wire rod processing base for automobiles in China</p> <p>2006 Starts operations of aluminum forging plant for automotive suspension products in the U.S.</p>	<p>2014 Establishes manufacturing and sales base for automotive cold-rolled, high-tensile strength steel in China</p> <p>2016 Begins producing aluminum panel material at Tianjin plant in China Becomes first Japanese company in China to produce automotive aluminum panel material</p>	<p>2017 Consolidates upstream processes at Kakogawa Works</p>	<p>2018 Establishes production and sales base (KPEX) in the U.S. for aluminum extrusions and fabricated products</p> <p>2022 Announces the launch of low-CO₂ blast furnace steel product Kobenable Steel</p>
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Machinery Businesses

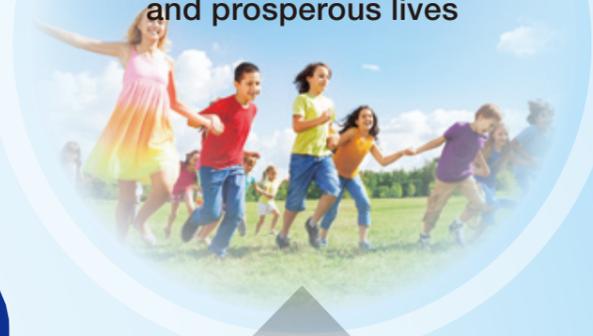
<p>1914 Begins machinery business Begins first domestic development of air compressors</p> <p>1926 Begins engineering business Completes Japan's first cement plant</p>	<p>1930 Begins construction machinery business Completes first domestically produced electric mining shovel</p>	<p>1962 Begins overseas plant business Japan's first plant export (East Pakistan, currently Bangladesh)</p> <p>1975 Introduces automated guideway transit (AGT) system Begins operation of AGT system "KRT" at Okinawa International Ocean Exposition</p>	<p>1983 Acquires U.S. company Midrex Technologies, Inc. Begins direct reduction ironmaking plant business</p>	<p>2004 Establishes manufacturing and sales base for standard compressors in China</p> <p>2006 Establishes manufacturing and sales base for nonstandard compressors in the U.S.</p>	<p>2017 Acquires Quintus Technologies of Sweden (World's leading isostatic press manufacturer)</p>	<p>2021 Kobelco Eco-Solutions Co., Ltd. becomes a wholly owned subsidiary</p> <p>2022 Begins capital and business alliance with Miura Co., Ltd.</p>
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Electric Power Business

<p>1996 Enters wholesale power supply (IPP) business</p>	<p>2002 Starts commercial operations of Kobe Power Plant No. 1 unit</p>	<p>2004 Starts commercial operations of Kobe Power Plant No. 2 unit</p>	<p>2016 Begins Electric Power Business</p> <p>2019 Starts commercial operations of Moka Power Plant No. 1 and No. 2 units</p>	<p>2021 Starts commercial operations of Kobe Power Plant No. 3 unit</p> <p>2022 Starts commercial operations of Kobe Power Plant No. 4 unit</p>
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Value Creation Process

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



Assessment of the current business climate

- Risks**
 - Weakening of earnings base and damage to corporate value
- Opportunities**
 - Reforming business structures and capturing new revenue opportunities

Transition to carbon neutrality and social transformation

Sustainability movement

Digital transformation

Structural problems of the steel industry

Changes in industrial structure triggered by COVID-19

Higher procurement costs and supply chain risks (affecting both demand and production)

Assessment of business environment by customer domain

Economic Environment by Customer Domain
▶ See p. 60-61

Kobelco Group's Materiality (Medium- to long-term key issues)

Contributing to a green society

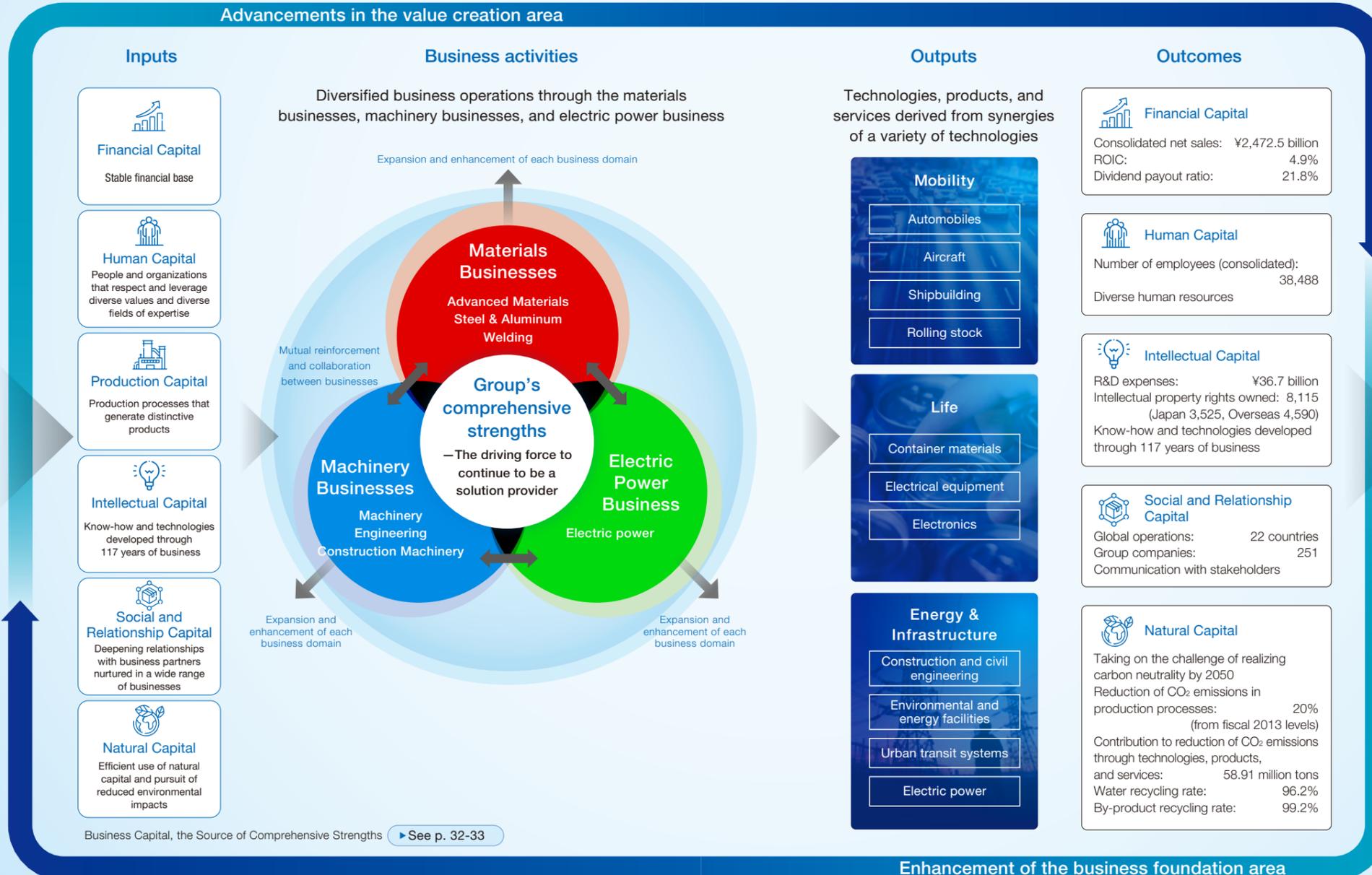
Ensuring safety and security in community development and manufacturing

Providing solutions for the future connecting people and technology

Promoting active participation of diverse human resources

Pursuing governance that supports sustainable growth

Advancements in the value creation area



Enhancement of the business foundation area

Impact on stakeholders

Customers

Better quality of life (QOL)
Safety and security in people's lives

Business Partners

Creation of high-quality products
Improved labor productivity through operational efficiency

Shareholders and Investors

Enhancing shareholder value over the medium to long term
Ensuring returns

Employees

Increasing employee satisfaction in work and personal life
Promoting employees' global activities

Local and international community

Collaboration to realize a recycling-oriented society where eight billion people live worldwide

Environment

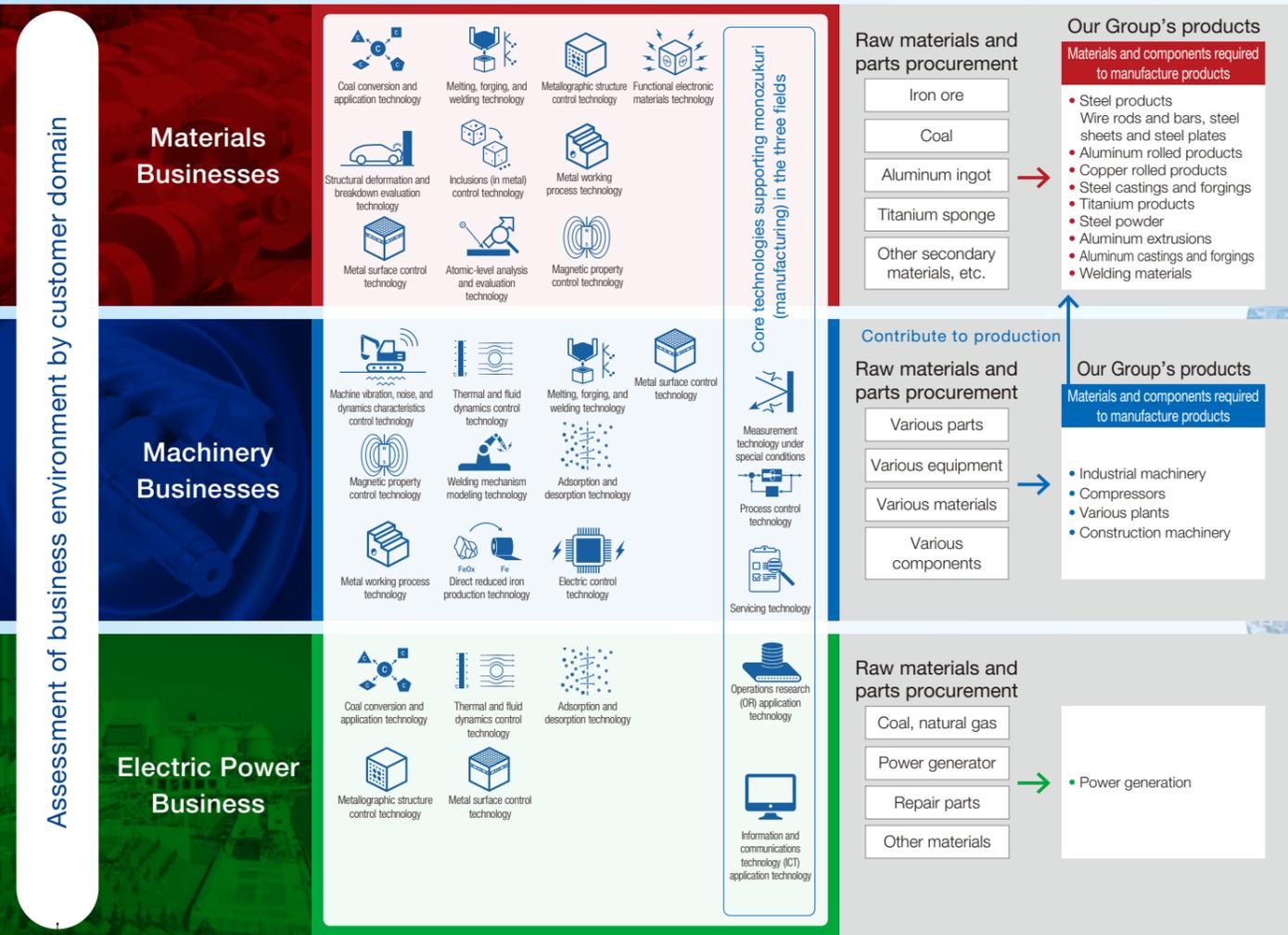
Contribution to a sustainable global environment



Business Model and Value Provided

Creating a variety of technologies, products, and services through the Group's comprehensive strengths, the driving force to continue to be a solution provider for society

Assessment of business environment by customer domain



Economic Environment by Customer Domain ▶ See p. 60-61

Founded in 1905 as a manufacturer of steel castings and forgings, the Kobelco Group has gradually expanded its business into machinery, rolled steel, copper, engineering, construction machinery, aluminum, and welding. In our history of over 110 years, we have responded to the needs of society through selection and expansion and developed our business in three areas: the materials businesses that include materials (steel castings and forgings, aluminum, etc.), advanced materials (steel, aluminum castings and forgings, etc.) and welding materials; the machinery businesses that include industrial machinery, engineering, and construction machinery; and the electric power business.

The Group's technologies, products, and services constitute an essential part of society in diverse areas, such as Mobility, Life, and Energy & Infrastructure. Our Group creates competitive advantages by supplying a wide range of customers with a diverse lineup of unique products, such as distinctive materials and components created using our original technologies, and a variety of energy-saving and environmentally friendly machinery products and engineering technologies. Moreover, the electric power business provides services that benefit the public, such as the supply of electricity, which is an extremely important social infrastructure. Engaged in such a wide range of

businesses, we believe our Group bears a significant social responsibility. These technologies, products, and services are derived from the knowledge and technological capabilities that our Group has developed through its broad range of business activities. By utilizing these resources across business divisions as shared assets of the entire Group, we will strengthen the product development and manufacturing capabilities of respective businesses for the creation of new value and thereby provide solutions for the issues faced by our customers and society. Today, our global society is undergoing major changes,

which include the response to climate change. Our Group is not only working to reduce CO₂ emissions from its own production processes, but also developing a variety of technologies, products, and services that contribute to the reduction of CO₂ emissions by customers. As we work to provide solutions for various issues by combining the advantages of our diverse businesses, we will respond swiftly to changes in the social environment with our Group's comprehensive strengths, with the aim of realizing a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.



Business Capital, the Source of Comprehensive Strengths

The Kobelco Group has been engaged in a wide range of businesses over its 117-year history. The Group's comprehensive strengths are built on the knowledge and technological capabilities it has cultivated and a solid base of diverse human resources working in the Group. We will continue to provide solutions to the issues faced by our customers and society by creating a variety of technologies, products, and services through the collective strengths of our Group.



Financial Capital

Stable financial base

A stable financial base is essential for the sustainable growth of our Group.

Under the Kobelco Group Medium-Term Management Plan (Fiscal 2021-2023), we aim to achieve an ROIC of 5% or higher and a D/E ratio of 0.7 times or lower in fiscal 2023, both of which are expected to be achieved as planned.

In order to stably achieve an ROIC of 8% or higher, which is the Group's future goal, we will continue to work to strengthen its financial base as we pursue sustainable growth.

Total assets
¥2,874.7 billion

Stockholders' equity
¥838.2 billion

ROIC
4.9%

ROE
8.4%

Interest-bearing debt
(Excluding project financing)
¥590.5 billion



Human Capital

People and organizations, respecting and leveraging diverse values and expertise

Our Group, which operates in diverse business domains, has a wide range of human resources who have extensive knowledge and skills in a variety of fields. The Group's global presence in 22 countries around the world and its employees with diverse values, knowledge, and nationalities are part of our strengths.

With the aim of enabling these diverse human resources to demonstrate their individual abilities to the fullest, we will reform our work environment and organizational culture and maximize the Group's comprehensive strengths.

Number of employees
38,488

Percentage of employees returning from childcare leave
(non-consolidated)
99.4%

Employee training
(non-consolidated)
Total hours of training (across all employees)
408,216 hours
Average hours of training per employee
35.9 hours

Number of annual paid leave days taken
(non-consolidated)
17 days/person

Lost time injury frequency rate
0.24



Production Capital

Production processes to create distinctive products

While accelerating capital investment necessary to create technologies, products, and services that addresses social issues, we make disciplined investment decisions and respond to changes in the business environment.

In addition, with the first priority placed on the safety of employees working at manufacturing sites, we systematically implement facility maintenance, renovation, and renewal to prevent accidents.

Capital investment
(payment basis)
¥98.9 billion

Property, plant and equipment
¥1,066.0 billion

Depreciation
¥112.5 billion



Intellectual Capital

Know-how and technologies developed over 117 years of business operations

We utilize across business divisions the technological capabilities and knowledge that each business has cultivated and integrate them into new forms to create new value.

In October 2022, we established the Kobelco Future Pioneering Co-Creation Research Center in cooperation with Osaka University. We are actively working with external organizations to create and co-create new innovations through studying solutions for innovation that enable people and digital technology to coexist in *monozukuri* (manufacturing).

Research and development expenses
¥36.7 billion

Number of intellectual property rights owned
8,115
(Japan 3,525; Overseas 4,590)

Number of employees with PhDs
170

Number of DX personnel trained
(Cumulative since fiscal 2020)

IT evangelists **278**
Data scientists **137**



Social and Relationship Capital

Deepening relationships with business partners nurtured through a wide range of businesses

Our Group is working to collaborate appropriately with multi-stakeholders, recognizing the importance of co-creating value with various stakeholders, including shareholders, investors, employees, customers, business partners, and local communities. We are earnestly listening to our stakeholders in dialogues with shareholders and other investors and through customer/business partner surveys. Considering that improving management transparency is a priority, we are promoting timely, appropriate, and extensive information disclosure.

Global operations
22 countries

Group companies
251

Communication with stakeholders
Individual dialogue with domestic and international institutional investors and analysts
134 companies
(cumulative total)



Natural Capital

Pursuit of efficient use of natural capital and reduced environmental impact

Our Group's business activities are closely related to natural capital, as we use mineral resources as raw materials for products and industrial water. Therefore, it is important to minimize negative impacts on natural capital.

Our Group is boldly working to achieve carbon neutrality by 2050, and we are also working to reduce environmental impact by utilizing our technology in water recycling and by-product recycling.

Reduction of CO₂ emissions in production processes
20% reduction
(compared to fiscal 2013 levels)

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

Water recycling rate
96.2%

By-product recycling rate
99.2%

Business Capital, the Source of Comprehensive Strengths

Making the Best Use of the Talents of Our Employees and Our Technologies to Continue to Create New Value

The Kobelco Group operates businesses in 22 countries and regions around the world and has approximately 38,000 employees on a consolidated basis. In addition, we have a wide range of human resources who have extensive knowledge and skills in a variety of fields because we operate in diverse business domains. Our Group will continue to grow with its global human resource base, and we will aim to make further great leaps forward.

Developing diverse human resources with extensive knowledge and skills in a variety of fields



Aiming to create an environment where diverse employees can play active roles

We will fully support the growth of all employees so that they can further demonstrate their abilities, while actively promoting work style reforms, including eliminating long working hours and encouraging the taking of leave.

<p>Diversity and Inclusion (D&I)</p> <p>We aim to enable each employee to achieve self-improvement and demonstrate their individuality and strengths, as well as to support the efforts of "KOBELCO One Team" to take on challenges and create new values from diverse ideas and experiences.</p>	<p>Work Style Reform</p> <p>We aim to realize a work environment in which diverse employees can work with a sense of fulfillment and with high productivity.</p>	<p>Human Resources Development</p> <p>We aim to support the constant self-improvement of our employees so that each and every individual can carry out their daily work with pride and enthusiasm.</p>
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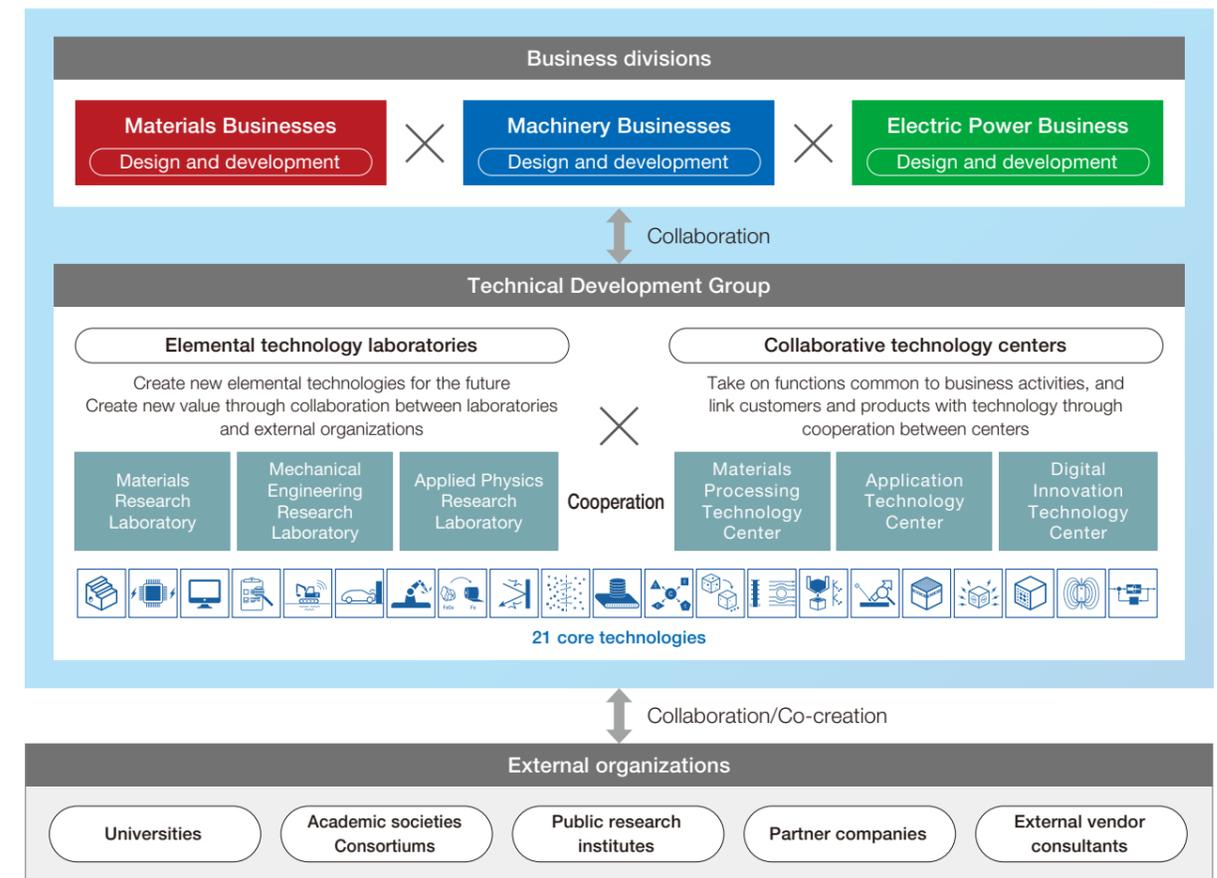
Human Resources Strategy ▶ See p. 78-82

Technical development to create new value through internal and external collaboration, utilizing a broad range of expertise

Leveraging the know-how and technological capabilities that we have developed in a wide range of business fields, including steel & aluminum, advanced materials, welding, machinery, engineering, construction machinery, and electric power, the Kobelco Group will create new value and provide solutions to the needs of its customers and society.

The Technical Development Group, with its three

elemental technology laboratories and three collaborative technology centers as the hub for its R&D activities, promotes the creation of distinctive technologies and products and strengthens *monozukuri* (manufacturing) through the integration of 21 core technologies in collaboration with business divisions. We also collaborate with external organizations to create and co-create innovations.



Employee VOICES

Engineering Business

Human Resources Group, Planning & Administration Department

I am mainly in charge of personnel affairs in the Engineering Business. In my work, I strive to solve problems that arise every day by making use of my experience and personal connections in areas such as sales and administration in the Engineering Business and recruitment and IR at the Head Office. My wish is to help create an environment where diverse human resources can play active roles and create new value by finding the best solutions for society and the people involved without being bound by existing rules and values.



Kobelco (China) Holding Co., Ltd.

I am in charge of collecting and disseminating information on the automotive market and macro technology trends in China, where the transition to EVs is accelerating, and building and strengthening relationships with Chinese automotive customers. I use my language and technical skills and experience for these tasks. As a member of Kobe Steel, a multi-material supplier, I will strive to contribute to the creation of a safer, more secure, and greener society, as well as to improving customer satisfaction, by introducing and providing our Company's environmentally friendly advanced materials and weight reduction solution technologies.



Technical Development Group

AI & Data Science Promotion Section, Digital Innovation Technology Center

My wish is to realize a way of working that allows people to take on challenges that expand their potential. As a means to achieve this goal, we are conducting research and development on artificial intelligence (AI). By using AI, we can reduce the amount of simple tasks that employees do, allowing them to focus on the tasks that they are willing to do to the best of their ability. I believe our mission is to offer deliverables of social value by tapping the potential of employees.



Technical Development Group

Chemical Technology Research Section, Mechanical Engineering Research Laboratory

As a chemical engineering specialist, I am working on the process development to utilize new resources, such as hydrogen and biomass. We need to see the whole picture of the supply chain where resources are converted into products and consumed in order to identify the issues to be addressed in achieving carbon neutrality. By integrating our diverse technologies, we will develop processes with low environmental impact and contribute to solving issues that our society faces.



Value Creation Initiatives

Leveraging the advantages of operating diverse businesses, the Kobelco Group provides customers with unique value by promoting the cross-sectoral utilization of products and technologies of other business divisions and segments.

Value Creation Initiative

01

Kobenable Steel, low-CO₂ blast furnace steel product

Steel & Aluminum

×

Engineering

The Kobelco Group has successfully demonstrated the technology that can reduce a significant amount of CO₂ emissions from blast furnace operations, combining the technologies of the engineering business and the steel business. This was made possible by combining two key technologies of the Group.

1. Hot briquetted iron (HBI) manufacturing technology using the MIDREX® Process in the engineering business
2. Blast furnace operation technologies in the steel business, such as HBI charging technology for blast furnaces, AI-based blast furnace operation technology, and our Group's distinctive advanced pellet production technology.

Using these two CO₂ reduction technologies, our Group has launched Kobenable Steel with significantly reduced CO₂ emissions in the blast furnace ironmaking process and became the first company in Japan to commercialize low-CO₂ blast furnace steel products (according to Kobe Steel's survey). This product uses the mass balance methodology whereby CO₂ reduction effects are allocated to specific steel products.

Since we announced the launch of Kobenable Steel, we have

received many inquiries from customers in various fields, attracting extensive interest in the product. Kobenable Steel is manufactured in the same process as the conventional blast furnace ironmaking method and has the following two features.

- (1) Available for all types of steel products
Kobenable Steel is available for all types of steel products (steel sheet, steel plate, wire rod and bar products) that are manufactured at Kakogawa Works and the Kobe Wire Rod & Bar Plant of Kobe Steel.
- (2) Maintaining the same level of high quality as conventional products
Customers can continue to use blast furnace steel products that require high quality, such as special steel wire rods and ultra-high-tensile strength steel, which are our Group's strengths.

To date, Kobenable Steel has been adopted by customers from various industries including automotive, construction, and shipbuilding companies and has contributed to customers' efforts to reduce CO₂ emissions.

Kobenable Steel

<p style="font-size: 8px; color: #0070C0;">Automobile Jun. 2022</p> <p style="font-weight: bold; color: #0070C0;">Toyota Motor Corporation</p> <p style="font-size: 8px;">Kobenable Steel used in suspension members of Toyota hydrogen engine-equipped racing vehicle Corolla</p> <p style="background-color: #0070C0; color: white; text-align: center; padding: 2px;">Kobenable Premier</p>	<p style="font-size: 8px; color: #0070C0;">Automobile Dec. 2022</p> <p style="font-weight: bold; color: #0070C0;">Nissan Motor Corporation</p> <p style="font-size: 8px;">Kobenable Steel used in Nissan mass-produced vehicles</p> <p style="background-color: #0070C0; color: white; text-align: center; padding: 2px;">Kobenable Premier</p>
<p style="font-size: 8px; color: #0070C0;">Construction Dec. 2022</p> <p style="font-weight: bold; color: #0070C0;">IHI, Mitsubishi Estate, Kajima</p> <p style="font-size: 8px;">Kobenable Steel used in Toyosu 4-2 Development Project, Building B (Toyosu, Koto-ku, Tokyo)</p> <p style="background-color: #0070C0; color: white; text-align: center; padding: 2px;">Kobenable Premier</p>	<p style="font-size: 8px; color: #0070C0;">Shipbuilding Mar. 2023</p> <p style="font-weight: bold; color: #0070C0;">Imabari Shipbuilding Co., Ltd.</p> <p style="font-size: 8px;">Kobenable Steel used in a 180,000-ton class bulk carrier built by Imabari Shipbuilding</p> <p style="background-color: #0070C0; color: white; text-align: center; padding: 2px;">Kobenable Premier</p>

Value Creation Initiative

02

Hybrid-Type Hydrogen Gas Supply System

Machinery

×

Engineering

×

Advanced Materials

Our hybrid-type hydrogen gas supply system provides solutions to stable and low-cost hydrogen production for small- to medium-scale hydrogen users. The hybrid system is based on the following three products and technologies of our Group:

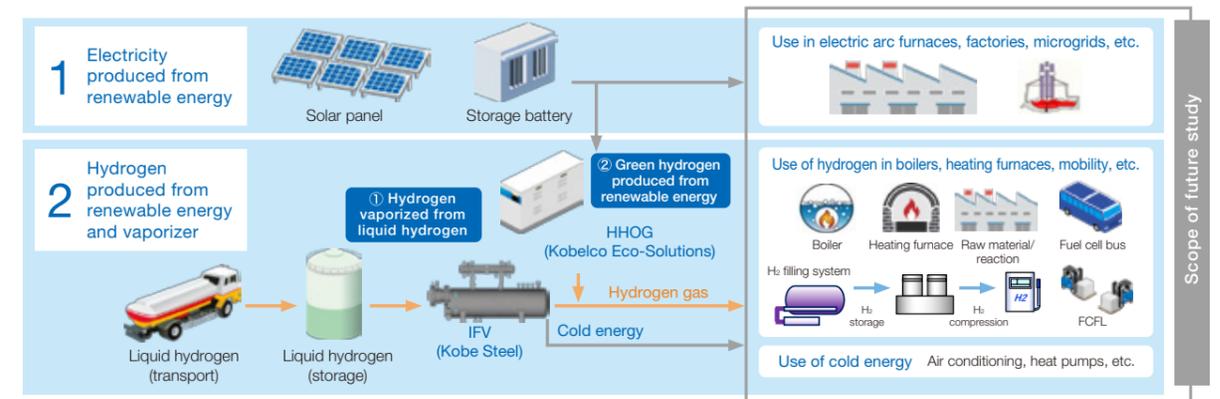
- (1) Cryogenic liquid hydrogen vaporizer under development, utilizing the machinery business' core technology of the Intermediate Fluid Vaporizer (IFV)
- (2) High-purity Hydrogen Oxygen Generator (HHOG), developed by Kobelco Eco-Solutions Co., Ltd.
- (3) Operation management system that monitors and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

In order to promote the utilization of hydrogen, the hybrid system is designed to have in parallel a liquid hydrogen vaporizer and a water-electrolysis hydrogen generator utilizing renewable energy, achieving both cost minimization and elimination of supply instability of renewable energy.

It also remotely monitors the amount of hydrogen used in facilities such as heating furnaces and boilers to control the

hydrogen supply system (hydrogen production) optimally for hydrogen demand change over time, so that hydrogen is always supplied stably and efficiently. In addition, the cold energy generated during the vaporization of liquid hydrogen (-253°C) can be used at the customer's factories for cooling manufacturing facilities, air conditioning, heat pumps, etc. It saves energy and improves the energy efficiency of their production processes. Through such efforts, we will expand the utilization of hydrogen in various industries including our Group companies to contribute to the transition to decarbonization (namely, the transition to a hydrogen society).

In March 2023, we initiated a demonstration test at Takasago Works, Kobe Steel. The demonstration test of the hybrid-type hydrogen gas supply system was carried out in collaboration with Kobe Steel and Kobelco Eco-Solutions through the mutual use of business resources from the machinery business and the engineering business to provide solutions for the realization of a hydrogen society. This system is not only expected to be further developed through collaboration with the advanced materials business but also attracts strong interest from governments and external business operators, and we have many visitors to our demonstration facilities.



Employee VOICES



Steel & Aluminum Business
CN Group, Business Development Department

Kobenable Steel was launched in May 2022 as Japan's first low-CO₂ blast furnace (BF) steel product. Its CO₂ reduction effect was obtained by charging a large amount of HBI into the BF. As it was the first of its kind to be commercialized in Japan, there was a lot of trial and error in establishing methods and obtaining certification, and we had many meetings with a certification company.

Since the launch of Kobenable Steel, we have received enthusiastic responses from customers, including many voices of support, noting that Kobe Steel has taken a big step toward decarbonization. Internally, the product name Kobenable Steel has been well received as "easy to understand," and our motivation to develop the next Kobenable product has been increasing. These efforts toward a decarbonized society were highly evaluated within the Company, and we received the Grand Prix at the 4th Kobelco Core Values Awards.* Going forward, our Steel & Aluminum Business division will work together to expand the use of Kobenable Steel.

* For more information about the Kobelco Core Values Awards, please See p. 83.

Employee VOICES



Business Development Department
Hydrogen Working Group

In the fields of carbon neutrality and hydrogen, initiatives must be carried out from various perspectives. The Kobelco Group has a wide range of product lines centered on machinery, materials, and electric power and is able to offer its unique value in many places, taking advantage of being a producer as well as a user of hydrogen. In fiscal 2021, the Hydrogen Working Group started Groupwide working-level activities. As one of these activities, we hold regular weekly online meetings where more than 50 members from each department participate to share the status of projects, the latest news, and the activities of each company.

Currently, carbon neutrality and hydrogen are hot topics in various news outlets, but there are only a few projects that have become concrete initiatives. Each week, we have a number of visitors from outside the Company to the demonstration facilities at Takasago Works and they give us useful suggestions that we are not able to hear in normal sales activities, such as an idea for new ways to use demonstration facilities, saying, "It is very interesting that the verification facility actually exists. There must be potential to try something new even more." Utilizing this kind of information, we, the members of the Hydrogen Working Group, will work together to take one step further in creating value unique to Kobelco.

Kobelco Group Growth Strategy

In the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023) announced in May 2021, we have identified two priority issues with the aim of continuing to be a corporate group indispensable to stakeholders through providing solutions to the needs of society by leveraging the Group's collective strengths that integrate our diverse businesses, technologies, and human resources. We will continue to work together as a group to tackle these priority issues while responding to the rapid changes in the business environment.

2021

2024

KOBELCO Group Medium-Term Management Plan (Fiscal 2021–2023)

Next Medium-Term Management Plan

1 Establishing a Stable Earnings Base

—To Be Fully Achieved during the Current Medium-Term Management Plan

- 1 Strengthening the earnings base of the steel business
- 2 Smooth startup and stable operation of new electric power projects
- 3 Strategic investment in the materials businesses leading to earnings contribution
- 4 Restructuring unprofitable businesses
- 5 Stabilizing earnings in the machinery businesses and responding to growing markets

2023 Target
ROIC of
5%
or higher

Stably achieve
an ROIC of **8%**
or higher
and pursue
sustainable
growth

2 Taking on the Challenge of Realizing Carbon Neutrality

—To Be Strategically Carried Out with a Long-Term Perspective

- 1 Roadmap to carbon neutrality in the Ironmaking Process
- 2 CO₂ reduction roadmap through the MIDREX® Process
- 3 Initiatives to achieve carbon neutrality in the electric power business
- 4 Initiatives to contribute to reduction of CO₂ emissions

2030 Target

Reduction of CO₂ emissions
in production processes
30–40%
(compared to fiscal 2013)

Contribution to Reduction of CO₂
Emissions through Technologies,
Products, and Services
61 million tons
(including 45 million tons or more
through MIDREX® Process)

2050 Target

Reduction of CO₂ emissions
in production processes
**Taking on the challenge
of realizing carbon
neutrality**

Contribution to reduction of CO₂
emissions through technologies,
products, and services
**100 million
tons or more**

Providing solutions
to society and
creating economic
value through
business activities

Kobelco Group's Materiality (Medium- to Long-Term Key Issues)



Main goals of the SDGs that we contribute to through our corporate business activities

Recognition of the Current Business Environment



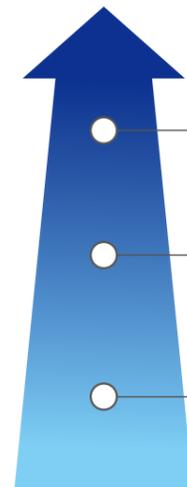
Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023)

In order for companies to pursue sustainable growth and enhance corporate value over the medium to long term in a rapidly changing business environment, we recognize that it is more important than ever before to make a clear distinction between “strategy to lower cost of capital while controlling volatility (aimed at strengthening the earnings base of existing businesses and shifting to a stable earnings structure, and strengthening our financial base)”

and “responding to growing markets (aimed at developing business along with the advances in carbon neutrality).”

Our Group is committed to generating greater returns to our stakeholders including shareholders, investors, and members of the Group, by reducing cost of capital and stably achieving return on invested capital (ROIC) that exceeds cost of capital.

Enhancing corporate value



Generate greater returns to stakeholders

Reduce cost of capital and stably achieve ROIC that exceeds cost of capital (ROIC target: 5% or more in FY2023, 8% or more in the future)

Make a distinction between “strategy to lower cost of capital” and “responding to growing markets”

1. Strategy to lower cost of capital

- Strengthen the earnings base of existing businesses and transform to a stable earnings structure
- Strengthen the financial base

2. Responding to growing markets

- Develop businesses along with the advances in carbon neutrality

Key Issues of the Kobelco Group Medium-Term Management Plan

Establishing a stable earnings base

- (1) Strengthening the earnings base in the steel business
- (2) Smooth startup and stable operation of new electric power projects
- (3) Strategic investment in the materials businesses leading to earnings contribution
- (4) Restructuring unprofitable businesses
- (5) Stabilizing earnings in the machinery businesses and responding to growing markets

Taking on the challenge of realizing carbon neutrality

- (1) Reduction of CO₂ emissions in production processes
- (2) Contribution to reduction of CO₂ emissions through technologies, products, and services

Five Key Measures

- (1) Strengthening the earnings base in the steel business**
 - In the face of an expected long-term decline in demand in Japan, we will build a structure that can secure stable earnings at 6.3 million tons of crude steel production, where even 6.0 million tons of production will still be profitable.
- (2) Smooth startup and stable operation of new electric power projects**
 - We will secure earnings of about 40 billion yen per year from fiscal 2023 with the start of commercial operations of the Kobe Power Plant No. 3 and No. 4 units along with the stable operation of the Kobe Power Plant No. 1 and No. 2 units and the Moka Power Plant No. 1 and No. 2 units.
- (3) Strategic investment in the materials businesses leading to earnings contribution**
 - We will realize early earnings contribution from strategic investments for automotive weight reduction as the need for lighter weight automobiles continues to be high despite delays in demand expansion and the remaining issues in manufacturing capabilities.
- (4) Restructuring unprofitable businesses**
 - Amid changes in the demand environment and industrial structures, we aim to achieve profitability from fiscal 2021 to 2022 in the steel casting and forging business and the titanium business, both of which incurred impairments of non-current assets in fiscal 2019, as well as in the crane business, which continues to be in the red, by streamlining these businesses.
- (5) Stabilizing earnings in the machinery businesses and responding to growing markets**
 - In the machinery businesses, we will expand our environmental product lineup, including those that contribute to CO₂ reductions, and aggressively address growing markets.
 - In the construction machinery business, we will break away from our dependence on the Chinese market, generate profits in our solutions businesses that help transform work styles in the construction industry, and commercialize peripheral businesses such as providing on-site installation know-how.

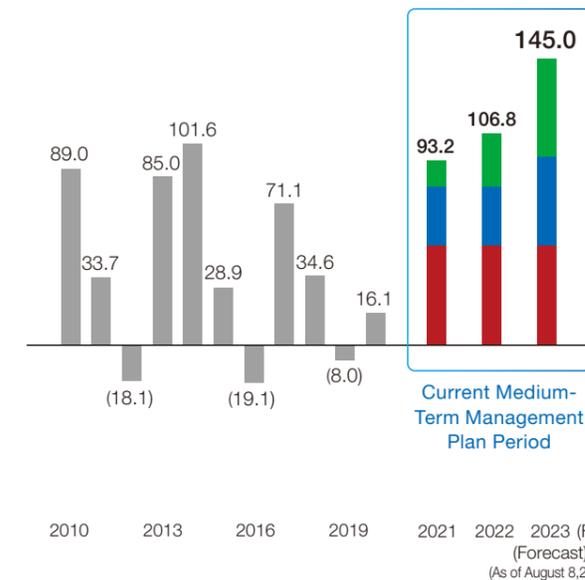
Earnings Status and Outlook

Ordinary profit was 93.2 billion yen in fiscal 2021 and 106.8 billion yen in fiscal 2022. Despite changes in the business environment, including the impact of the spread of COVID-19 and the emergence of geopolitical risks, we have been able to secure a certain level of earnings. Ordinary profit for fiscal 2023 is projected to be 145.0 billion yen, and we are making steady progress in our efforts to establish a stable earnings base. Regarding the financial outlook by business segment, we expect to secure stable earnings of around 45 billion yen in the materials business and 30 billion yen in the machinery business throughout the period of the

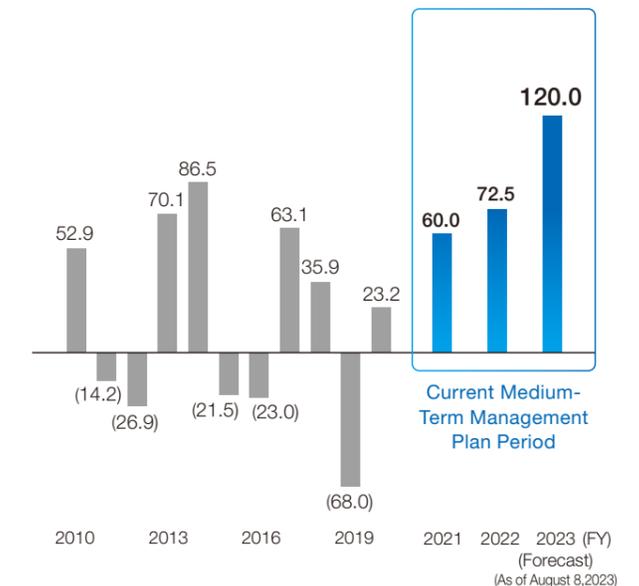
Medium-Term Management Plan. This will be supplemented by earnings from the electric power business, including the Kobe Power Plant No. 3 and No. 4 units, which started up during the period of the current Medium-Term Management Plan.

Amid the dizzying changes in the business environment, we continue to view the volatility of the materials businesses as an issue. With the electric power business underpinning the financial base, we have been able to build a structure that will solidify our stable earnings base.

Consolidated ordinary profit (loss) (Billions of yen)



Profit (loss) attributable to owners of parent (Billions of yen)



Status of Five Key Measures toward Establishing a Stable Earnings Base

Key measure	Current evaluation	Status
(1) Strengthening the earnings base in the steel business	△	Although we are on track to achieve a structure that turns profits at 6 million tons of steel production, we are only halfway through the effort to improve the product mix, partly due to a decline in demand for automobiles, affected by the slump in the automotive market.
(2) Smooth startup and stable operation of new electric power projects	○	Along with the stable operation of existing power plants, the Kobe Power Plant No. 3 and No. 4 units started commercial operations as planned.
(3) Strategic investment in the materials businesses leading to earnings contribution	×	Strategic investment in manufacturing is progressing largely as planned, but earnings did not reach the target due to the sluggish automobile market and soaring raw material prices.
(4) Restructuring unprofitable businesses	○	The steel casting and forging business, titanium business, and crane business are expected to return to profitability as planned.
(5) Stabilizing earnings in the machinery businesses and responding to growing markets	○	Our efforts are progressing as planned in enhancing our environmental product lineup, strengthening collaboration within the Group, and reforming the earnings structure of the construction machinery business.

1 Fully achieve the results during the Current Medium-Term Management Plan Establishing a Stable Earnings Base

Key Measure 1 Strengthening the Earnings Base in the Steel Business

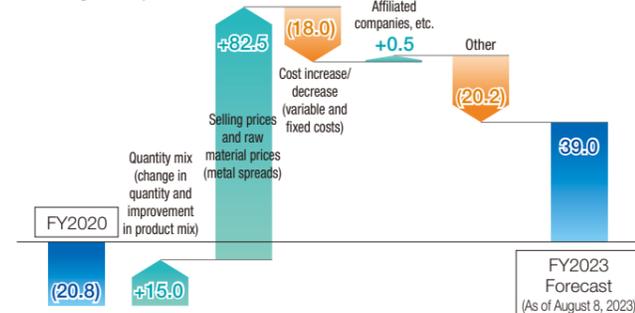
Our steel production has declined since fiscal 2022 as the macroeconomic environment conditions are worse than our assumptions in the Medium-Term Management Plan. Metal spreads have improved significantly since fiscal 2022, despite delays in fiscal 2021 in passing on soaring raw material costs to selling prices in businesses that handle large contracts with fixed destinations mainly in the automotive sector. With regard to the improvement of the product mix, aimed at increasing the ratio of our distinctive products in sales, such as wire rods and bars and high-tensile strength steel sheets, we expect it to be 47%, falling short of our fiscal 2023 target

of 50%, due to decreasing sales volumes in the automotive sector along with a decline in automobile production and delayed recovery.

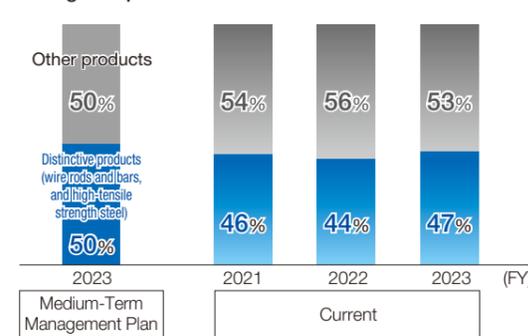
As a result of the improvement of metal spreads, the break-even point in crude steel production is expected to be lower than the target of 6 million tons. However, the situation remains uncertain as further cost increases are anticipated in the future. We believe that the target for the improvement of the product mix will be achieved as demand for automobiles recovers, but we will continue to focus on price improvements and cost reductions to mitigate volatility.

Changes in profit (loss)* between fiscal 2020 and 2023 (Billions of yen)

* Excluding inventory valuation



Changes in product mix



Key Measure 2 Smooth Startup and Stable Operation of New Electric Power Projects

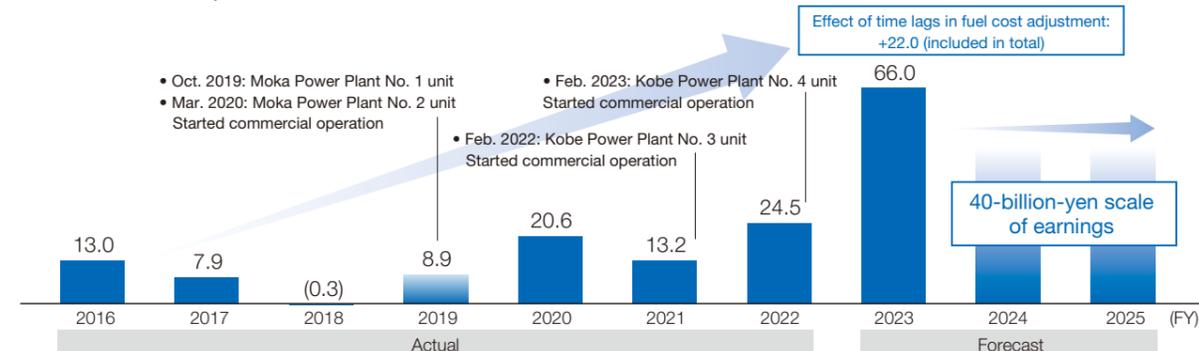
The Kobe Power Plant No. 3 and No. 4 units began commercial operation as planned in February 2022 and February 2023, respectively. By having these new units along with the existing Kobe Power Plant No. 1 and No. 2 units and the Moka Power Plant No. 1 and No. 2 units, we have established a structure that will ensure stable earnings.

as possible inclusion of temporary gains in fiscal 2023, we aim to continue to secure earnings of around 40 billion yen as a baseline.

The Kobe Power Plant has been supplying steam to a nearby sake brewery by effectively utilizing waste heat from the power plant. We will continue to work to improve the overall energy efficiency of urban and regional areas by supplying heat and hydrogen through steam utilization. We will also continue to take on the challenge of realizing carbon neutrality in the electric power business.

Although there is a possibility of time lags in profit and loss for the period depending on the price fluctuations of thermal coal, such

Profits in the electric power business (Billions of yen)



Key Measure 3 Strategic Investment in the Materials Businesses Leading to Earnings Contribution

Strategic investments in manufacturing have largely progressed as planned, but we have a remaining issue in productivity at KAAP in the United States, which manufactures and sells aluminum forged parts for automotive suspension systems. As for sales volume, we have not been able to secure the planned sales volume due to sluggish automobile production and slow progress in expanding aluminum applications, impacted by the acceleration of electrification. In the aluminum business, delays in passing on higher costs to selling prices also led to the decline in earnings in aluminum flat-rolled products, extrusions, and suspensions.

improvement at the end of fiscal 2022. In terms of sales volume, despite sluggish demand for automobiles, we have also made steady progress in activities to receive orders and have already secured the expected volume of orders for suspensions and extrusions for fiscal 2023. While continuing to strive to increase orders with a view to future demand recovery, we will work to pass on various soaring costs to selling prices.

There is no change in the policy of the Medium-Term Management Plan to capture the demand for automobile weight reduction. In response to changes in the external environment, we will work to strengthen profitability by improving margins and the quantity mix, ensuring that each business turns a profit.

In manufacturing, KAAP in the United States has been working to resolve various issues and achieved a certain level of productivity

	Strategic investment
Steel products (high-tensile strength steel)	New continuous galvanizing line (CGL) at PRO-TEC (US) Third CGL at Kakogawa Works
Aluminum flat-rolled products	Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. Ulsan Aluminum, Ltd. (South Korea) New aluminum sheet line at Moka Works
Aluminum extrusions	Additional investment in KPEX (US)
Aluminum suspensions	Additional investment in KAAP (US)

Current status	Current status	
	Manufacturing capability	Price
Establishment of mass-production system underway as planned	Quantity mix	Cost pass-through in progress
	Decline in automobile production	Rising costs in energy, secondary materials, etc.
Productivity target not achieved	Decline in automobile production and delay in expanding aluminum applications	Delay in cost pass-through

Decline in profitability of the aluminum business

Key Measure 5 Stabilizing Earnings in the Machinery Businesses and Responding to Growing Markets

Machinery business: Demand was strong in both the energy/chemical sector and the industrial sector, and orders were strong. As a result, orders in fiscal 2022 reached a record high, and earnings are steadily improving. In the fields of fossil fuels, the energy transition market for hydrogen and ammonia is expected to expand. Orders for decarbonization-related applications are on the rise, and we will promote our initiatives in the energy market.

Flex™, which enables flexible operations on different ratios of natural gas and hydrogen.

Engineering business: As the trend toward a decarbonized and resource recycling-oriented society accelerates, we are seeing strong orders for MIDREX plants and Kobelco Eco-Solutions' water treatment and waste treatment-related solutions. In fiscal 2022, we received orders for the MIDREX H₂™, the world's first commercial 100% hydrogen direct reduced iron (DRI) plant, and for the MIDREX

Construction machinery business: We have made steady progress in breaking away from the dependence on China, as set forth in the Medium-Term Management Plan, and in strengthening profitability by mapping out a strategy that categorizes operations into areas for offense (U.S., Europe, and India) and for defense (Japan, China, and Southeast Asia). In fiscal 2023, we will work to improve profitability by steadily passing on higher costs to selling prices and re-launching models with alternative engines to address engine certification issues. In addition, we plan to reform our business earnings structure, with the aim of making solutions and peripheral businesses one of the pillars of our future earnings.

Consolidated ordinary profit in the machinery business* (Billions of yen)



Consolidated orders and ordinary profit in the engineering business (Billions of yen)



Consolidated ordinary profit in the construction machinery business (Billions of yen)



Note: Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. According to this change, the results for fiscal 2022 have been recalculated.

Establishing a stable earnings base

Profitability (ROIC)

Basic Policy

We have positioned the period of the Medium-Term Management Plan (Fiscal 2021–2023) as a period to further deepen our efforts to enhance profitability with a focus on the materials businesses and establish a stable earnings base of our Group.

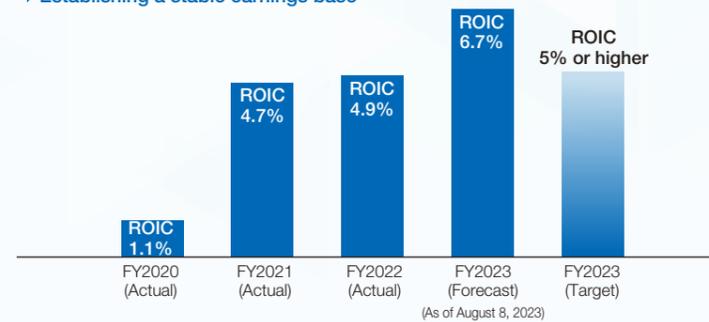
In fiscal 2023, when the startup of new electric power plant projects is completed and their contribution to earnings is made in full, we aim to secure a return on invested capital (ROIC) of 5% or higher and increase this to 8% or higher in the future toward our goal of becoming a corporate group that grows sustainably.

ROIC in fiscal 2022 was 4.9%. In fiscal 2023, we project an ROIC of 6.7% (as of August 8, 2023), exceeding the target ROIC of 5% or higher set in the Medium-Term Management Plan, with improvements to metal spreads in steel products and the electric power business's contribution to earnings.

Targets under the Medium-Term Management Plan



Targets under the Medium-Term Management Plan: ROIC of 5% or higher → Establishing a stable earnings base



Capital and Other Investments and Loans

Basic Policy

During the period of the Medium-Term Management Plan, in order to focus on rebuilding our financial base, we aim to keep capital investments within the range of operating cash flow, and we plan to spend approximately 100 billion yen per year on a decision basis. Basically, we will control expenditures, but we have increased IT strategy-related investment to roughly 15 billion yen a year.

Capital investments for fiscal 2022 totaled 103.7 billion yen (on a decision basis), which was within depreciation. In fiscal 2023, we plan to increase capital investments temporarily, focusing on maintenance/renewal-related investments aimed at rebuilding a stable production system.

Capital Investment Plan as of May 2021 (Billions of yen)	
FY	2021–2023
Capital investment	Decision basis: 310
	Accrual basis: 360
Of which, IT strategy-related	Approx. 15.0/year
Depreciation	345
Research and development expenses	Approx. 30.0/year

Capital Investment as of May 2022 (Billions of yen)			
FY	2021 (Actual)	2022 (Actual)	2023 (Plan)
Capital investment	Decision basis: 98.9	103.7	140.0
	Accrual basis: 108.1	97.3	135.0
Of which, IT strategy-related	9.1	10.6	22.0
Depreciation	105.1	112.5	120.0
Research and development expenses	33.2	36.7	40.0

Financial Strategy

Basic Policy

We aim to keep investing cash flow within the range of operating cash flow and achieve a D/E ratio of 0.7 times or less by the end of fiscal 2023 by carefully selecting capital and other investments and loans. In addition, we will continue to promote activities to improve working capital and similar metrics. Along with this, in order to brace for downside risks in operating cash flow, we will strengthen our monitoring systems and study and prepare backup measures.

In fiscal 2022, free cash flow deteriorated due to a decline in sales volume and an increase in working capital associated with rising raw material prices. However, the D/E ratio at the end of fiscal 2022 improved to 0.65 times, achieving 0.7 times or less for the second consecutive year, the target to be attained by the end of fiscal 2023 as set forth in the Medium-Term Management Plan.

In fiscal 2023, free cash flow is expected to remain at a low level due to an increase in working capital resulting from strong orders in the machinery and engineering businesses and higher prices for raw materials and supplies. While strengthening management of invested capital, we will continue financial management with a focus on reducing cost of capital.

Cumulative Cash Flow Plan as of May 2021 (Excluding project financing) (Billions of yen)

FY	2021–2023
Operating cash flow	Approx. 420.0
Investing cash flow	Approx. (320.0)
Free cash flow	Approx. 100.0
D/E ratio	0.7 times or less

Progress of Cash Flow Plan as of May 2023 (Excluding project financing) (Billions of yen)

FY	2021	2022	2023
Operating cash flow	Approx. 345.0 (82%)		
Investing cash flow	Approx. (275.0) (86%)		
Free cash flow	Approx. 70.0 (70%)		
D/E ratio	0.68 times*	0.65 times	Approx. 0.6 times

* Excluding early procurement of borrowings

Returns to Shareholders

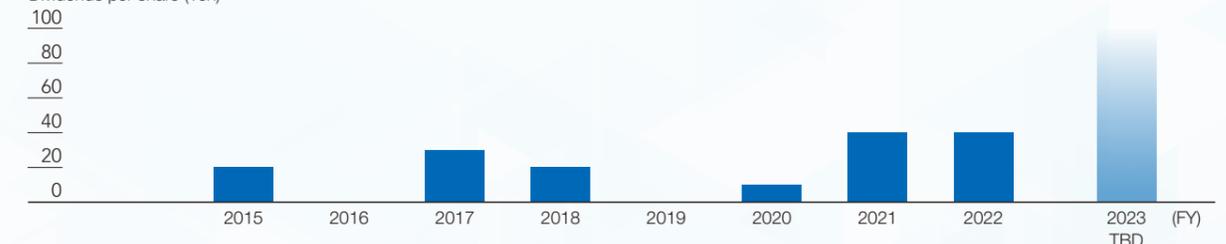
Basic Policy

Our basic policy is to return profits to shareholders through dividends.

Kobe Steel determines dividends taking its financial condition, business performance, future capital needs, and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. In fiscal 2023, the Company decided to raise the target of the dividend payout ratio, which was set at approximately 15–25% of consolidated profit attributable to owners of parent, to approximately 30%.

The dividend payout ratio for fiscal 2022 was 21.8%. Under the Medium-Term Management Plan, the Company has given priority to establishing a stable earnings base and strengthening its financial base and is making particular efforts in these areas. Based on our current business performance and financial condition, we have decided to raise the target of the dividend payout ratio.

Dividends per share (Yen)



FY	2015	2016	2017	2018	2019	2020	2021	2022	2023
Dividends per share (Yen)	20	0	30	20	0	10	40	40	90 (Forecast)
Dividend payout ratio (%)	—	—	17.2	20.2	—	15.6	25.0	21.8	Approx. 30.0

2 Taking on the Challenge of Realizing Carbon Neutrality

—To Be Strategically Carried Out with a Long-Term Perspective

The Kobelco Group has set targets for 2030 and a vision for 2050 from two angles: (1) reducing CO₂ emissions in its own production processes, and (2) contributing to reduction of CO₂ emissions through the Group's distinctive technologies, products, and services.

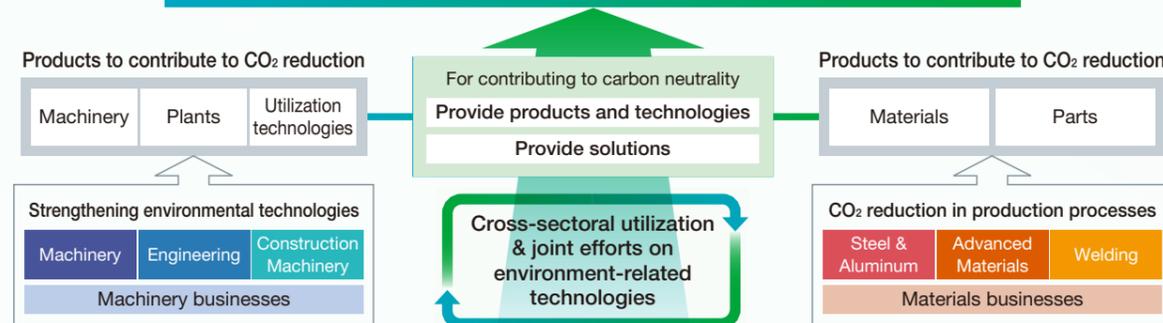
	2030 Target	2050 Vision
Reduction of CO ₂ emissions in production processes	30–40% (compared to fiscal 2013 levels) ¹	Taking on the challenge of realizing carbon neutrality
Contribution to reduction of CO ₂ emissions through technologies, products, and services ²	61 million tons (including at least 45 million tons through the MIDREX® Process ³)	100 million tons or more

1 Most of the reduction targets are associated with iron and steelmaking processes. We reviewed the targets announced in September 2020 (with the change from BAU to the total amount basis, and the increased use of original solutions reflected).
 2 The Kobelco Group contributes to the reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services.
 3 Reviewed calculation formula announced in September 2020

For reducing CO₂ emissions in production processes, we will boldly take on the challenge of carbon neutrality with a focus on the steel business by promoting the development of our Group's distinctive technology and utilizing external innovative technology. For contributing to reduction of CO₂ emissions, our Group has a variety of promising technologies, products, and services in both

the machinery and materials businesses, such as the MIDREX® Process and materials for automobile weight reduction. Leveraging our Group's strengths that integrate diverse technologies and products to help reduce CO₂ emissions, we will capture the growing demand driven by the progress of carbon neutrality movement as a business opportunity.

2050 Vision: Taking on the Challenge of Realizing Carbon Neutrality

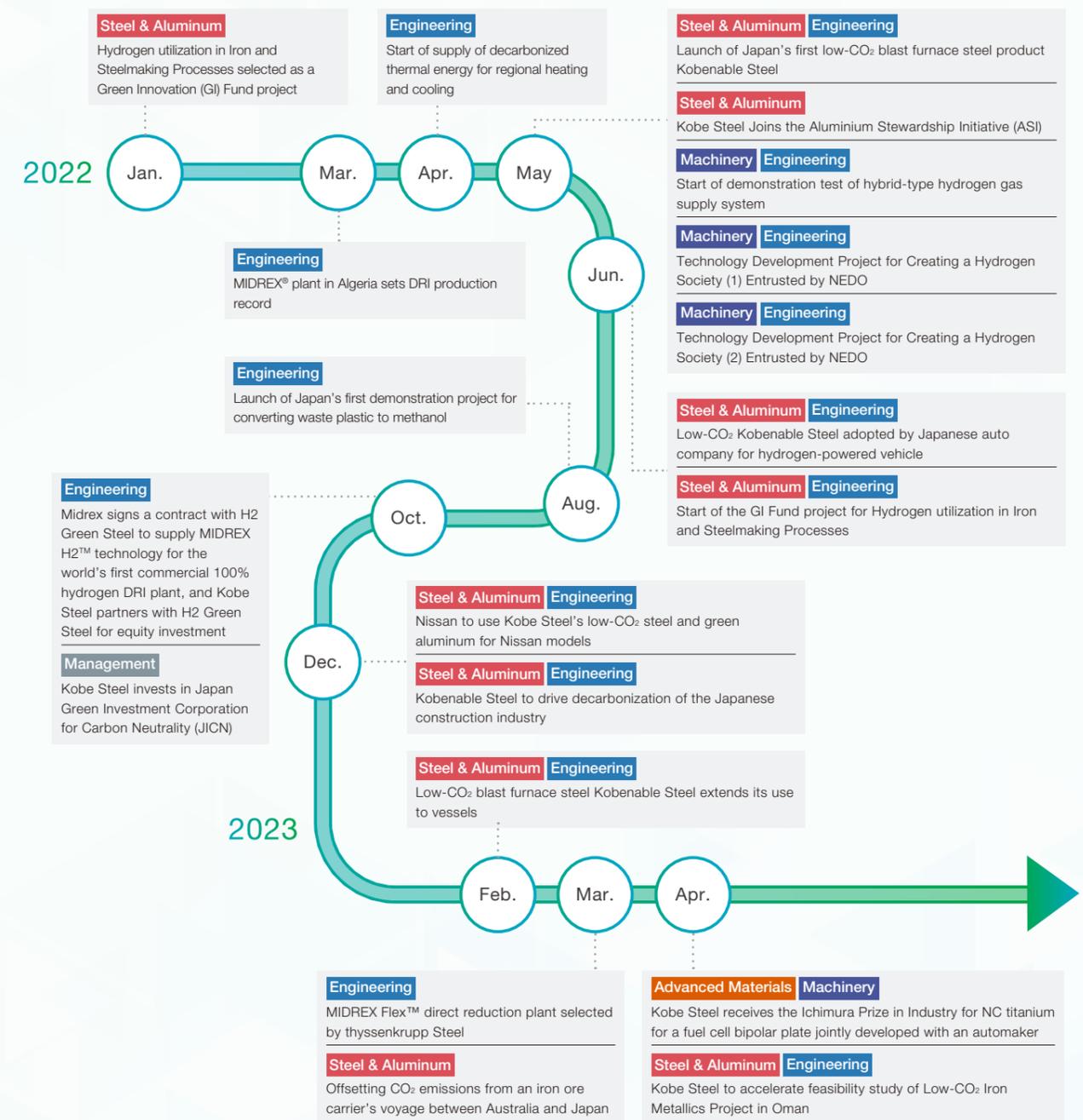


Recognition of External Environment and Our Group's Actions

	Internal environment	External environment	Our Group's actions
Risks (Negative factors)	Weakness <ul style="list-style-type: none"> Owns blast furnaces and coal-fired power plants with high CO₂ emissions 	Threats <ul style="list-style-type: none"> Increasing cost of measures to reduce CO₂ emissions of the Group Trend toward divestment by investors, etc. 	To minimize risks <ul style="list-style-type: none"> Disclosure of roadmaps for achieving carbon neutrality by 2050 Promotion of medium- to long-term technology development based on the roadmaps
Opportunities (Positive factors)	Strengths <ul style="list-style-type: none"> Numerous options for contributing to reductions of CO₂ emissions Capability to integrate various businesses and technologies 	Opportunities <ul style="list-style-type: none"> Increase in demand for options that contribute to reduction of CO₂ emissions 	To maximize opportunities <ul style="list-style-type: none"> Technology development and promotion of commercialization of options that contribute to reductions of CO₂ emissions

Recent Public Announcements Related to Carbon Neutrality

From January 2022 to the end of April 2023, we made 20 public announcements related to carbon neutrality, as we make significant progress in our Group's carbon neutrality efforts. Many of the initiatives are the result of collaboration among multiple business divisions, demonstrating the comprehensive strengths of our Group.



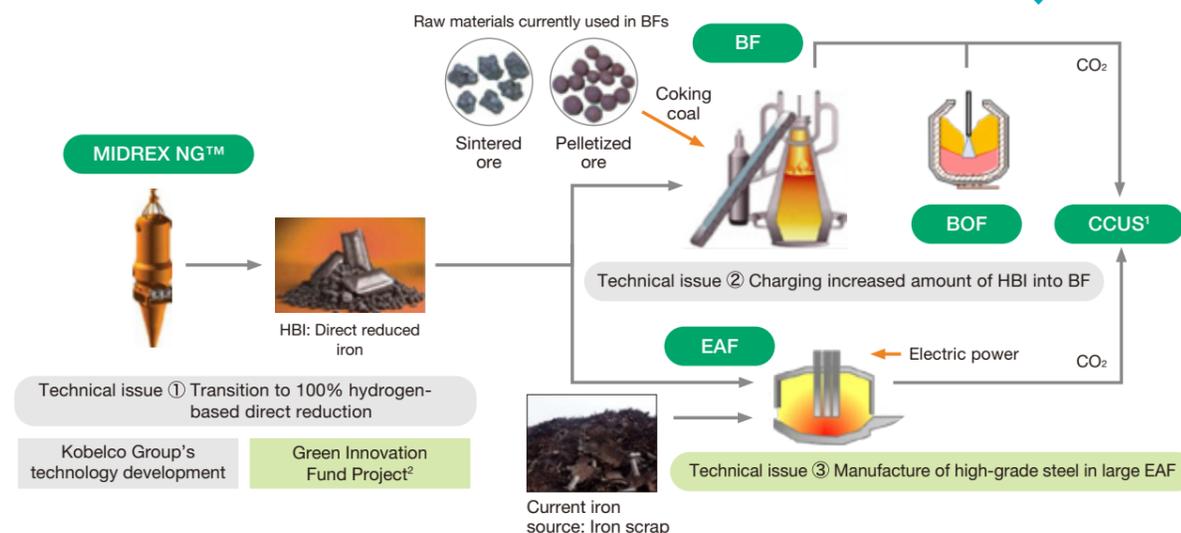
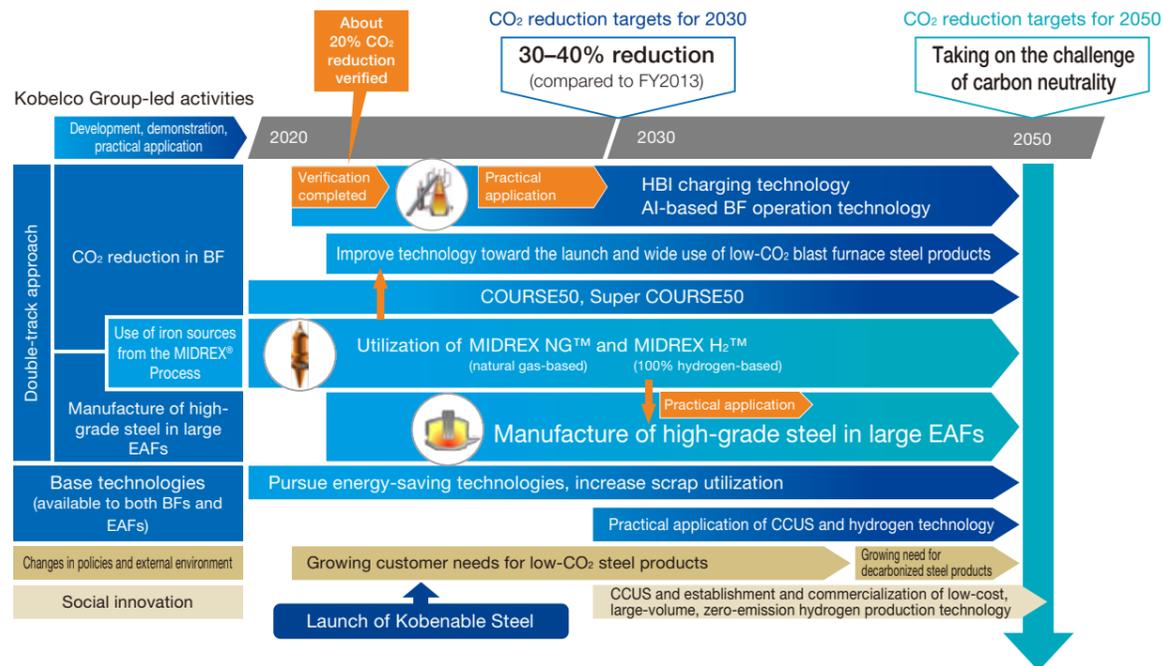
Taking on the challenge of carbon neutrality

1. Roadmap toward Carbon Neutrality in the Ironmaking Process

Our Group's efforts to realize carbon neutrality in the ironmaking process are aimed at achieving the targets by integrating the technologies of the steel business and the engineering business. Our basic strategy is to use iron sources from the MIDREX® Process, while working on a double-track approach of reducing CO₂ emissions utilizing existing blast furnaces and manufacturing high-grade steel in large electric arc furnaces.

There are three major technical issues that must be addressed to achieve the roadmap (please see the diagram below): ① Transition to 100% hydrogen-based direct reduction, which is related to manufacturing of direct reduced iron (DRI), ② Charging

increased amount of HBI into BF, and ③ Manufacture of high-grade steel in large EAFs, which are centered on the efforts at Kakogawa Works. Regarding technical issue ② Charging an increased amount of HBI into BF, we are currently working on upgrading HBI charging technology and studying HBI charging facilities to develop further HBI charging technology for blast furnaces. Technical issue ③ Manufacture of high-grade steel in large EAFs has been selected as one of the R&D items of the project for "Hydrogen Utilization in iron and Steelmaking Processes" by the Green Innovation Fund (GI Fund) of the Ministry of Economy, Trade and Industry (METI).



1 CCUS: Carbon Capture, Utilization and Storage

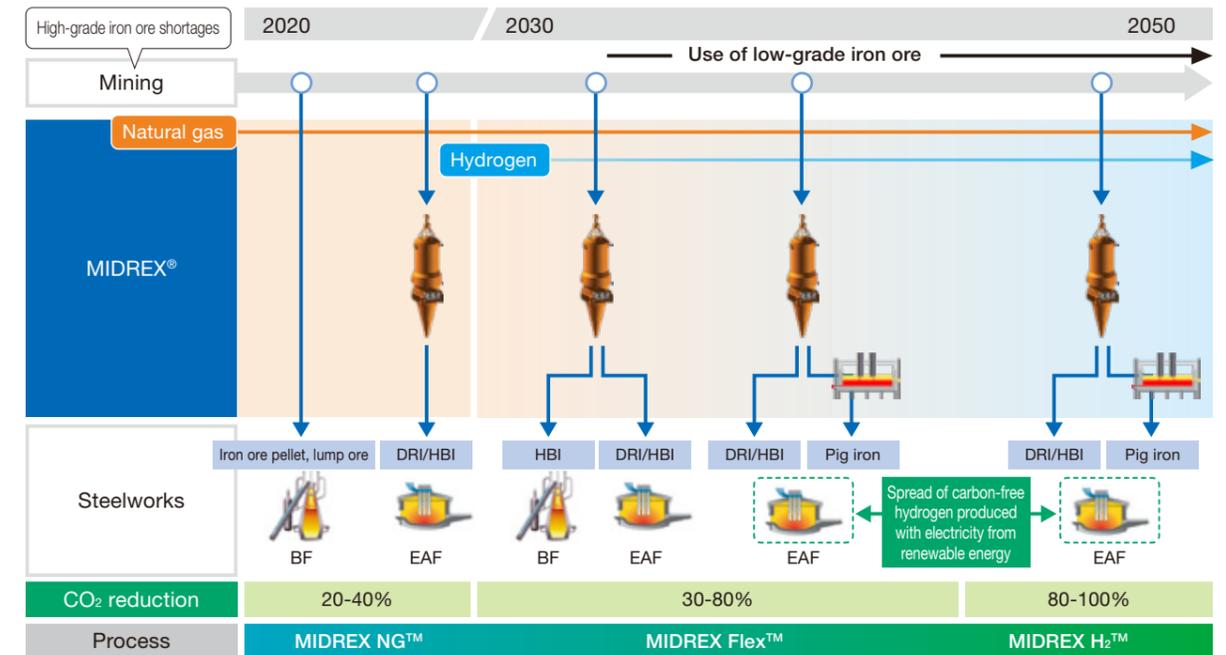
2 The Hydrogen Steelmaking Consortium (Nippon Steel Corporation, JFE Steel Corporation, Kobe Steel, Ltd., and the JRCM) is commissioned to carry out the Green Innovation Fund Project entitled "Hydrogen Utilization in Iron and Steelmaking Processes."

2. Roadmap for CO₂ Reduction through the MIDREX® Process

The MIDREX® Process is attracting worldwide attention as a low-carbon ironmaking method. The MIDREX® process offers three options: MIDREX NG™, which uses natural gas as reducing gas; MIDREX Flex™, which enables flexible transition from natural gas to hydrogen up to 100%; and MIDREX H₂™, which uses 100% hydrogen as reducing gas. In accordance with the status of the expansion of carbon-free hydrogen use, which varies in speed from region to region, the MIDREX® Process offers optimal

solutions during the transition period toward future expansion of hydrogen use. Orders received in fiscal 2022 include MIDREX Flex™ for thyssenkrupp (Germany) and MIDREX H₂™ for H₂ Green Steel (Sweden).

As the use of DRI is expanding in electric arc furnaces as well as blast furnaces, we believe that there is an increasing need for DRI as an iron source, in addition to the need for the MIDREX® Process to be introduced in plants.



Feasibility Study of Low-CO₂ Iron Metallurgy Project in Oman

In order to respond to the future increase in demand for low-carbon iron sources, our Group is working on the feasibility study of a low-CO₂ iron metallurgy project using the MIDREX® Process.

On April 9, 2023, Kobe Steel and Mitsui & Co., Ltd. signed a memorandum of understanding (MoU) on comprehensive cooperation for the low-CO₂ iron metallurgy project with the Public Authority for Special Economic Zones and Free Zones (OPAZ), an Omani authority that oversees all the special economic zones in Oman. The two companies also signed a land reservation agreement with Port of Duqm Company S.A.O.C., an Omani entity that undertakes the port development and management in the Special Economic Zone of Duqm. In addition, discussions are underway with the Sultanate of Oman's Ministry of Energy and Minerals to determine the detailed terms and conditions for the supply of natural gas required for the project.

Oman is a country rich in natural gas, which is used in the Midrex® Process, as well as an ideal location for the Low-CO₂ Iron Metallurgy Project as the country promotes renewable energies

and green hydrogen based on Oman Vision 2040. While natural gas is used as a reducing agent in the project for the time being, replacement of natural gas by hydrogen and combination with carbon capture, utilization, and storage (CCUS) will be considered to further reduce CO₂ emissions. The project estimates its annual DRI production at around 5 million tons.



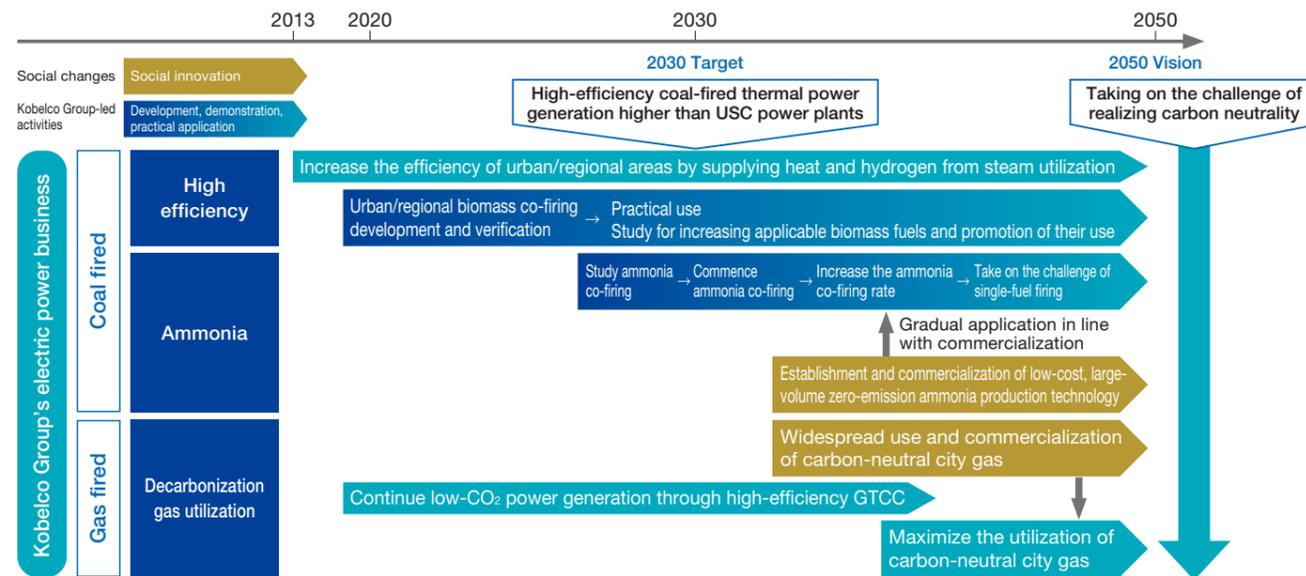
Taking on the challenge of carbon neutrality

3. Initiatives toward Carbon Neutrality in the Electric Power Business

At the Kobe Power Plant, which is a coal-fired power plant, we will continue to supply heat and hydrogen to surrounding areas by utilizing steam from the power plant and increase the efficiency of region-wide energy use. We will promote the collaboration of the Electric Power Business and the Engineering Business divisions to strengthen CO₂ reduction initiatives such as co-firing of biomass fuel (sewage sludge and food residue) and ammonia, aiming to achieve the world's most advanced urban coal-fired power plant.

At the Moka Power Plant, which is a gas-fired power plant, we will continue stable operation of low-CO₂ power generation using high-efficiency Gas Turbine Combined Cycle (GTCC).

In addition, at the Kobe Power Plant, we will increase the ammonia co-firing rate and ultimately we will take on the challenge of single-fuel firing. The Moka Power Plant is working on the study of the maximum use of carbon-neutral city gas, and through these measures, we aim to achieve carbon neutrality by 2050.

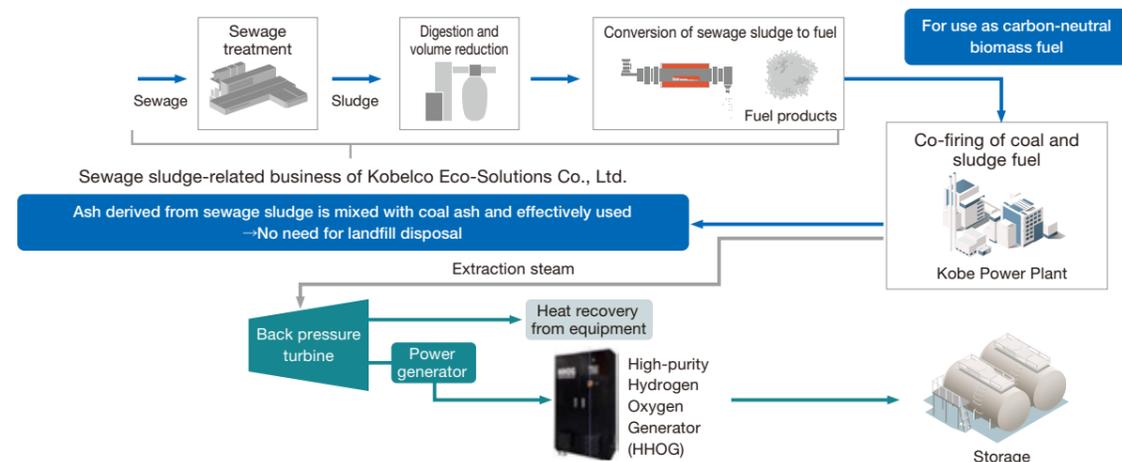


In order to promote initiatives aimed at practical application of ammonia co-firing, including the use of technology under development by NEDO-funded projects, we are moving forward with detailed internal studies, while following up on national policies and trends in technology development promoted by NEDO and other organizations.

As of the end of fiscal 2022, Kobelco Eco-Solutions received orders for three projects for converting sewage sludge to fuel. In collaboration with Kobelco Eco-Solutions, we are promoting a project for co-firing of biomass fuel derived from sewage sludge and utilization of extraction steam*.

* Hydrogen production by High-purity Hydrogen Oxygen Generator (HHOG)

Conversion of Sewage Sludge to Fuel—An Initiative for Hydrogen Production and Supply



4. Initiatives to Contribute to Reduction of CO₂ Emissions

Our Group's products contribute to reduction of CO₂ emissions by our customers in various ways. In addition to products manufactured with low CO₂ emissions in our production process,

we also have many products and solutions that contribute to the reduction of CO₂ emissions in customers' production processes or in the use of products manufactured by customers.

Our contribution to reducing CO₂ emissions ▶ See p. 74-75 "Climate-Related Disclosures Based on TCFD Recommendations"

Initiatives to Contribute to Carbon Neutrality in the Energy Industry

Along with the progress of carbon neutrality initiatives, there is a growing trend of energy transition to new energy sources, such as hydrogen and renewable energy. Our Group will contribute

to carbon neutrality in the energy industry not only through the machinery businesses but also through the materials businesses, including the welding business.

Initiatives in the Machinery Business

Our machinery business supplies compressors, heat exchangers, and vaporizers, which play a major role in the supply chain of the energy industry. In the energy industry, energy transition is expected to accelerate as the world moves toward carbon neutrality, and we believe that our products will play an essential

part in this movement. The products of the machinery business contribute significantly to the realization of a carbon-neutral society in every part of the hydrogen, ammonia, CO₂, and LNG supply chains.

	Produce	Transport	Store	Use
H₂ Hydrogen	• Electrolysis • Liquefaction	• Liquid hydrogen carriers	• Liquid hydrogen terminals	• Firing (mixed/single) • Ironmaking • Hydrogen stations
NH₃ Ammonia	• Synthesis • Liquefaction	• Liquid NH ₃ carriers	• Gasification	• Combustion
CO₂ Carbon dioxide	• Separation • Liquefaction	• CO ₂ pipelines	• CO ₂ batteries • CO ₂ capture and storage • Gasification	• Methanation
LNG Liquefied natural gas	• Gas purification • Liquefaction	• LNG carriers • Gas pipelines	• LNG terminals	• Gas turbine power generation • Fuel use

● Compressors ● Heat exchangers and vaporizers

Initiatives in the Welding Business

(1) LNG fuel tanks

Along with the global movement toward carbon neutrality, there is an increase in demand for LNG as a transitional energy source. In particular, the shipbuilding industry is working on the in-house production of LNG fuel tanks. To improve the quality of welding of fuel tanks using 9% Ni steel, which requires advanced welding skills, and to help resolve welder shortages, we have developed a compact, portable welding robot KI-700, equipped with a welding process for 9% Ni steel, and an automatic welding system that uses special welding consumables. Practical application of these products has already begun, and we will work to promote their widespread use.



(2) Offshore Wind Power Generation Towers

Special welding processes are used in the welding of offshore wind power generation towers. They require high-quality, high-efficiency technologies, including narrow groove welding, high-speed weldability, and high rigidity. Our Group has begun developing welding consumables and welding processes and is working on their practical applications. In particular, the Japanese market is moving toward the introduction of offshore wind power generation, and higher efficiency welding processes are being required to lower power generation costs. Going forward, we will continue to develop high-efficiency welding processes and optimal welding consumables and increase customer value by proposing welding solutions that leverage our strengths. We will thereby continue to support offshore wind power generation from the welding field and contribute to the reduction of CO₂ emissions.



Message from the CFO

We will fulfill the current Medium-Term Management Plan in a way unique to KOBELCO and build a foundation for our sustainable growth.

Yoshihiko Katsukawa

Executive Vice President and Representative Director



Looking Back over Fiscal 2022

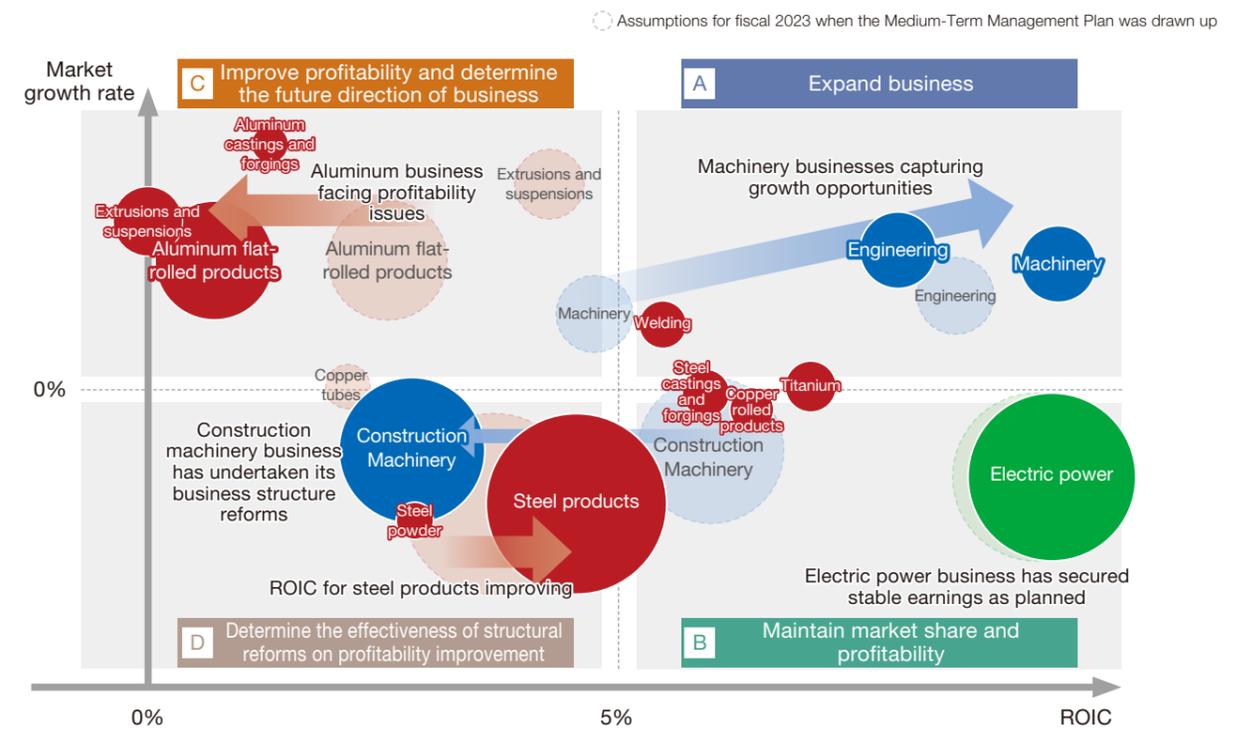
Under the Medium-Term Management Plan for fiscal 2021–2023, we have been working to establish a stable earnings base, with the two years from 2021 to 2022 positioned as the rebuilding period. In fiscal 2022, despite the challenging external operating environment, as exemplified by the slow recovery of automobile production due to the global semiconductor shortages and supply chain disruptions, the rise in materials and logistics costs, and the rapid depreciation of the yen, we continued to implement the five key measures set forth in the Plan, while maximizing our efforts to improve earnings with a main focus on passing on higher raw materials and procurement costs to selling prices. As a result, ordinary profit was 106.8 billion yen and return on invested capital (ROIC) was 4.9% in fiscal 2022, owing largely to a significant improvement in the steel price spread and the start of operation of the Kobe Power Plant No. 3 unit in the electric power business.

Overall, we believe that a stable earnings base is being established. However, we still have issues to address in fiscal 2023 and beyond in the aluminum business that includes aluminum flat-rolled products, suspensions, etc., partly due to the impact of declining demand in the automotive, IT, and semiconductor sectors, and the slow progress in passing on surging energy costs to selling prices.

Financial Strategy

In the financial strategy of the Medium-Term Management Plan, we aim to achieve a D/E ratio of 0.7 times or lower by the end of fiscal 2023 by carefully selecting new capital and other investments and loans and keeping investing cash flow within the range of operating cash flow, in order to strengthen our financial base. In fiscal 2022, while capital investment was within the range of depreciation, free cash flow was negative 200 million yen due to higher raw material prices and an increase in working capital along with an increase in orders in the machinery business. However, as a result of our efforts to reduce cash and deposits, the D/E ratio stood at 0.65 times at the end of the fiscal year, achieving the target of the Medium-Term Management Plan ahead of schedule. In fiscal 2023, as we forecast an increase in working capital, free cash flow is expected to be lower than estimated at the time of the formulation of the Medium-Term Management Plan. Even in such a situation, we will maintain a D/E ratio of 0.7 times or lower.

Regarding shareholder returns, we intend to provide stable returns to shareholders who have supported us for many years, and I believe that it is our responsibility to present an appropriate shareholder return policy. Taking our current business performance and financial condition into consideration, we have decided to raise our dividend payout ratio target from 15–25% to approximately 30% in order to further enhance the return of profits to shareholders. With a view to future carbon-neutral investments, we will continue discussions on cash allocation from a medium- to long-term perspective, while bearing in mind the need to further strengthen our financial base.

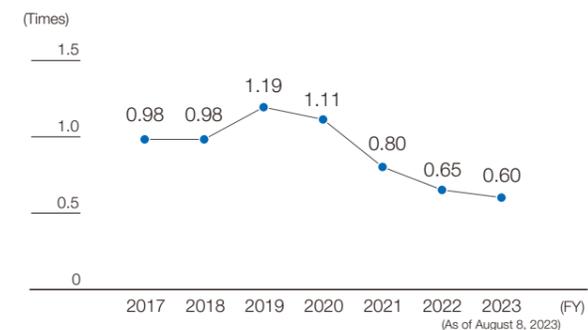


Estimated cumulative cash flow in 2021–2023

(Excluding project financing) (Billions of yen)

	As of May 2021	As of May 2023
Operating cash flow	Approx. 420.0	Approx. 345.0
Investing cash flow	Approx. (320.0)	Approx. (275.0)
Free cash flow	Approx. 100.0	Approx. 70.0
D/E ratio	0.7 times or lower (FY2023)	Approx. 0.6 times (FY2023)

D/E ratio (Excluding project financing)



Promoting ROIC Management

Since the start of the current Medium-Term Management Plan, we have been managing the Group's business portfolio based on ROIC. Specifically, the Business Portfolio Management Committee, which is an auxiliary body to the Executive Council, formulates companywide business portfolio strategies and monitors the status of each business unit. The results of these activities are reported to the Executive Council and discussed at meetings of the Board of Directors, as appropriate.

As I mentioned earlier, our Group's efforts to establish a stable earnings base are largely progressing, but issues remain for each business unit. In fiscal 2023, the final year of the Medium-Term Management Plan, we will focus on monitoring businesses that have not reached the ROIC target of 5%.

In the steel product business (placed in quadrant D in the lower left of the table above), profitability is increasing mainly due to improvements in metal spreads. However, we are only halfway through improving the product mix and the profitability of our overseas business, and we will continue to monitor progress and study future strategy to address carbon neutrality. The construction machinery business, also in quadrant D, has embarked on a restructuring of its global production structure. In the future, we will monitor the progress of profitability improvement and the progress of the solutions business along with other new businesses.

Message from the CFO

In the aluminum business (placed in quadrant C in the upper left of the table on the previous page), profitability has weakened due to slow progress in passing on rising energy and secondary materials costs to selling prices and a decline in demand. Although cost pass-through is currently progressing, we will continue to monitor the status of cost pass-through and the sales volumes as further cost increases are expected. In addition, we will continue to promote companywide initiatives to improve profitability. In businesses placed in quadrant B in the lower right of the table on the previous page, we will continue to strengthen our business structure, even though we expect to achieve an ROIC of 5%, and accelerate the study on our future strategy to address carbon neutrality with a focus on the electric power business as well as the steel business.

In businesses placed in quadrant A in the upper right of the table on the previous page, we will steadily capture opportunities for business expansion.

In parallel with our efforts in the existing businesses explained above, we have been exploring the creation of new businesses in each business division, and we will optimally allocate management resources to new businesses with growth potential.

Enhancement of Corporate Value

Return on capital and cost of capital

To enhance corporate value, we believe it is important not only to improve return on capital through ROIC management but also to control cost of capital. By pursuing both, we are working to enhance corporate value through the expansion of equity spreads (See p. 56 "Initiatives to Enhance Corporate Value").

While our Company has implemented ROIC management, the corresponding cost of capital, WACC, is currently estimated at about 4 to 5%. ROIC recovered to 4.9% in fiscal 2022 and is expected to be 6.7% in fiscal 2023 (as of August 8, 2023), exceeding WACC. Thus, we believe this is a result of our efforts to establish a stable earnings base. We will continue to strive to enhance our corporate value.

Improving return on capital

In order to build a business portfolio that can maintain ROIC at 5% in any external operating environment, we will continue to implement the five key measures set forth in the Medium-Term Management Plan aimed at establishing a stable earnings base, and at the same time, conduct invested capital management for the management that considers profitability

in parallel. The progress of these efforts is being closely monitored by the Business Portfolio Management Committee. The current Medium-Term Management Plan has set forth the ROIC target at 5% or higher for fiscal 2023, but in the future we hope to build a system that can maintain ROIC at 5% even in times of economic downturn, aspiring to achieve an ROIC of 8% or higher.

Controlling cost of capital

In light of our current financial position and upcoming investments in carbon neutrality, we are strengthening our financial base with a target to keep a D/E ratio at 0.7 times or lower under the Medium-Term Management Plan. WACC is on the rise due to the decline in the ratio of liabilities, but we will strive to control any increase in WACC by reducing earnings volatility and lowering the cost of shareholders' equity as we move forward with establishing a stable earnings base while maintaining financial stability.

We are also strengthening our sustainability measures with an eye on the accelerating ESG trend. In particular, attention is increasing on non-financial capital such as human capital and intellectual capital, and we will consider linking these intangible assets to the enhancement of corporate value.

On the other hand, our Group has the steel business and the electric power business with coal fired power plants, both of which emit a large amount of CO₂ emissions, and thus we must strive to explain our efforts to achieve carbon neutrality to the capital markets properly. By disseminating information on the aforementioned efforts for the enhancement of corporate value and sustainability in a timely and appropriate manner and promoting IR activities with the participation of all directors and executive officers, we aim to reduce information asymmetry with the capital markets and thereby enhance corporate value.

Market evaluation

Our Company has long faced the issue of its stagnant stock price. While exchanging opinions with analysts and shareholders either directly or through the IR team, we share the relevant information with members of the Board of Directors, including outside directors, for discussion. Our analysis finds that the current stock price reflects concerns about the instability of the earnings base and financial vulnerabilities based on past performance, as well as concerns about uncertainty about the future outlook amid various changes in the operating environment, including ESG trends such as carbon neutrality.

We believe that the best way to respond to these



concerns is to steadily accomplish our goals set forth in the Medium-Term Management Plan, which include establishing a stable earnings base, strengthening the financial base, and taking on the challenge of realizing carbon neutrality.

We are making steady progress with establishing a stable earnings base. For example, in the steel business, we are on track to build a profitable system at 6.0 million tons of crude steel production. It is the result of the accumulation of previous profit improvements such as cost reductions, as well as of increased marginal profits through price improvements, which have significantly lowered the break-even point. As indicated by these, our efforts to achieve stable profitability are progressing. We will continue to promote the key measures and deliver concrete results.

In order to cope with future uncertainty, we are promoting various initiatives by leveraging the Group's comprehensive strengths. For example, as a response to carbon neutrality, we are steadily implementing various measures to achieve our CO₂ reduction targets for fiscal 2030, which include the launch of Kobenable Steel, Japan's first low-CO₂ blast furnace steel product developed by combining our steel business's distinctive technologies and the MIDREX® Process. In order to respond to the energy transition to new energy sources, such as hydrogen and ammonia, for which demand is expected to grow, we are making efforts toward increasing orders for products in the machinery business, expecting that our products will become an essential part of the supply chain, and starting the demonstration test of the hybrid-type hydrogen gas supply system, taking advantage of being a producer as well as a user of hydrogen.

We believe that the drastically changing operating

environment presents us with an opportunity to become a market changer by quickly responding to various needs with the Group's diverse technologies, products, and services. By steadily seizing on growth markets, we will strive to raise the value of the Group, enhance our corporate value, and eventually improve our Company's stock price.

In Conclusion

We believe that engagement with the capital markets forms an important aspect of our efforts to enhance the Group's corporate value. We aim to improve the quality of management through constructive dialogue from a long-term perspective, while disclosing information in a timely and appropriate manner and promoting accurate understanding of the Group's value.

It is also important for the entire Group to reflect on our corporate value. We are working to provide opportunities for executives to explain directly to employees, as we hold IR seminars for employees and promote ROIC management. Through these initiatives, we hope to refine KOBELCO's unique value, which is the source of the Group's value creation.

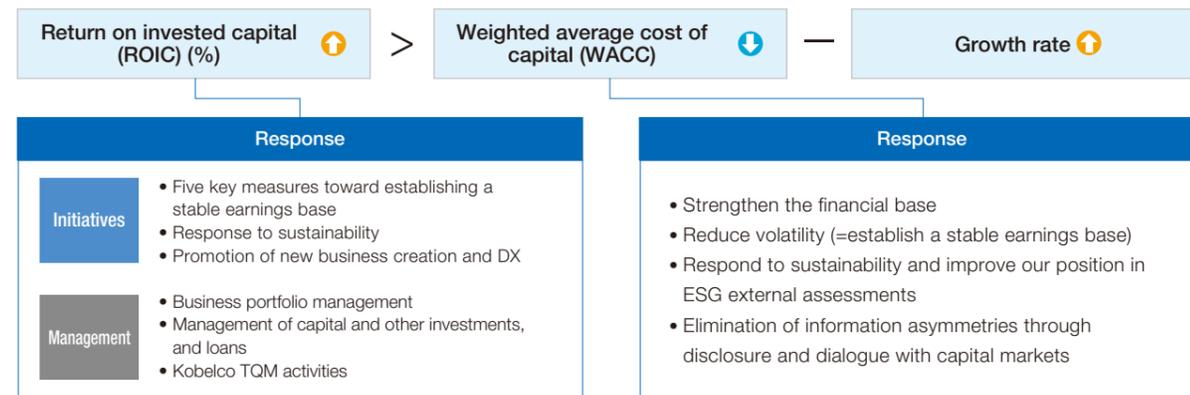
In fiscal 2023, the final year of the current Medium-Term Management Plan, we will steadily implement what is projected in the Plan and lay the foundation for sustainable growth. In addition, we will deepen discussions toward the next Medium-Term Management Plan, and in next year's integrated report, we hope to show our Group taking a solid step forward.

Enhancement of Corporate Value

Initiatives to Enhance Corporate Value

We believe that the Kobelco Group's corporate value comes from the various technologies, products, and services that we have cultivated over the past 117 years, the human resources and intellectual property that have supported and developed them, and the relationships of trust that we have built with our stakeholders.

Our Group has introduced ROIC as a performance indicator for management that emphasizes return on capital. By securing ROIC that exceeds the cost of capital and working to lower the cost of capital, we will expand the equity spread and enhance corporate value.



Return on Capital and Cost of Capital

Return on capital: ROIC (return on invested capital)

We have adopted ROIC as an indicator for return on capital. Under the Medium-Term Management Plan, we aim to achieve an ROIC of 5% or higher in fiscal 2023 and stably secure 8% or higher in the future.

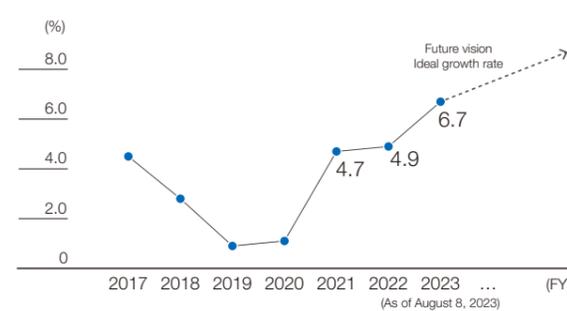
The first step is to implement the five key measures set forth in the Medium-Term Management Plan aimed at establishing a stable earnings base that maintains ROIC at 5% in any external operating environment. Along with this, we will conduct invested capital management for the improvement of ROIC with a focus on both profitability and invested capital. In order to achieve an ROIC of 8% or higher, we will visualize the positioning of each business with an eye on the ideal business portfolio and move forward with our response to growth markets.

Cost of capital: weighted average cost of capital (WACC)

We use WACC as a metric that represents the cost of capital corresponding to ROIC. The cost of shareholders' equity is calculated based on the capital asset price model (CAPM), and WACC is calculated by weighted averaging the cost of liabilities and the cost of shareholders' equity. The current WACC is estimated at about 4 to 5%.

Financial security is as an important factor in light of the Group's current financial situation and the upcoming investments in carbon neutrality. In the Medium-Term Management Plan, we have set a target of a D/E ratio of 0.7

ROIC



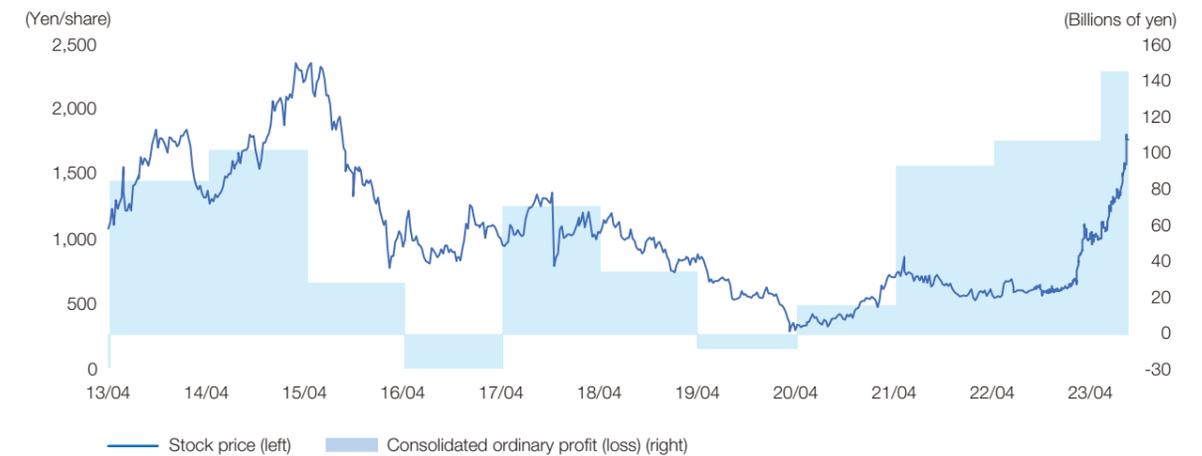
times or lower and aim to control WACC by lowering the cost of shareholders' equity while maintaining financial security.

Since the cost of shareholders' equity is at a relatively high level against the backdrop of high volatility in past performance, we are working to establish a stable earnings base under the Medium-Term Management Plan. Amid the recent trend toward sustainability, we believe that uncertainty about the future of the Company is another factor driving the increase in the cost of shareholders' equity. While sincerely addressing and responding to these issues, we will strive to foster better understanding of the Group's policies and initiatives through timely and appropriate information disclosure and dialogue between the executives and stakeholders.

Market Evaluation

The chart below shows the Group's consolidated ordinary profit and stock price trends over the past 10 years. Compared to fiscal 2014, when the stock price reached a record high of 2,360 yen, ordinary profit in fiscal 2022 was at a level similar to fiscal 2014, but the stock price remained at a lower level than fiscal 2014. Our Group exchanges

opinions with analysts and other external stakeholders to analyze the reasons for the discrepancy in stock prices between fiscal 2022 and fiscal 2014 and regularly discuss measures to increase the stock prices among members of the Board of Directors.



Note: The Company carried out a 1-for-10 reverse stock split of its shares on October 1, 2016. Data has been recalculated accordingly based on the assumption that the reverse stock split had been carried out at the beginning of fiscal 2013.

Reason for Discrepancy in Stock Prices

Our analysis finds that the current stock price reflects concerns about the instability of the earnings base and financial vulnerabilities based on past performance, as well as concerns about uncertainty about the future outlook amid various changes in the operating environment, including ESG trends such as carbon neutrality.

Response

Our Group has already addressed the above-mentioned concerns and anxieties in the capital markets through initiatives to enhance corporate value and through the Medium-Term Management Plan, and we believe that accomplishing these initiatives will lead to an increase in stock price.

To address concerns and evaluations based on past performance, we have been working to establish a stable earnings base and strengthen our financial base. In fiscal 2022, our ROIC was 4.9% and the D/E ratio stood at 0.65 times, indicating we are achieving steady results. Of the five key measures toward establishing a stable earnings base, some measures have not made sufficient progress yet.

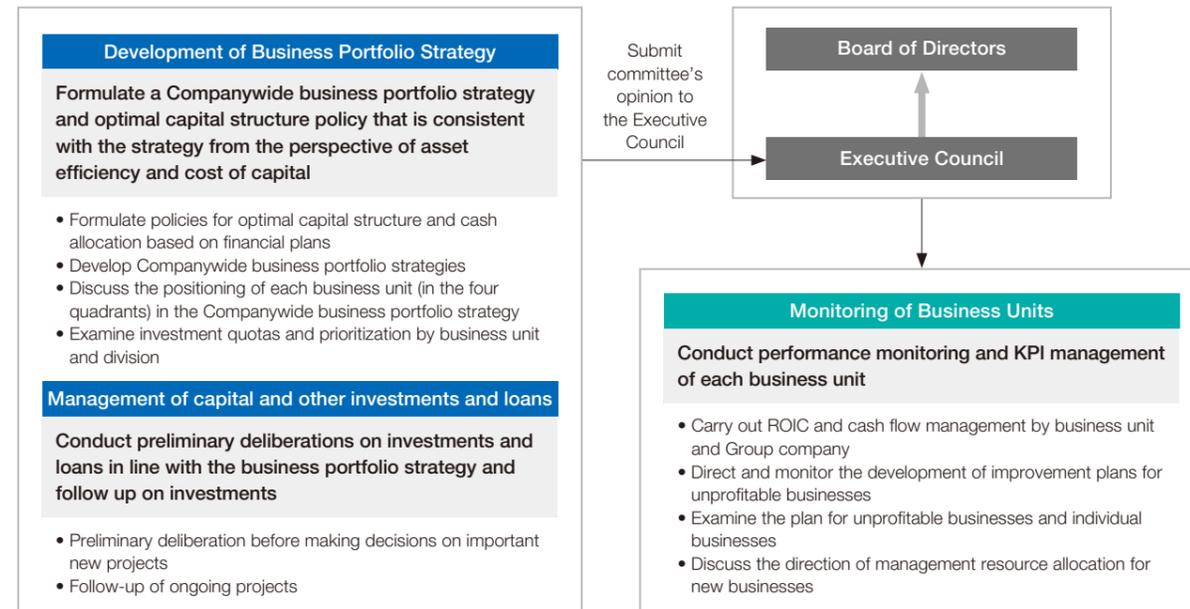
Focusing on these, we will work to increase earnings at an early stage and deliver results showing that we are able to maintain ROIC at 5% even in times of economic downturn, so that we can dispel concerns in capital markets.

As for concerns regarding uncertainty about the future outlook, in terms of response to carbon neutrality, roadmaps toward carbon neutrality by 2050 have been presented by the steel business and electric power business, both of which emit a large amount of CO₂ emissions, and we are currently working to make further detailed roadmaps with concrete steps. In the energy transition to new energy sources such as hydrogen and ammonia, we will strive to seize growth opportunities in the industries for the next stage of growth. In an environment where the market changes drastically, our Group, which has a variety of technologies, products, and services, can be a provider of new value by identifying customer needs in a timely manner and offering solutions through integration of businesses and technologies. Going forward, we will continue to leverage the Group's strengths to enhance corporate value and improve the stock price.

Enhancement of Corporate Value

Business Portfolio Management

In order to facilitate the monitoring of each business unit in terms of asset efficiency and cost of capital (identified as an issue in the Medium-Term Management Plan), our Group is working to make efficient use of cost of capital and management resources and strengthen the business foundation by utilizing return on invested capital (ROIC) in the management and evaluation of our business units.



Management Policy and Future Initiatives

In our business portfolio management, we classify our business units into four quadrants (A to D) along the axes of profitability (ROIC) and market growth potential. This allows us to examine measures tailored to each quadrant and implement them while optimizing the allocation of management resources according to the corresponding strategy.

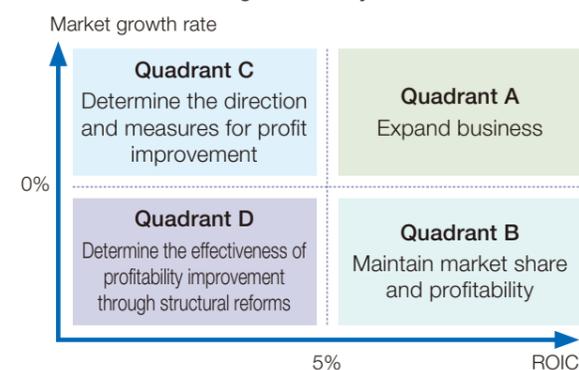
Our Group has been promoting business portfolio reforms, which include the sale of the copper tube business (a non-core business), and in quadrant A where growth is expected, we made Kobelco Eco-Solutions Co., Ltd. a wholly owned subsidiary and formed a capital and business alliance with Miura Co., Ltd. for standard compressors.

In the business portfolio (assumptions for fiscal 2023) updated in May 2023, the machinery business, which was in quadrant C at the time of planning the Medium-Term Management Plan, was moved to quadrant A due to strong orders in the energy and industrial sectors and a significant improvement in profitability. On the other hand, the excavator business, which was located in quadrant B, has shifted to quadrant D due to factors such as the deterioration of profitability affected by soaring raw material and logistics costs, as well as by the intensified price competition from Chinese manufacturers that are increasing

the presence. In addition, the profitability of the aluminum businesses, located in quadrant C, declined due to weaker demand for automobiles and slow progress in passing on higher costs to selling prices.

As future initiatives, for quadrants A and B, where we expect high profitability, we will continue to monitor the status of our efforts to strengthen the financial base aimed at achieving ROIC that consistently exceeds the cost of capital. For quadrants C and D, where profitability is low, we will determine the direction of each business while working to improve profitability in fiscal 2023 and monitoring and following up the progress of improvements.

Business Portfolio Management Policy



Business Management Based on ROIC Tree

Each business unit has set major KPIs in the ROIC tree and use KPIs for performance management. The Business Portfolio Management Committee conducts monitoring on a quarterly basis.

An Initiative in the Advanced Materials Business—Utilizing the ROIC Tree for Management of TQM Activities

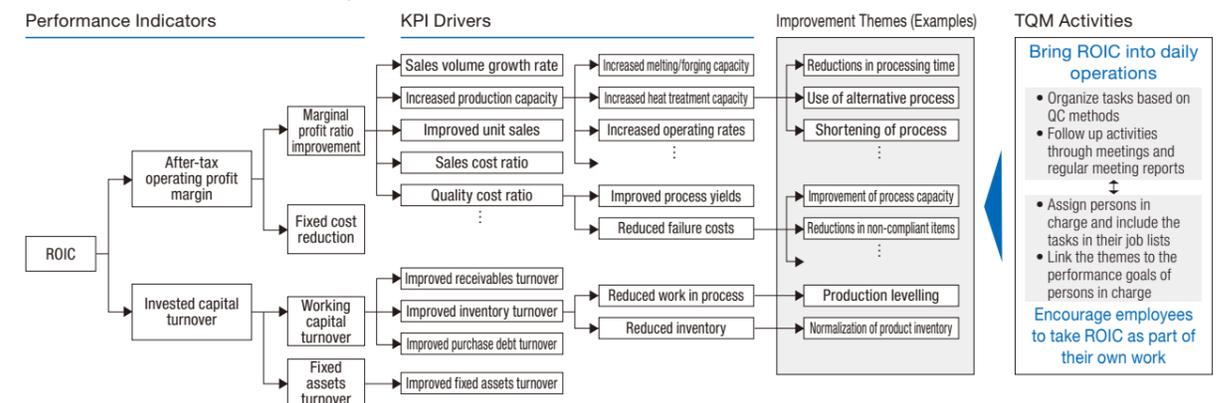
Our Group is working on Kobelco Total Quality Management (TQM) activities* and has introduced the ROIC tree in the management of Kobelco TQM.

In the Advanced Materials Business, we have set improvement themes corresponding to KPI drivers of the ROIC tree with the aim of bringing awareness of ROIC improvements into daily operations. Based on the improvement themes, tasks are organized using quality control (QC) methods. Progress of each theme is followed up through unit meetings and regular meeting reports. In addition, in order to encourage each and every employee to take ROIC as part of their own work, each unit prepares budgets for improvement themes and appoints a person in charge, whose performance goals are linked to the assigned improvement themes.

By linking Kobelco TQM activities and the ROIC tree in this way, we are working to build a framework in which each employee works with an awareness of improving the quality of their work along with the ROIC.

* Kobelco TQM activities are systematic activities aimed at achieving the objectives of the organization as a whole through effective and efficient operations of all divisions of the organization, so that we can provide products and services of quality that satisfies customers in a timely manner and at appropriate prices.

Example: The ROIC Tree Created by the Copper Rolled Products Unit



Management of Investments and Loans

For important investment projects, the Investment and Loan Committee, which is an advisory body to the Executive Council, works with the Business Portfolio Management Committee to conduct preliminary deliberations that include risk analysis of the investment project and the assessment of the target projects for which investment is being considered. The committee also conducts in-depth discussions on the timing of implementation and whether or not investment should be implemented and submit its opinion to the Executive Council. For the follow-up of investment

projects that have already been decided, the committee reports the results of the follow-up with its opinions to the Executive Council after thorough discussions based on the knowledge and know-how obtained through the centralized management of investment projects so that the expected results can be achieved as planned. By strengthening our PDCA cycle for investment projects, we are working on the careful selection of investment projects with the aim of ensuring expected results are fully achieved.



* Risk analysis is conducted by the relevant departments, including Corporate Planning Department, Finance and Accounting Department, Business Development Department, IT Planning Department, Environment and Safety Department, Legal Department, etc.

Economic Environment by Customer Domain

The Kobelco Group operates businesses centered on seven segments, and its main customer fields can be divided into the three categories of Mobility, Life, and Energy & Infrastructure. The table below summarizes the economic environment, risks, and opportunities associated with each of these three categories.

Related Segments

- Steel & Aluminum
- Advanced Materials
- Welding
- Machinery
- Engineering
- Construction Machinery
- Electric power

	Economic Environment	Risks and Opportunities		Economic Environment	Risks and Opportunities
Mobility			Energy & Infrastructure		
Automobiles	<ul style="list-style-type: none"> Demand for automobiles remains steady despite growing concerns about a decline in demand as inflation accelerates worldwide. Production is expected to recover as the COVID-19 pandemic subsides and supply constraints caused by semiconductor shortages ease. Unit sales are expected to increase over the medium to long term. The semiconductor supply shortage is expected to continue until the end of 2023, but it still remains difficult to predict when the shortage will end. Countries are further accelerating the shift to EVs as a national effort to achieve carbon neutrality. China has already entered a phase of market-driven EV growth. Application of connected vehicles is increasing in new models. Testing and legislation for the practical use of autonomous driving are expanding in various countries. 	<p>Risks</p> <ul style="list-style-type: none"> Decline in demand for automobiles due to changes in lifestyles and increased adoption of carsharing and Mobility as a Service (MaaS) Further tightening of fuel efficiency regulations and enactment of Life Cycle Assessment (LCA) regulations <p>Opportunities</p> <ul style="list-style-type: none"> Acceleration of electrification Increase in demand for related parts due to the expansion of applications of connected vehicles and autonomous driving 	Petroleum refining and petrochemical	<ul style="list-style-type: none"> Global demand is expected to be on an upward trend as energy consumption expands, driven by economic recovery and a recovery from the downturn in travel and transportation demand impacted by the COVID-19 pandemic. In particular, demand is expected to increase in Asia, centered on China and the ASEAN region, due to increased energy consumption along with economic growth and increased demand triggered by the growth of the petrochemical industry, driving the increase in global demand. Demand in Japan is expected to recover as the economy improves, but over the medium term, oil demand will continue to decline due to the improved fuel efficiency of vehicles and the shift to other energy sources. In refinery operations, the scale of the petroleum refining business will inevitably be reduced in line with waning domestic demand, and refineries will need to reduce capacity. With changes in the business environment toward carbon neutrality, the current uncertainty is expected to continue due to delays in development and capital investment projects by major oil companies. 	<p>Risks</p> <ul style="list-style-type: none"> Tightening of regulations with a view to carbon neutrality Accelerated decline in demand, driven by the progress of carbon neutrality initiatives such as improving fuel efficiency, transition to alternative fuels Declining demand for crude oil and price fluctuations <p>Opportunities</p> <ul style="list-style-type: none"> Expansion of non-fossil energy businesses
Aircraft	<ul style="list-style-type: none"> With the end of the COVID-19 pandemic and the easing of border measures, passenger demand is on a gradual recovery trend. Demand is expected to recover to pre-pandemic levels in a few years and then grow steadily. Along with this, aircraft production rates are also expected to recover steadily. Airline profitability has improved. Along with the recovery in air travel demand, air cargo demand continues to be strong. Along with the acceleration of global carbon neutrality efforts, airlines are increasingly introducing fuel-efficient aircraft and improved engines and considering the adoption of emission credits and alternative aviation fuels. Russia's invasion of Ukraine has exposed geopolitical risks in the supply chain centered on titanium, accelerating global supply chain restructuring 	<p>Risks</p> <ul style="list-style-type: none"> Decrease in air travel demand due to lifestyle changes Sluggish demand for new aircraft due to deteriorating airline profitability <p>Opportunities</p> <ul style="list-style-type: none"> Increase in air travel demand with the easing of travel restrictions Higher demand for in-bound tourism in Japan driven by yen's depreciation Increase in cargo demand Growing domestic production of aircraft parts, centered on titanium alloys 	Industrial machinery	<ul style="list-style-type: none"> Capital investment is expected to recover as demand recovers in major industries with the end of the COVID-19 pandemic, but the recovery is slow, and the situation remains uncertain. Domestic demand remains strong with demand for automation and labor saving of production facilities and digitalization mainly in manufacturing industries. Global demand is expected to remain strong with many new investment projects in various countries striving to invite plants in the semiconductor and EV sectors. With the acceleration of carbon neutrality initiatives, demand for CO₂ reduction and energy savings is increasing. 	<p>Risks</p> <ul style="list-style-type: none"> Decline in corporate investment sentiment due to economic downturn <p>Opportunities</p> <ul style="list-style-type: none"> Growing demand for energy savings to achieve carbon neutrality Advancement of labor savings and work style reforms along with the progress of digital transformation
Shipbuilding	<ul style="list-style-type: none"> Despite the continued rise in materials and equipment prices, ship prices have been on a recovery trend since 2023, and ship owners who were sitting on the sidelines have resumed ordering new ships. As a result, shipyards have secured a certain amount of work for at least the next two to three years. Demand is expected to remain strong over the medium and long term due to the replacement of old ships with environmentally friendly vessels. However, there are emerging issues for the enhancement of shipbuilding capacity, such as difficulties securing personnel and procuring materials and equipment. Shipbuilders are accelerating studies of low-carbon fuels and zero-emission vessels compliant with significantly tighter environmental regulations on marine transportation. With advances in IoT and AI, the logistics revolution, etc., new types of ships, such as autonomous ships, are emerging and driving the transformation of ship concepts and values. 	<p>Risks</p> <ul style="list-style-type: none"> Constraints in enhancing shipyard capacity due to labor shortages Intensifying competition with Chinese and Korean shipbuilders Difficulty procuring materials and equipment and soaring prices <p>Opportunities</p> <ul style="list-style-type: none"> Increasing need and accelerating introduction of low-carbon/zero-emission vessels Introduction of IoT and AI for vessels 	Urban transit	<ul style="list-style-type: none"> The number of urban transit users in Japan is on a recovery trend with the end of the COVID-19 pandemic, but there are no immediate plans for new construction, extension or large-scale renovation projects. The need for transportation systems to alleviate traffic congestion and prevent air pollution is strong in metropolitan population centers in emerging countries. Japanese ODA loan projects continue mainly in Southeast Asia. 	<p>Risks</p> <ul style="list-style-type: none"> Decline in users in Japan due to the declining birthrate and aging population <p>Opportunities</p> <ul style="list-style-type: none"> Increased demand for maintenance of existing projects and emergence of new and extension projects in Japan Continuation of Japan's infrastructure export policy
Life					
Food containers	<ul style="list-style-type: none"> Environmental considerations are driving a worldwide shift from plastic bottles to aluminum cans, particularly in Europe and North America Overseas demand is increasing due to the emergence of new types of canned beverages, such as low-alcohol hard seltzer beverages (alcoholic sparkling water) and wines. In Japan, the tax on alcohol will be revised in October 2023. Demand for aluminum cans is expected to remain firm. Total demand for aluminum cans in Japan is expected to increase in 2023 compared to the previous year. 	<p>Risks</p> <ul style="list-style-type: none"> Decline in domestic production due to imported materials <p>Opportunities</p> <ul style="list-style-type: none"> Return to metal containers due to the growing attention to microplastic problems 	Direct reduced iron (DRI)	<ul style="list-style-type: none"> Direct reduction ironmaking process, which emits less CO₂ emissions than the blast furnace method, is attracting increasing attention in the move toward carbon neutrality. Increasing worldwide need for green steel production is driving higher demand for DRI supply among steelmakers. 	<p>Risks</p> <ul style="list-style-type: none"> Decline in investment sentiment among steelmakers, etc., due to economic downturn Intensifying competition and lower barriers to entry due to the rapid expansion of the DRI market <p>Opportunities</p> <ul style="list-style-type: none"> Growing interest in low-CO₂ steel products along with the acceleration of the movement toward carbon neutrality Tighter regulations on CO₂ emissions in various countries
IT and semiconductors	<ul style="list-style-type: none"> Amid the slowdown in the global economy, global demand will temporarily shrink due to a decline in unit prices affected by softening of supply and demand and a diminished production volume linked with cutbacks in procurement. However, over the medium to long term, demand will expand driven by higher functionality and diversification of products and an increase in the number of parts installed in automobiles, etc. Demand in Japan will also shrink as the global economy slows. Over the medium term, however, demand will grow due to demand for electrification of automobiles and the development of information infrastructure such as data centers. Despite cyclical fluctuations in demand, this sector is anticipated to grow over the medium to long term. 	<p>Risks</p> <ul style="list-style-type: none"> Supply chain disruptions such as excess inventory of materials due to deteriorating supply-demand balance Geopolitical risks <p>Opportunities</p> <ul style="list-style-type: none"> Advances in digitalization Expanded application of connected and self-driving cars Expansion of semiconductor manufacturing plants (increased demand for related facilities) 	Renewable energy	<ul style="list-style-type: none"> In Japan, the cost of power generation using renewable energy is steadily declining as it has become a power source that is cost-competitive compared to conventional power sources, but it is still high in Japan compared to international levels due to factors such as construction costs and location restrictions. With the acceleration of carbon neutrality initiatives, the application of renewable energy is expected to expand and grow significantly over the medium to long term. Development of nationwide transmission and distribution networks is essential for the smooth transmission of the growing volume of electricity generated from renewable energy sources. Future national policies may further accelerate the use of renewable energy. 	<p>Risks</p> <ul style="list-style-type: none"> Delays in the development of national policies and legislation Cost competition due to intensifying competition and increased cost burden for the development and verification of technologies <p>Opportunities</p> <ul style="list-style-type: none"> Legislation and increased investment in various countries along with the acceleration of carbon neutrality initiatives Expanded use of renewable energy driven by lower cost of energy-saving facilities
Energy & Infrastructure					
Construction and civil engineering	<ul style="list-style-type: none"> Overseas demand is expected to remain firm in the United States, Europe, and ASEAN, recovering from the decline in demand impacted by the COVID-19 pandemic. On the other hand, demand continues to shrink in China where infrastructure investment loses momentum. Demand in Japan is expected to remain largely unchanged over the medium term, supported by large-scale redevelopment in the Tokyo metropolitan area for national resilience projects, linear high-speed train-related construction, and renewable energy projects, which will offset declining demand for private-sector housing due to Japan's declining population. Labor shortages are becoming more serious due to the declining working population, and there is a growing need to enhance the labor environment by improving the work environment and safety. 	<p>Risks</p> <ul style="list-style-type: none"> Decline in infrastructure investment in various countries due to economic downturn Soaring materials prices Possibility of tighter supply due to caps on working hours <p>Opportunities</p> <ul style="list-style-type: none"> Acceleration of efforts toward the development of smart cities Promotion of information technology in the construction machinery industry (autonomous operation, remote control, etc.) Advances in digital transformation at construction sites 	Electric power	<ul style="list-style-type: none"> Domestic electricity demand increased year on year in 2022 due to post-pandemic economic recovery but is expected to decline in 2023 due to slowing economic growth and implementation of further energy conservation measures. In 2022, the thermal coal supply and demand was tight due to the impact of Russia's invasion of Ukraine, and thermal coal prices remained at record-high levels until the end of the year. However, prices plummeted at the beginning of 2023 because of the warm winter in the northern hemisphere and have returned to levels before the invasion of Ukraine. Wholesale electricity market prices, which rose sharply in 2022, have been falling since the beginning of 2023 and are currently stable. 	<p>Risks</p> <ul style="list-style-type: none"> Anti-coal trend and investor divestment movement Phase-out of inefficient coal-fired power plants <p>Opportunities</p> <ul style="list-style-type: none"> Medium- to long-term increase in the amount of electricity along with the advancement of electrification in the electric power sector Growing need for effective use of biomass such as sewage sludge
Water treatment and waste treatment	<ul style="list-style-type: none"> While demand for domestic public investment is expected to continue to be strong for the time being due to the extension of Japan's initiatives for building national resilience, etc., the market is undergoing changes with population decline, expansion of coverage area of public service, and increasing public-private partnerships. Demand for water treatment-related infrastructure will continue to grow, especially in emerging Asian countries, as populations increase and living standards improve. Although the market size of general waste will remain unchanged for the time being, companies have started demonstration tests to meet the needs of realizing carbon-neutral technology to replace conventional heat recovery and upgrading technologies to reduce environmental impact. 	<p>Risks</p> <ul style="list-style-type: none"> Slowdown in public investment in Japan <p>Opportunities</p> <ul style="list-style-type: none"> Increase in needs driven by economic growth in emerging countries Increase in demand for new environmental businesses that contribute to carbon neutrality 			

Business Overview by Operating Segment

Materials Businesses

In the materials businesses, which consists of three segments of steel & aluminum, advanced materials, and welding, we are working on establishing a stable earnings base, which is a priority issue under the Medium-Term Management Plan. Along with this, we are also working on reducing CO₂ emissions in our own production processes and contributing to the reduction of CO₂ emissions through our technologies, products, and services as key management issues. We will contribute to the reduction of CO₂ emissions throughout society by promoting initiatives from these two aspects.



Steel & Aluminum Business

In fiscal 2022, we steadily promoted initiatives to reduce CO₂ emissions for both steel products and aluminum flat-rolled products, such as the launch of Kobenable Steel, Japan's first low-CO₂ steel product, and the application of aluminum flat-rolled products in materials using green aluminum raw materials for automobiles. Going forward, we will continue to accelerate these initiatives.

Makoto Mizuguchi

Executive Vice President
Head of the Steel & Aluminum Business

Strategy by Operating Segment

Establishing a stable earnings base

(1) Strengthening the earnings base in the steel business

On the assumption that demand for steel products in Japan will continue to decline over the long term, we aim to build a structure whereby we can secure stable earnings at 6.3 million tons of annual crude steel production and maintain profitability even at 6.0 million tons. To this end, we are working to lower the break-even point by improving steel product prices and product mix as well as by reducing fixed costs.

In terms of improving the product mix, we will work to raise the ratio of special steel wire rods and high-tensile strength steel, which was 44% in fiscal 2022, aiming to achieve the fiscal 2025 target of 52%. As for the reduction of fixed costs, there has been a further increase in personnel costs, but we are proceeding with measures such as automation through the promotion of DX.

(2) Strategic investment leading to earnings contribution

Among the strategic investments made in high-tensile strength steel, aluminum sheet materials for automotive panels, aluminum suspensions, and aluminum extrusions, the profitability of the aluminum businesses declined due to lower-than-expected automobile production volumes, slow progress in expanding aluminum applications, impacted by the acceleration of electrification, and delays in passing on price increases to selling prices in the aluminum business. Going forward, we will work to achieve profitability by continuing our efforts to capture recovering automobile demand, expand sales of aluminum sheet materials for automotive panels to new customers, pass on higher energy costs to selling prices, and secure appropriate margins.

(3) Restructuring unprofitable businesses

The steel casting and forging business and the titanium business achieved profitability as planned.

Taking on the challenge of realizing carbon neutrality

For CO₂ reductions in the ironmaking process, we will promote our initiatives centered on CO₂ reduction solutions for blast furnace ironmaking that utilize hot briquetted iron (HBI) manufactured by the MIDREX® Process. In moving toward taking on the challenge of realizing carbon neutrality by 2050, we will take a double-track approach aimed at reducing CO₂ emissions in blast furnaces and manufacturing high-grade steel in large EAFs. Along with our own internal efforts, we will engage in various projects such as three projects promoted by the NEDO, namely COURSE50, Ferro-Coke, and Super COURSE50, and proceed with initiatives for Hydrogen Utilization in Iron and Steelmaking Processes, which has been selected for funding by Japan's Green Innovation Fund and promoted by a consortium centered on steel manufacturers.

Kobenable Steel, Japan's first low-CO₂ blast furnace steel developed by our CO₂ reduction solution for blast furnace ironmaking, has extended its use to various business sectors, such as automobiles, construction, and shipbuilding. We believe it has also contributed to raising awareness of green steel in Japan. Our Group will promote the standardization of green steel and take the lead in expanding the green steel market in the future.

Initiatives aimed at achieving carbon neutrality are underway, as exemplified by weight reduction of automobiles and aircraft to improve fuel efficiency, vehicle electrification, and increased use of renewable energy, but there are many technical issues for the widespread use of these items in terms of product characteristics and cost. We believe that our Group's materials (steel & aluminum, advanced materials, and welding materials) and solution technologies that utilize them will be useful in resolving such issues. Through contributing to CO₂ reductions, we will further strengthen our materials businesses.

Fiscal 2022 Summary

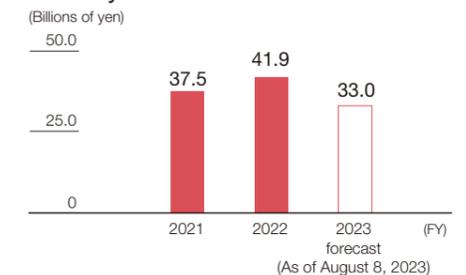
Steel

- Sales volume of steel products declined year on year due in part to lower demand for automobiles.
- Selling prices were higher than the previous fiscal year due to factors such as an increase in the steel market prices and the pass-through of rising raw material costs to selling prices.
- Ordinary profit was 49 billion yen due to significant improvement in selling prices, despite negative factors such as a decrease in sales volume, cost increases centered on fixed costs, and a decrease in inventory valuation gains.

Aluminum

- Sales volume of aluminum flat rolled products declined year on year due to sluggish demand for beverage can stock.
- Selling prices were higher than the previous fiscal year due in part to higher ingot prices being passed on to selling prices.
- Ordinary loss was 7 billion yen mainly due to a decline in sales volume and a delay in passing on higher procurement costs to selling prices.

Ordinary Profit



Key Initiatives for Sustainability Management

- We launched Kobenable Steel, Japan's first low-CO₂ blast furnace steel product with CO₂ reduction effects from HBI charging into the blast furnace, in May 2022.
- We will work to reduce CO₂ emissions through measures such as expanding our supply capacity of aluminum sheet materials for automotive panels that contribute to weight reduction of automobiles, improving the recycling rate, and utilizing green aluminum.
- Leveraging synergies in the materials businesses, we will promote our Group's unique automotive weight-reduction proposal activities,

which include the global supply of automotive weight-reduction technologies and lightweight materials, in order to contribute to further CO₂ reduction in the automotive sector.

- We will control the increase in plastic waste (PET bottles) and contribute to the conservation of the marine environment through the manufacture of highly recyclable aluminum can stock.



Strengths

Overall Steel & Aluminum Business

- Our Group's unique ability to propose automotive weight reduction by leveraging synergies in its materials businesses
- One-stop service system to propose solutions with a combination of steel products and aluminum flat-rolled products to customers

Steel products

- Improved cost competitiveness through consolidation of upstream processes
- Distinctive products (special steel wire rods, high-tensile strength steel)

Aluminum flat-rolled products

- Beverage can stock: Strong relationships with customers
- Automobiles: New heat treatment lines and solution proposal (analysis and design)
- Disks: Approx. 60% global market share

TOPICS

CO₂ Reduction Initiatives

- We started selling Kobenable Steel, Japan's first low-CO₂ blast furnace steel product in May 2022. It has been adopted by automakers, general contractors, shipbuilders, etc., as it can contribute to CO₂ reduction while maintaining the quality of blast furnace steel.
- Regarding the reduction of CO₂ emissions in aluminum products, in December 2022, we announced our plan to supply an automaker with aluminum sheets made from green-aluminum raw materials that are electrolytically smelted using only electricity generated by solar power. We will also develop a system to collect and utilize aluminum scrap disposed of by customers.

Main products

					
Largest market share in Japan	Largest market share in Japan	Contributing to increased productivity of architectural steel frames	Approx. 70% market share in Japan	Largest market share in Japan	Reducing environmental impact
High-tensile strength steel sheets	Aluminum forgings for automotive suspensions	Robotic welding system for architectural steel frames equipped with REGARC™ process	Aluminum bottle can stock	Copper alloys and plating for automotive terminals and connectors	Non-copper coated solid wires (SE wires)



Advanced Materials

Our distinctive products created by our original material development and processing technologies are highly evaluated in various fields. We will continue to deliver reliable and valuable products and contribute to the realization of safe, secure, and prosperous lives through manufacturing.

Shoji Miyazaki

Executive Officer
Head of the Advanced Materials Business



Welding

With quality as the pillar of our management, we aim to be the most reliable welding solutions company in the world based on "quality and technology," "trust and security," and "pride and responsibility." We will continue to take on the challenges of providing solutions to the needs of society and realizing a sustainable society.

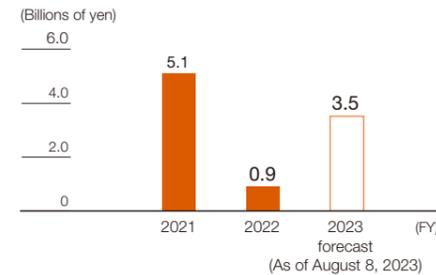
Kazuyuki Suenaga

Executive Officer
Head of Welding Business

Fiscal 2022 Summary

- Sales volume of advanced materials increased year on year in steel castings and forgings, which captured demand for shipbuilding, and in titanium, which saw a recovery in demand in the general industrial sector. On the other hand, sales volume of aluminum extrusions, copper flat rolled products and steel powder declined year on year due to lower demand for automobiles.
- Ordinary profit was 0.9 billion yen due in part to cost increases centered on fixed costs and a decrease in inventory valuation gains in the copper tube business.

Ordinary Profit



Key Initiatives for Sustainability Management

- We will provide reliable and valuable products and services and contribute to the creation of a safe and secure society by leveraging synergies through the sharing and integration of diverse business assets (human resources, information, intellectual property, etc.) and technological assets (such as castings, forgings, and fabrication).
- We will contribute to the sustainable development of society and industry and contribute to carbon neutrality by supplying aluminum (extrusions, suspensions, castings and forgings), titanium, steel castings and forgings, copper, and steel powder products globally to address the need for the weight reduction of transportation equipment (automobiles, aircraft, ships, rolling stock, etc.), the electrification of vehicles, and the growing needs of these materials in the IT and semiconductor sectors. In addition, we are working to promote the use of scrap at each plant to contribute to recycling and resource circulation.



Strengths

- Diverse customer base in a wide range of industries such as automobiles, aircraft, ships, rolling stock, semiconductors
- Development and manufacturing technology to produce niche products that achieve dominant market shares, such as aluminum forgings for automotive suspensions and copper alloys and plating for automotive terminals and connectors
- Materials/parts and global production bases that respond to the trends of weight reduction and Connected, Autonomous, Shared and Electric (CASE)
- Integrated production system of titanium, aluminum, and copper products from materials
- Japan's only full-lineup manufacturer of material products for ships with a wealth of experience and integrated production system from steelmaking to finished goods
- The only supplier in Japan with extensive experience in large titanium forgings and large aluminum castings for aircraft
- Robust quality assurance system cultivated through the development of products for aircraft

TOPICS

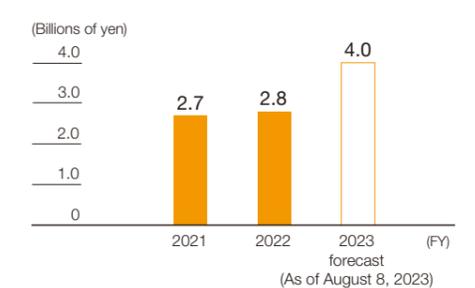
Nano-carbon composite coat titanium (NC titanium)

Our Company, together with Toyota Motor Corporation, succeeded in the world's first mass production of nano-carbon composite coat titanium (NC titanium). NC titanium is used as a material for the fuel cell bipolar plate in the fuel cell vehicle, achieving both high corrosion resistance and conductivity by dispersing conductive carbon particles in the oxide film on the titanium surface. It is expected to be a product that help expand fuel cell applications in the automobile industry, as well as other industries such as railways and ships.

Fiscal 2022 Summary

- Sales volume of welding consumables declined year on year due to lower demand in Southeast Asia.
- Selling prices were higher than the previous fiscal year, mainly due to the pass-through of higher procurement costs to selling prices.
- Ordinary profit was 2.8 billion yen.

Ordinary Profit



Key Initiatives for Sustainability Management

- We will contribute to society through our welding solution business that meets the needs of our customers by providing distinctive products and services globally, including welding consumables with lower environmental impact (solid wire with no copper coating); our REGARC™ welding process, which significantly reduces the amount of spatter generated; and our automation solutions (robotic welding systems for hull assembly in shipbuilding).
- In response to changes in energy demand, we will contribute to the realization of carbon neutrality by promoting the development of compact portable welding robot systems for 9% Ni steel that enable automated welding of LNG fuel tanks as well as welding consumables and equipment that achieve high-efficiency, high-quality construction methods for offshore wind power generation towers.
- By upgrading the functionality of welding robots using AI and providing labor-saving, high-efficiency products and services, we will respond to the shortage of welders in Japan and overseas, support customers' manufacturing in terms of both efficiency and quality, and contribute to the development of social infrastructure and the local economy.
- We will bring our problem-solving assistance closer to the customer through the Kobelco Welding smartphone app, which provides technical information on welding and solutions for welding-related problems.



Strengths

- One of the few integrated welding companies in the world offering comprehensive solutions in welding consumables, robot systems, power supplies, and processes
- Ability to propose solutions based on thorough on-site focus and quick responses
- Japan's largest sales force that handles welding consumables and welding systems in the welding industry
- Overseas sales bases that provide welding consumables of consistent quality common to all bases.
- A spirit of Kobelco Welding Way that promotes innovation while embracing tradition

TOPICS

Community Development with Fujisawa City

In February 2022, Kobe Steel and Fujisawa City concluded a partnership agreement for community development in the area around the Muraoka new railway station. To foster a creative and sustainable community and support citizens to live better lives, we are working on "developing a creative environment," "developing new transportation nodes," "community development rich in greenery and culture," and "safe and secure community development."

Introduction of Renewable Energy

Kobelco Welding of Europe, a Group company in Europe, has begun purchasing electricity generated from wind power. This has resulted in a reduction of 1,230 tons of CO₂ emissions annually, leading to the acquisition of a green energy certificate.



Machinery Businesses

The machinery businesses, composed of the three segments of machinery, engineering, and construction machinery, serves global customers in a diverse range of fields, including the automotive, aircraft, shipbuilding, construction and civil engineering, social and industrial infrastructure, and environmental and energy sectors. Our machinery businesses cover a broad range of technologies, products, and services that help reduce CO₂ emissions and environmental impact. On a global basis, our machinery businesses aim to provide solutions to the social issues faced by our customers and contribute to the environment and society.



Machinery

Products in the machinery segment are used by a wide variety of customers around the world, including those in the energy, chemical, automotive, and semiconductor industries. We have many products and technologies that help reduce CO₂ emissions and environmental impact. Looking ahead, we will continue to work with our customers to reduce their environmental impact and contribute to the realization of a sustainable society.

Masamichi Takeuchi

Executive Vice President
Head of the Machinery Business,
General Manager of the Management
Division in the Machinery Business

Strategy by Operating Segment

Establishing a stable earnings base

In the machinery segment, one of the main demand areas is energy-related industries, where energy transition is progressing alongside advances of carbon neutrality initiatives. Going forward, we will step up our efforts to increase orders by targeting the energy transition market for new resources such as hydrogen and ammonia, which has growth potential.

In the engineering segment, we aim to maximize earnings by promoting environmentally friendly options. Through further expansion of the MIDREX[®] business, which contributes to the decarbonization of the entire steel industry, and through collaboration with other segments such as steel and electric power as well as with Kobelco Eco-Solutions, which became a wholly owned subsidiary of Kobe Steel in November 2021, we will strive to deploy the collective strengths of the Group and create value unique to the Kobelco Group.

In the construction machinery segment, we are working to ensure stable earnings by optimizing our business in China. Along with this, we are working to build an earnings structure that is less dependent on the Chinese market by implementing optimal measures for each area in terms of business structures, products, and distribution with our area strategy categorizing operations into "areas for offense" targeted at Europe, North America, and India, where there is room to increase our market share, and "areas for defense" targeted at Japan and Southeast Asia, where we already have a large market share, and China, where we are scaling back our business operations. We are also working to make the solutions and peripheral businesses a new earnings pillar, in addition to the machinery business and the parts and maintenance business. We will work to transform our profit structure through the K-DIVE[®] remote operation technology for construction machinery that began service in December 2022, and the K-D2 PLANNER[®] product that was launched in April 2023.

Taking on the challenge of realizing carbon neutrality

Our compressors, heat exchangers, and vaporizers in the machinery segment play a major role in various parts of the supply chain of the energy transition industry, and we believe they can contribute to the realization of a carbon-neutral society in the future. Harnessing technologies of these products, we are developing the hybrid-type hydrogen gas supply system in cooperation with other business segments and Group companies. Its demonstration test began in March 2023 as originally planned. We will continue our efforts to create and provide optimal solutions by leveraging the comprehensive strengths of our Group.

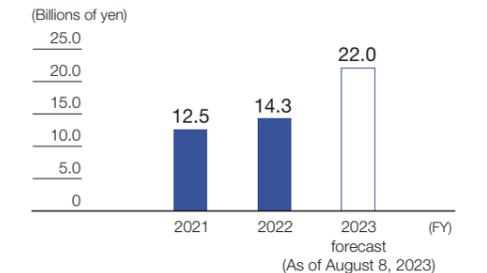
The MIDREX[®] process in the engineering business currently offers three options: MIDREX NG[™], which uses natural gas as reducing gas; MIDREX H₂[™], which uses 100% hydrogen; and MIDREX Flex[™], which enables flex transition from natural gas to hydrogen up to 100%. Through these, we are able to provide CO₂ reduction solutions aligned with regional hydrogen availability and customer requests. We are moving forward with the feasibility study of a low-CO₂ iron metallics project in Oman in collaboration with Mitsui & Co., Ltd. The project estimates its annual DRI production at around 5 million tons.

In addition, Kobelco Eco-Solutions Co., Ltd. is expanding its clean energy business by leveraging its strengths in the water treatment and waste treatment businesses. The company is also working to establish plastic waste gasification technology necessary for chemical recycling of plastic waste.

Fiscal 2022 Summary

- Orders increased year on year mainly due to strong performance in the petrochemical and energy sectors.
- Ordinary profit increased to 14.3 billion yen, mainly due to an increase in net sales and improvements in profitability of orders, driven by strong demand.

Ordinary Profit



(As of August 8, 2023)
Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. According to this change, the Machinery segment includes Kobelco Research Institute in the forecast of ordinary profit for fiscal 2023.

Key Initiatives for Sustainability Management

- With a focus on the core technologies of the machinery business division—mixing, compressing, and heat exchange—we continue to develop new machinery and manufacturing technologies that meet the needs of the market and our customers. We will accelerate the transition to a more advanced industrial structure through technological innovation, provide technologies related to energy resources with low environmental impact, and contribute to the reduction of industrial waste.
- We are leading cutting-edge technological innovations through efforts to demonstrate the hybrid-type hydrogen gas supply system, as well as activities to create new products in the three fields of carbon neutrality, resource circulation, and semiconductors. We will contribute to the realization of a sustainable world through the creation of new businesses and the provision of products and services.



Strengths

- Over the span of many years, we have developed various technologies related to non-standard machinery. Especially, we possess technologies that compete with global competitors in fields where entry barriers are high, such as high-pressure technologies and drive, vibration, and noise control technologies for high-speed rotating machinery.
- While many of our competitors are located in Europe, we have main manufacturing facilities in Japan, China, and India, enabling us to supply products and parts quickly to customers in Asia.
- We are developing technologies in the growing energy transition market (hydrogen, ammonia, LNG, etc.), utilizing our experience accumulated in the energy field.

TOPICS

Plant Expansion Completed, at Kobelco Industrial Machinery India

Our Group company Kobelco Industrial Machinery India Pvt. Ltd. (KIMI; Tamil Nadu, India) celebrated the completion of expansion work started in 2021 with a ceremony in November 2022. The expansion work significantly increased KIMI's rubber mixer production capacity, and KIMI is now able to produce the large rubber mixers previously manufactured at the machine plant at Takasago Works. KIMI will supply high-quality rubber mixers to the rapidly growing Indian market and also to tire manufacturers worldwide.

Main products



Our exclusive technology
Compressors for LNG fuel carriers



World-leading market share
MIDREX[®] Process



New generation heavy machinery standard
SK75SR-7 Performance X Design



70% global share
Isostatic presses



More than 70 facilities nationwide
Waste treatment and power generation facilities



For everyone working with cranes
Crawler cranes Mastertech7200GNEO



Engineering

Our focus areas in the engineering segment are low-CO₂ (CO₂ reduction), the environment, and energy.

With our vast environmental contribution lineup, we will contribute to maximizing Kobelco Group's earnings and taking on the challenge of carbon neutrality.

Masahiro Motoyuki

Executive Officer
Head of the Engineering Business,
Responsible for Companywide construction businesses



Construction Machinery

Kobelco Construction Machinery's DX solutions were created to solve the problems faced by our clients in the construction sites. Based on "user hands-on approach," our management principle, we will revolutionize everyone's ways of working in the construction sites through cutting-edge technology.

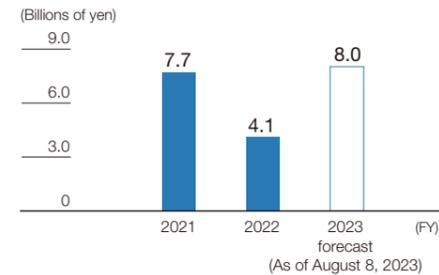
Akira Yamamoto

Kobelco Construction Machinery Co., Ltd.
President and CEO

Fiscal 2022 Summary

- Orders decreased compared to fiscal 2021 that saw an increase in orders with several large projects in the DRI-related business and waste treatment-related business
- Ordinary profit decreased to 4.1 billion yen, mainly due to changes in the project composition, particularly in the DRI-related business.

Ordinary Profit



Key Initiatives for Sustainability Management

- Contribution to carbon neutrality
 - In addition to low-CO₂ ironmaking solutions using the MIDREX® Process, we will also provide clean energy through the combined treatment of general waste, industrial waste, and sewage sludge.
- Contribution to securing safe water sources and creating sustainable communities
 - We will develop infrastructure centered on the water treatment and waste treatment businesses and provide hydrogen generation systems that contribute to the realization of a hydrogen society.
 - We will contribute to the development of transportation infrastructure, leveraging our autonomous driving technologies and system integration capabilities that we developed through the development of urban transit systems.



Strengths

- Extensive lineup of environmentally friendly options focused on low-CO₂ (CO₂ reduction), water treatment, waste treatment, and renewable energy
- MIDREX® Process owner with a large global DRI market share
- Creating new value through collaborations with other businesses, as exemplified by CO₂ reduction solutions for the ironmaking process and co-firing of biomass fuel (carbonization of sewage sludge) at the Kobe Power Plant

TOPICS

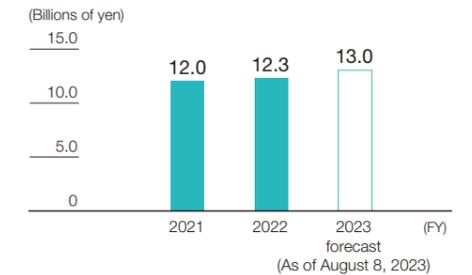
Start of Japan's first demonstration project for production of methanol from plastic waste

The demonstration project for converting plastic waste to methanol, proposed by five companies, Kobelco Eco-Solutions Co., Ltd., Daiei Kankyo Co., Ltd., DINS Kansai Co., Ltd., Mitsubishi Gas Chemical Company, Inc., and Mitsubishi Kakoki Kaisha, Ltd. was selected by the Ministry of the Environment for the 2022 Subsidy for CO₂ Emission Control Measures: Demonstration Project for a Plastic Resource Circulation System toward a Decarbonized Society. Through this demonstration, we will establish Japan's first technology for converting residual plastic waste to methanol and contribute to the resource recycling of plastics, which is a global issue.

Fiscal 2022 Summary

- Unit sales of hydraulic excavators declined year on year due to a decline in demand in China, faced with flagging infrastructure investment, as well as in Japan, Europe and North America, affected by shortages of procured parts.
- Unit sales of crawler cranes declined year on year due to a decline in North America, affected by the engine certification problem.
- Selling prices were higher than the previous fiscal year due to the pass-through of higher procurement costs and the weaker yen against the US dollar and the euro.
- Ordinary profit increased to 12.3 billion yen due to an improvement in export profitability along with the weaker yen and an increase in compensation income for the engine certification problem, despite negative factors such as a decline in unit sales and a delay in passing on higher procurement costs to selling prices.

Ordinary Profit



Key Initiatives for Sustainability Management

- Contribute to solving the shortage of skilled construction workers, improving site productivity, and ensuring essential safety through unmanned operations
 - K-DIVE®, a remote operation technology for construction machinery, enables "telework at construction sites"
- Contribute to the creation of a global resource-circulating society
 - Provide a wide range of recycling machinery such as automobile dismantling machinery, building demolition machinery, and metal-handling machinery
- Contribute to the reduction of climate change risks
 - Develop and commercialize construction machinery that employs low-carbon technologies such as electrification and fuel cells, providing environmentally friendly, fuel-efficient construction machinery



Strengths

- A diverse lineup of construction machinery and sales and service support capabilities that meet the needs of our customers, nurtured through a rigorous user hands-on approach
- Industry-leading next-generation technology development capabilities, including Japan's first electric mining shovel, Japan's first compact rough terrain crane, the world's first hybrid excavator, and K-DIVE®, which enables remote operation of hydraulic excavators



K-DIVE® Cockpit

Demolition machine

TOPICS

Providing DX solutions

Kobelco Construction Machinery Co., Ltd. works to resolve issues through DX solutions with the aim of achieving a "workplace where anyone can participate." In April 2023, we started selling the KD2 PLANNER® simulation software for crane operation planning. It enables easy creation of work plans, which reduces operating costs and improves safety and productivity. In December 2022, we started offering service of K-DIVE®, a remote operation system for excavators, which is expected to not only help improve on-site safety and productivity, but also create a workforce consisting of diverse human resources by eliminating restrictions on working hours and places for work.

Electric Power Business

Kobe Power Plant No. 3 unit began operating in February 2022, and then Kobe Power Plant No. 4 unit began operating in February 2023 as planned. As with the existing Kobe Power Plant No. 1 and 2 units and the Moka Power Plant No. 1 and 2 units, we are committed to a stable supply of electricity to local communities. Now, our Group has established an operation structure with six power units that add stability to its earnings base. In line with the national energy policy, we will continue to provide a stable supply of low-cost electric power through the operation of highly efficient power generation facilities, and work to achieve even higher efficiency and reduce carbon emissions toward realizing carbon neutrality by 2050.



Amid major changes in Japan's energy situation in recent years, we believe that it is of great social significance to have disaster-resistant large-scale thermal power plants, capable of providing a stable supply of large volume of electricity, close to demand areas. We will strive to realize safe, secure, and prosperous lives by providing a stable supply of low-cost electric power through the operation of highly efficient power generation facilities in accordance with the national energy policy, and by working for even higher efficiency and lower CO₂ emissions toward realizing carbon neutrality by 2050.

Jiro Kitagawa
Executive Officer
Head of Electric Power Business

Strategy by Operating Segment

Establishing a stable earnings base

Kobe Power Plant No. 3 and No. 4 units began commercial operation in February 2022 and February 2023, respectively, as planned, and have been operating smoothly so far.

Our forecast for fiscal 2023 projects ordinary profit of 66.0 billion yen, which exceeds the estimate under the Medium-Term Management Plan. This includes one-time gains of 22.0 billion yen due to the effect of time lags in fuel cost adjustments, but even excluding this, we expect to be able to secure ordinary profit of about 40.0 billion yen for the full fiscal year, a target of the Medium-Term Management Plan. (Based on the forecast as of August 8, 2023)

Taking on the challenge of realizing carbon neutrality

Based on the roadmap set out in the Medium-Term Management Plan, our Group will continue to provide a long-term stable supply of electric power with low environmental impact and high economic efficiency, while strengthening its efforts to achieve even higher efficiency and lower CO₂ emissions with the aim of realizing carbon neutrality by 2050.

At the Kobe Power Plant, we are considering co-firing of sewage sludge-derived fuel for the effective use of regional biomass and hydrogen supply, in addition to regional heat supply that is already in place. Kobelco Eco-Solutions Co., Ltd. has received several orders for facilities to convert sewage sludge to fuel and is working to realize co-firing of sewage-sludge-derived fuel. In addition, we are exploring the introduction of technology for ammonia co-firing.

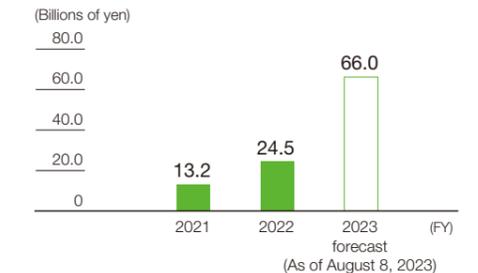
At the Moka Power Plant, we will continue stable operation of low-CO₂ power generation using high efficiency Gas Turbine Combined Cycle (GTCC).

Through the stable supply of electricity, we will contribute to local communities and the global environment, and also contribute to a world in which people can enjoy safe, secure, and prosperous lives.

Fiscal 2022 Summary

- Electricity sales increased year on year due to the operation of the Kobe Power Plant No. 3 and No. 4 units, which began operation in February 2022 and February 2023, respectively.
- The electricity unit price increased year on year due to the increase in thermal coal market prices.
- Ordinary profit increased to 24.5 billion yen, mainly due to the operation of the Kobe Power Plant No. 3 and No. 4 units.

Ordinary Profit



Key Initiatives for Sustainability Management

- Provide low-cost and stable power supply in accordance with the national energy policy (S+3E*) through stable operation of the Kobe Power Plant and Moka Power Plant.
 - Operate a heat supply business (Kobe Power Plant) and community facilities (Kobe Power Plant and Moka Power Plant) under the keywords of interaction and coexistence with the community. Contribute to attractive community development.
 - Accelerate the practical application of CO₂ reduction technologies such as biomass and ammonia co-firing through intra-group cooperation with the engineering segment, etc., toward carbon neutrality.
- *Japan's energy policy sets out its basic principles with a focus on S+3E (Safety + Energy Security, Economic Efficiency, and Environment)



Power Plants in Operation

	Location	Power generation method	Power generation capacity	Start of commercial operation	Wholesale customer
Kobe Power Plant No. 1 and No. 2 units	Kobe, Hyogo Prefecture	Coal fired	700 MW/unit	No. 1 unit: April 2002 No. 2 unit: April 2004	Kansai Electric Power Co., Inc.
Kobe Power Plant No. 3 and No. 4 units			650 MW/unit	No. 3 unit: February 2022 No. 4 unit: February 2023	
Moka Power Plant No. 1 and No. 2 units	Moka, Tochigi Prefecture	Gas fired	624 MW/unit	No. 1 unit: October 2019 No. 2 unit: March 2020	Tokyo Gas Co., Ltd.

Total about 3.95 GW



Kobe Power Plant No. 1 and No. 2 units



Kobe Power Plant No. 3 and No. 4 units



Moka Power Plant No. 1 and No. 2 units

Strengths

Kobe Power Plant (Coal Fired)

- In-house power generation technology developed through years of steelworks operations, availability of port facilities and other infrastructure, and over 20 years of stable operation of large-scale power plants
- Heat supply that improves overall regional energy efficiency by taking advantage of urban location, the planned effective use of sewage sludge generated in urban areas as biomass fuel in progress, and minimized transmission loss
- An urban power plant that complies with the strictest environmental standards in Japan
- Supply capacity exceeding the maximum power demand in Kobe City, which contributes to the improvement of the electric power self-sufficiency rate in the Hanshin area, and multiplexed power supply networks that lead to the creation of cities that are resilient to disasters

Moka Power Plant (Gas Fired)

- Japan's first inland thermal power plant with low risk of damage from natural disasters such as earthquakes and tsunamis, serving as backup to coastal power plants in the Tokyo metropolitan area
- Gas turbine combined cycle (GTCC) system that meets the world's highest standards
- Utilization of existing infrastructure such as gas trunk lines and industrial complexes that have already been developed, as well as technologies and know-how accumulated through in-house power generation
- Power generation capacity that covers approximately 40% of peak power demand in Tochigi Prefecture

TOPICS

We operate the facilities for community interaction, which include Nadahama Science Square, a hands-on learning facility close to the Kobe Power Plant; Nadahama Garden Baden, a health spa facility that uses the energy generated by the power plant; and Meline, a tour facility for the Moka Power Plant. Use of these facilities was restricted during the COVID-19 pandemic, but they began operating normally again in May 2023.

In addition, we are currently planning to renew the exhibits at Nadahama Science Square. We aim to create an attractive learning facility where visitors can experience the fun of ingenuity, the fascination of taking on challenges, and the excitement of discoveries.



Nadahama Science Square close to the Kobe Power Plant



Meline at the Moka Power Plant

Climate-Related Disclosures Based on TCFD Recommendations

Basic Concept

The Kobelco Group recognizes CO₂ emission reduction as a top management priority. As such, we announced our aim to increase corporate value through a transition to carbon neutrality by 2050 in the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023) announced in May 2021.

Going forward, the Kobelco Group will continue to pursue reduction of CO₂ 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 CO₂ Reduction Promotion Subcommittee under the Sustainability Management Committee (chaired by a director and executive officer) as an organization that specializes in dealing with issues related to the risks and opportunities associated with climate change. The subcommittee, 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 CO₂ Reduction Promotion Subcommittee and its study outcomes are reported through the Sustainability Management Committee 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.



Board of Directors	Monitors CO ₂ reduction measures that may have a major impact on management	Quarterly
Executive Council	Deliberates and decides on important matters related to CO ₂ reduction measures	At least once per year
Sustainability Management Committee	Deliberates important matters related to CO ₂ reduction measures	At least 4 times per year

Hajime Nagara, Executive Vice President and Representative Director; Chair of the Sustainability Management Committee

Strategy

Our 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.

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 Risks

As exemplified by the introduction of carbon pricing schemes, environmental regulations on climate change are becoming stricter and may have significant impact on the KOBELCO Group’s

Climate-Related Opportunities

As international concern for climate change-related issues rises, demand is growing for low-CO₂ products and services. We expect an increase in demand for our Group’s products and services that help reduce CO₂ emissions, such as materials for automotive weight reduction and the MIDREX® Process over the medium to long term.

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

	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 stemming from regulatory tightening		Growing demand for technologies, products, and services that contribute to reduction of CO ₂ emissions (automotive weight reduction, MIDREX® Process, etc.)	
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 frontrunner in combating climate change	
Physical risks (natural disasters, etc.)	Reduction of production volumes and disruptions of supply chains due to increases in floods, typhoons, and other natural disasters		Increase in demand for products due to increased public and capital investments for disaster prevention	
	Increases in costs of countermeasures and reductions in production volumes at factories in coastal locations due to damage from rising sea levels and high tides			

High risk Low risk Large opportunity Small opportunity

Response to Risks and Opportunities (R&D)

Reduction of CO₂ Emissions in Production Processes

Kobe Steel is collaborating with other steelmakers in the development projects being promoted by NEDO in a bid to further reduce CO₂ 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 CO₂ Emissions through Technologies, Products, and Services

Our current lineup of products that help reduce CO₂ emissions includes automotive weight-reduction materials/parts and heat pumps. We will continue developing technologies to further contribute to CO₂ reduction with these solutions. We are also striving to develop new technologies, products, and services that help reduce CO₂ emissions, including MIDREX-H2™ (100% hydrogen-based direct reduction).

Scenario Analysis

In order to better understand future climate-related risks and opportunities, we carried out medium-term (2030) and long-term (2050) scenario analysis. Our scenario analysis is based on the International Energy Agency (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.

our stakeholders, including national and local governments, investors, and customers, will pay greater attention to our efforts to reduce CO₂ emissions from our own facilities and expand our environmental menu that contributes to CO₂ reduction.

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 Energy-derived CO₂ emissions in fiscal 2022 totaled 15.6 million tons (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 (JMA) 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 stoppages 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 accordance with its Risk Management Regulations, our Company 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, with the aim of strengthening our risk management.

As for opportunities, demand for low-CO₂ products and services is increasing amid growing international interest in climate-related issues. Along with this, we expect demand for solutions that help reduce CO₂ emissions, such as automotive weight reduction and the MIDREX® Process, to grow over the medium to long term.

Impact on Business

As more than 90% of our Group’s CO₂ emissions come from the steelmaking process, the medium- to long-term trends in the steel industry will have the greatest impact on our 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. 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 CO₂ reduction efforts in the iron and steel industry is expected to continue increasing. For this reason, we anticipate that

Climate-Related Disclosures Based on TCFD Recommendations

Metrics and Targets

Metric A Reduction of CO₂ Emissions in Production Processes

Targets

In May 2021, our Group announced that it would take on the challenge of realizing carbon neutrality by 2050 and aim to increase corporate value through this transition. We have also set 2030 targets as our medium-term goals.

Trends in CO₂ 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 CO₂ 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 from fiscal 2009 to fiscal 2014, resulting in a substantial reduction of CO₂ emissions.

CO₂ emissions in fiscal 2022 were down due to reduced production volume year on year, resulting in a 20% reduction versus fiscal 2013.

In the ironmaking process, we have completed a technical test and verified that CO₂ emissions in the blast furnace process can be reduced by approximately 20% 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 continue to work to achieve our 2030 targets by further developing the HBI charging technology and AI-based blast furnace operation technology to reduce CO₂ emissions from blast furnaces. With a view to achieving carbon neutrality in 2050, we will proceed with a double-track approach of reducing CO₂ emissions through utilizing existing blast furnaces and manufacturing high-grade steel in large electric arc furnaces.

Energy-Derived CO₂ Emissions

In fiscal 2022, our Group's energy-derived CO₂ emissions totaled 15.6 million tons. Of this amount, about 92% was emitted from the steel & aluminum business, about 3% from the advanced materials businesses, and about 4% from the electric power business.

2050 Vision
Taking on the challenge of realizing carbon neutrality

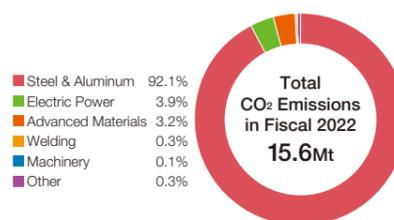
2030 Target
Reduce CO₂ emissions in production processes 30–40% reduction (compared to fiscal 2013)^{1,2}

FY2022 Actual
20% reduction (compared to fiscal 2013)^{1,2}

- Total of Scope 1 and Scope 2
- Covered range for reduction target: Major business locations of Kobe Steel, Ltd. and Kobelco Construction Machinery Co., Ltd., together representing around 93% of CO₂ emissions of the entire Group results for fiscal 2022
Fiscal 2013 emissions in covered range: 18.2 million tons
Fiscal 2022 emissions in covered range: 14.5 million tons

Energy-Derived CO₂ Emissions

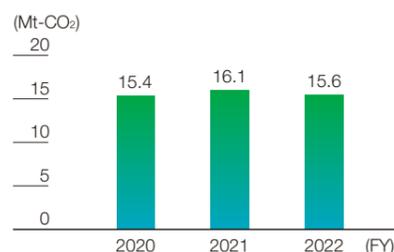
Total of Scope 1 and Scope 2, excluding some areas* (including domestic and overseas Group companies)



* Energy-derived CO₂ emissions do not include CO₂ emissions equivalent to electricity sold externally by the three subsidiaries of the Electric Power Business Unit and the steelworks of Kobe Steel (12.8 million t-CO₂)

Energy-Derived CO₂ Emissions by Year*

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



* Figures for fiscal 2020 have been retroactively revised based on the revised calculation method.

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

Targets

Our Group contributes to the reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services. We have established a target for 2030 and vision for 2050 in terms of its contribution to reduction of CO₂ emissions.

Regarding the contributions to reduction of CO₂ emissions through technologies, products, and services, we have instituted an internal accreditation system. 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).



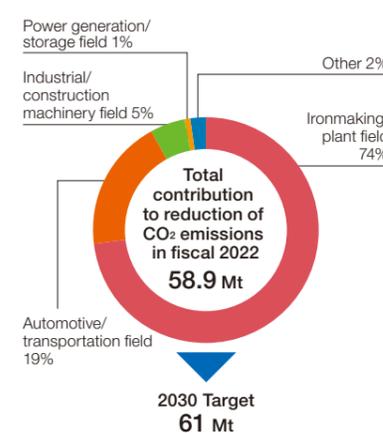
2050 Vision
CO₂ emission reduction contribution: 100 million tons or more

2030 Target
CO₂ emission reduction contribution: 61 million tons or more

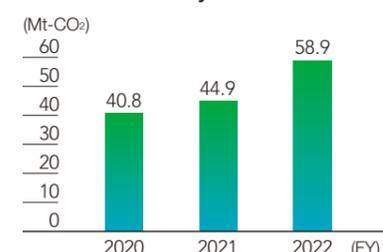
Contribution to Reduction of CO₂ Emissions

The CO₂ Reduction Promotion Subcommittee estimates that the Kobelco Group's technologies, products, and services contributed to the reduction of CO₂ emissions totaling 58.9 million tons in fiscal 2022.

Total Contribution to Reduction of CO₂ Emissions



Contribution to Reduction of CO₂ Emissions by Year



Note: The latest coefficients were used in the calculation of contributions to reduction of CO₂ emissions through technologies, products, and services. These coefficients were revised for the calculation for fiscal 2022.

Technologies, Products, and Services	Contribution to Reduction (10,000 tons/year)	CO ₂ Reduction Concept	
Ironmaking plant field	MIDREX® Process	4,341	Low-CO ₂ DRI production method
Automotive/transportation field	Ultra-high-tensile strength steel for automobiles	922	Improvements in fuel economy by using high-strength, lightweight materials to reduce weight of automobiles and transportation equipment
	Wire rods for suspension springs	27	
	Wire rods for automotive valve springs	80	
	High-tensile strength steel for ships	25	
Automotive/transportation field	Aluminum materials for automobiles	31	Benefit of weight reduction in reducing power consumption
	Aluminum materials for rolling stock	7	
Industrial/construction machinery field	Heat pumps, standard compressors, SteamStar, binary generators, Eco-Centri	258	Energy conservation by achieving higher efficiency and utilizing unused energy
	Fuel-efficient construction machinery	48	Improvements in fuel economy by using fuel-efficient construction machinery
Power generation/storage field	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	132	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 CO₂ Emission Reductions

Technologies, Products, and Services	CO ₂ Reduction Concept	
Automotive/transportation field	Fuel-cell separator 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 field	High-purity Hydrogen Oxygen Generator (HHOG)	Effects of reducing fossil resource consumption through hydrogen utilization
Power generation field	Conversion of sludge into 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

DX Strategy



The Kobelco Group is committed to creating a sustainable future together with customers to become a provider of products and solutions that help resolve social issues, including achieving carbon neutrality.

To this end, the Group has positioned digital transformation (DX) as a key management strategy. Our DX initiative aims for not only the transformation of IT infrastructure, such as IT tools utilization and digitization, but also a major review and transformation of our business operations and structures.

We will work to create new value by strengthening individual businesses, and also by encouraging organic interaction through collaboration among business divisions and with external parties, leveraging the human resources, technologies, information, customer base and other assets of our Group's diverse businesses.

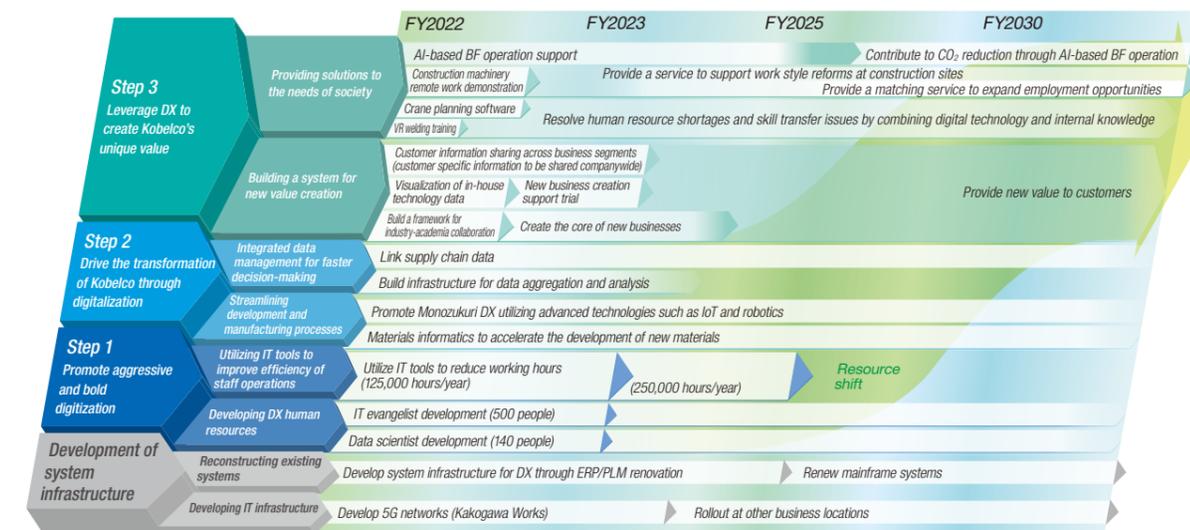
Shinji Miyaoka
 Director, Executive Officer
 (Chair of the DX Strategy Committee)

Kobelco Group's Basic Policy on DX Strategy

The world is changing at an unprecedented pace and the business environment is becoming uncertain amid the emergence of various new social issues, such as the rapid transition to a carbon-neutral society, changes in the industrial structure triggered by COVID-19, labor shortages due to aging populations, and rising geopolitical risks.

In this business environment, the Kobelco Group believes it is essential to implement a DX strategy that utilizes its diverse and distinctive assets (technological assets and business assets) in order to enhance corporate value through the promotion of sustainability management. We will promote our initiatives, which are defined as Steps 1 to 3.

Utilizing the resources and assets (data) that have been created and integrated through the implementation of Steps 1 and 2, we will move forward with Step 3 that pursues Kobelco's uniqueness through DX. We will promote these initiatives that lead to the resolution of social issues and the creation of new value.



Examples of Major Initiatives

Step 1 Promote aggressive and bold digitization

Our Group is working to create an environment that enables all employees to engage in digitization to improve operational efficiency for themselves.

As an initial step, we focus on the development of IT evangelists who lead the office work improvement using digital technology in each division, aimed at establishing a distinctive human resource development system. We are also working on operational improvement in a wider range of areas within the Company, promoting the use of no-code and low-code development tools that facilitates system development without specialized programming knowledge. We are making steady progress in developing IT evangelists and utilizing no-code and low-code development tools. We expect to exceed our target for hours of office work streamlined by digitization*.

Materiality and Indicators/Targets [▶ See p. 16-17](#)

Step 2 Drive the transformation of Kobelco through digitalization

We are also working to transform our development and manufacturing processes through data utilization.

Our Group has developed DataLab, a platform that enables the central management of data and analytical know-how, which is used openly for data archive and analysis, and

has begun using it for some subjects in material development and IoT.

We will continue to use DataLab for a wider range of subjects in order to improve the efficiency and level of our product development capabilities as well as our solution development capabilities for the enhancement of our monozukuri (manufacturing) capabilities.

Step 3 Leverage DX to create Kobelco's unique value

Japan faces the problem of labor shortages, and the situation is particularly serious in the construction industry. In December 2022, Kobelco Construction Machinery Co., Ltd., a Group company, began providing K-DIVE® services.

K-DIVE® will be a solution for labor shortages and other problems at construction sites by improving the working conditions at construction sites with its construction machinery remote control system and its function of visualizing machinery operation data.

We will continue to support the transformation of construction sites to workplaces where anyone can participate by expanding to general civil engineering sites and providing a service that matches sites with construction machinery operators.

Kobelco Construction Machinery Co., Ltd. [▶ See p. 69](#)

K-DIVE®

Heavy machinery remote control system

The operator can carry out heavy machinery operation from a remote cockpit with the vibration and tilt similar to the actual machine. K-DIVE® enables the implementation of construction work from a safe and comfortable place.



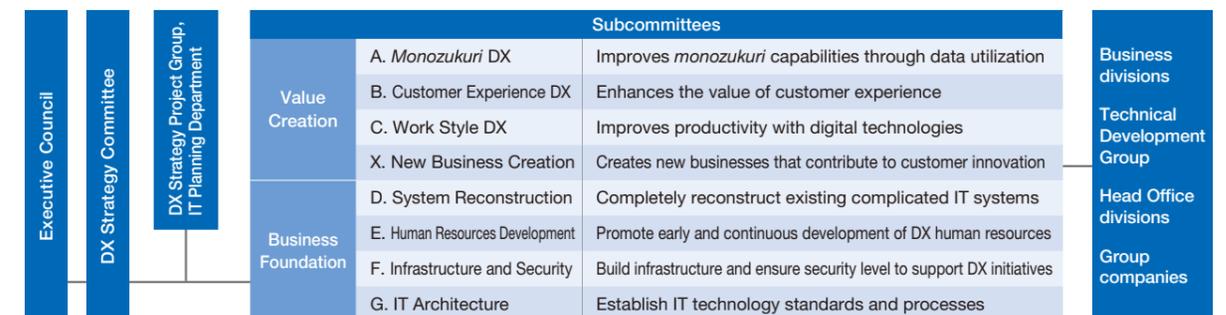
Utilization of operation data on workers and heavy machinery

On-site problems are visualized by the operation data stored in the cloud. K-DIVE® helps increase on-site work efficiency with the support of DB and DX advisors for data utilization.



Companywide DX Promotion Structure

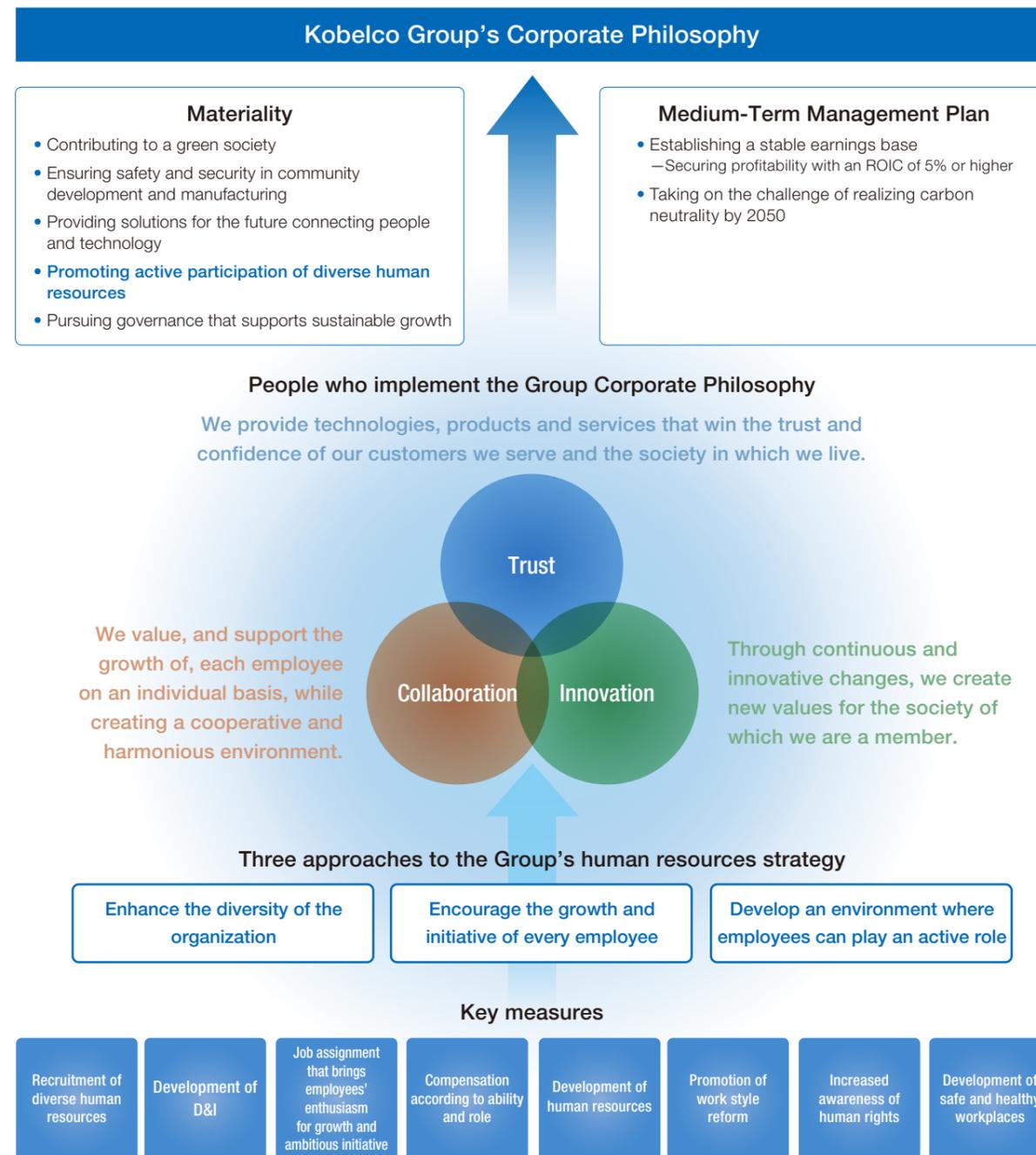
For the promotion of Companywide DX initiatives, we established the DX Strategy Committee as an auxiliary body to the Executive Council and subcommittees to address individual issues.



Human Resources Strategy

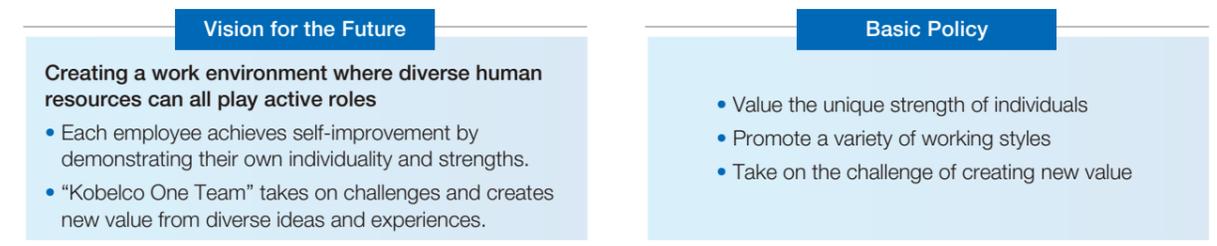
The Kobelco Group believes that in order to fulfill its social responsibilities as a corporate group and create new value, it is important to develop human resources who understand and implement the Group Corporate Philosophy. As a corporate group that operates in a wide range of business fields, we value our human resources with diverse backgrounds, values, and skills. Amid changes in society and world trends, our bold efforts to contribute to society and realize a world we envision will be a key to further bolstering our strengths. In order to make it happen, we will strive to create an environment in which our people can perform at their full potential.

Kobelco Group's Human Resources Strategy



Development of D&I –Kobelco's unique approach to ensuring all employees thrive–

Our Group has formulated the Basic Policy on D&I and is strengthening the development of D&I in order to realize a work environment where diverse human resources can play an active role.



D&I Development Roadmap We are working to achieve our vision for the future

2021	2022	2023	2030 (FY)
		Achieve Materiality targets	Achieve the vision for the future
Communicate messages on D&I by management		Continue to communicate messages by management	Each employee achieves self-improvement by demonstrating their own individuality and strengths.
Implement and strengthen education on human rights and prevention of harassment		Continue to create an environment that does not tolerate discrimination or harassment in accordance with the Basic Policy on Human Rights	
	Strengthen human resources development for employees with diverse attributes	Rebuild a system for the development of diverse human resources	We create a new culture where diverse human resources can play an active role
Enhance diversity by stepping up recruitment of women, foreign nationals, and people with disabilities		Secure and retain diverse and talented human resources	
	Increase workplaces where women are assigned to technical positions		
Expand work-life balance support systems		Develop flexible work styles	"Kobelco One Team" takes on challenges and creates new value from diverse ideas and experiences.
	Secure workplace resources during long-term leave such as childcare or family care leave	Foster mindset for autonomous career development	
	Introduce and establish "self-directed, self-driven" learning support	Enhance management capabilities to draw out the strengths of diverse human resources	
Enhance management capabilities for developing diverse human resources		Invigorate communication across organizational boundaries	
Create opportunities for companywide cross-functional communication		Sharing the vision of the company for the future through D&I	
Communicate information on D&I policy, targets and initiatives			

Topics

As part of our Kobelco One Team efforts to create new value, we are promoting Diversity Network (DNW*) activities. In fiscal 2022, we proposed D&I improvement measures to executives and began rolling out the measures companywide.

* DNW: A grassroots activity led by employee volunteers to improve D&I in the workplace for specific themes.

Voices of DNW members (reason for participating, etc.)

- ▶ "While learning D&I, I am proposing measures for improvement so that junior employees and future employees feel joy and job satisfaction in the Company."
- ▶ "I get to know people inside and outside the company that I don't normally meet on a daily basis and exchange views with many people. I have learned a lot."
- ▶ "We have a common goal of creating a comfortable working environment for everyone. To this end, we exchange views with various people while expressing my own ideas. This is a great experience."



Recruitment of Diverse Human Resources

We recruit many human resources who have common ground with us in terms of the Group Corporate Philosophy and our business activities and enthusiasm for playing an active role at the Company. We are working to secure diverse human resources by actively visiting schools with low hiring records, holding company orientations targeted at overseas universities and female students, etc.

We are also focusing on mid-career recruitment to further strengthen our organization by incorporating external knowledge and diverse values. The ratio of mid-career hires is increasing year by year.

Many of our employees say that they decided to join the Company because of the positive impression they got of the people who work here. We are developing recruitment activities by offering a number of opportunities to convey the attractiveness of our people to the fullest, including

roundtable discussions for students with alumni employees and recruiters, factory tours to see what actual work is like, and internships.



Working to step up recruitment of women in both manufacturing and administrative divisions

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	Calls for applications for specific position (internal recruitment)	Departments recruit personnel internally
2	Calls for applications for specific position Plus One (internal recruitment with a concurrent post)	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 transfer to a desired organization or division of their own motive

Response to diversifying values of work styles

Employees have come to have diversified values about work styles and in particular, there has been a change in their attitudes toward relocation. Against this background, we are implementing measures to reduce the reluctance employees feel about relocation and the burden it places on them, and are working 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 placed on relocating employees
<ul style="list-style-type: none"> Formulation of guidelines on requirements for reducing the frequency of relocation Permission for long-distance commuting 	<ul style="list-style-type: none"> Expansion of financial assistance for relocation (unaccompanied transfer allowance, etc.) Expansion of conditions under which telework is permitted

Development of Human Resources

With on-the-job training at the workplace as the basis of our human resource development, we encourage our employees to learn the job quickly by providing opportunities for communication with supervisors and senior employees through work. This aims to develop a sense of accomplishment and increase motivation of individuals, while fostering a sense of belonging to the Company and enhancing overall organizational capabilities. We place importance on dispelling the anxiety of young employees, by taking such measures as continuing partial telework while requiring commuting to the office in principle, and developing human resources who can actively contribute to improving work efficiency and make proposals for improvement.

In addition, we offer a variety of education and training programs aimed at systematically organizing acquired skills

and knowledge, separate from the assigned duty at the workplace, and helping acquire new knowledge. Through on-the-job and other training, we are working to bolster employees' practical skills.



Interactive learning session for junior employees

Initiatives for administrative employees (managers, career-track employees, and general technical positions)

A self-directed, self-driven learning support program using video-based learning materials, which started last year, is now being utilized by more employees than expected, and we are further promoting its instilling. In fiscal 2023, in order to further enhance the learning environment during spare time and on the go, we are developing a system that allows employees to learn using a company-owned device as well as a privately owned device, and also creating a place to share and spread good learning practice examples. We

hope this initiative will promote positive interaction among participants and lead to more autonomous learning habits.

In addition, we will introduce a Learning Management System (LMS) in fiscal 2023 for the purpose of quantitatively grasping and improving the quality and quantity of learning. We plan to provide support for the development of human resources in a wide range of workplaces by promoting the implementation of Kobelco TQM activities and making the results of DX personnel development more visible.

Initiatives for technical positions in the manufacturing sites (general technical positions)

In order to strengthen our manufacturing capabilities, we provide stratified training in addition to systematic on-the-job training at the workplace. In particular, for the first five years after joining the Company, we have been providing employees with specialized skills training for each job, and since fiscal 2023, we have been working on mindset education from the perspective of promoting growth.

We are also focusing on bolstering management training

for on-site supervisors, who are the cornerstone of the workplace, with the aim of providing education on basic knowledge of safety, the environment, and quality as appropriate, and on top of that, building an organization where all employees can perform to the best of their abilities.

Going forward, we will continue to develop human resources who will contribute to strengthening our manufacturing capabilities in terms of both mindset and skills.



Engagement training for first-year employees



Skills competitions as part of specialized skills training

Improving Employee Engagement

In order to enhance corporate value, it is important to ensure all employees are actively demonstrating their abilities under the Group Corporate Philosophy. Our Group conducts its own employee awareness surveys annually to get an objective measure of changes in employee awareness, including the degree to which they have committed to the Group Corporate Philosophy. Based on the results, we are working to improve their engagement.

Instilling of the Group Corporate Philosophy

The Group Corporate Philosophy sets forth KOBELCO's View of the Future and KOBELCO's Mission. We believe that increasing the number of highly engaged employees who embrace our philosophy and act toward its realization will lead to enhanced corporate value. Therefore, our Company regularly measures to what extent we have instilled the Group Corporate Philosophy as a KPI.

Initiatives for improving engagement

We are continuously working to promote the Group Corporate Philosophy through various activities, which include holding the Dialogue Platforms, an annual forum for dialogue between executives and employees and

Promoting Work Style Reforms

Since fiscal 2015, our Group has been engaged in a variety of activities aimed at improving productivity and creating a comfortable and fulfilling work environment.

Promoting flexible work styles

We are moving forward with various measures such as the promotion of a hybrid work style combining telework and work in the office, the introduction of a new leave system to expand support for work-life balance, the elimination of core time in the flextime system, and the use of digital tools.

We are also working to create a highly productive work environment by reviewing our office layout so that it harmonizes well with a hybrid work style coupled with remote work and online meetings that are becoming normal practices.

Employee VOICES

With the desire to further improve our products, we have built a system that allows us to focus on improvement work by utilizing the macro function of Microsoft Excel to reduce repetitive and menial routine work like tallying. By promoting this initiative, we have increased our sensitivity to inefficient or unnecessary work in the workplace. We now have an atmosphere in which people can give suggestions and advice to each other about work efficiency, creating a virtuous cycle in the workplace.



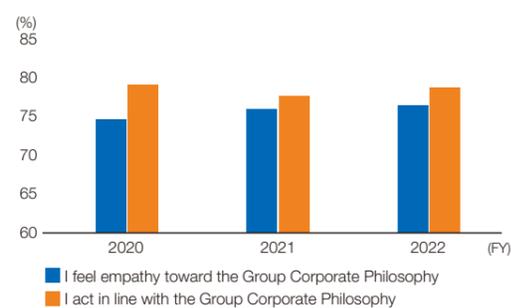
An operational improvement award winner
Steel & Aluminum Business

Other Initiatives

▶ See ESG Data Book 2023: p. 59-60 "Human Resources", p. 61-67 "Diversity and Inclusion (D&I)", p. 68-69 "Work-Life Balance", and p. 73 "Social and Labor Data"

Declaration of Pledges by Senior Management, which is also disseminated annually.

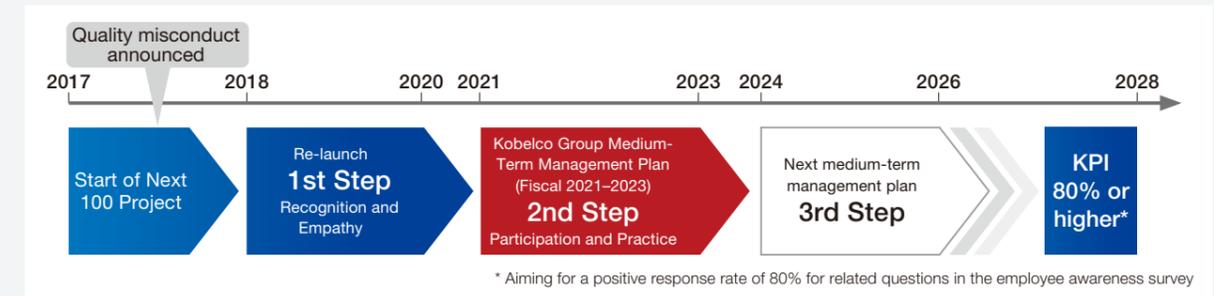
Percentage of employees who answered "Agree" or "Agree to some extent" in the employee awareness survey (5-point response)



Core Values of KOBELCO—Next 100 Project

Aiming to unite all employees, create a corporate group full of pride, confidence, passion, and hope, and achieve sustainable development, the Kobelco Group launched the Core Values of KOBELCO—Next 100 Project in fiscal 2017. A key focus of this initiative is to further instill the Group Corporate Philosophy and to prevent us from forgetting the

quality misconduct (namely, passing on the lessons learned to future generations). The project is promoting recognition and empathy among all employees, as well as participation and practice by all employees, hoping that such actions of each individual will grow into our corporate culture and take firm root in the organization.



Main activities of the Next 100 Project

We are working to instill the Group Corporate Philosophy and prevent the memory of the quality misconduct from fading through the following activities.

Major Activities

	Measures	Description
Participation and practice	Declaration of pledges by senior executives, general managers, and employees	<ul style="list-style-type: none"> We share the pledges made by senior executives throughout the Group and the pledges made by department heads in their respective divisions, while having individual employees declare their own pledges on their personnel evaluation sheets and on the Group Corporate Philosophy cards. From fiscal 2022, the video of declaration of pledges by all executives was made available to the entire Group.
	Training for department heads who preside over Dialogue Platforms	<ul style="list-style-type: none"> Has been held every year since fiscal 2018 focusing on sharing issues and exchanging opinions, in order to improve the skills of department heads who act as facilitators of Dialogue Platforms. Target trainees: Department heads and heads of business sites in Japan and overseas (approx. 700 people)
	Dialogue Platforms	<p>Has been held every year since fiscal 2018 targeting all persons engaged in the business of Kobe Steel and its Group companies for the following purposes:</p> <ol style="list-style-type: none"> Instilling the Group Corporate Philosophy Preventing the quality misconduct from being forgotten Promoting two-way communication in the organization
Recognition and empathy	Kobelco Core Values Awards	<ul style="list-style-type: none"> Started in fiscal 2019 as an initiative to commend activities that exemplify the Group Corporate Philosophy and contribute to building a new corporate culture and to promote the practice of the Group Corporate Philosophy. In fiscal 2022, awards were given to 14 teams, including the Grand Prix and Semi Grand Prix awards.
	Dialogues between senior executives and employees	<ul style="list-style-type: none"> An activity to proactively demonstrate senior executives' commitment to restoring trust through dialogues in which President Yamaguchi and other senior executives speak directly to employees about their thoughts The president has engaged in dialogues with approximately 1,500 people on a total of roughly 150 occasions (as of March 31, 2023). Around 5,000 people (a cumulative total in fiscal 2022) attended the Kobelco Gathering, a large-scale online dialogue event.
	Kobelco Core Values Place	<ul style="list-style-type: none"> Established in 2019 within the Kobelco HRD Center in Kobe as a facility to share the lessons learned from the quality misconduct and pass them onto future generations Visited by around 23,000 people to date, including visitors to the online version and satellite facilities (as of March 31, 2023)
Identification of issues	Kobelco Core Values Day	<ul style="list-style-type: none"> We have designated March 6, the day we announced the final report on the misconduct, as Kobelco Core Values Day to remind ourselves every year of our pledge to society to prevent recurrence and to ensure that the lessons learned are not forgotten. On this day, we share the president's message.
	Compliance and employee awareness surveys	<ul style="list-style-type: none"> Started in fiscal 2018 as a mechanism to comprehensively grasp the current status and issues of employee awareness about their work and the Company, as well as the state of the organization. Conducted annually. Necessary measures are taken based on survey results.

Employee VOICES



Technical Development Group
Application Technology Center

We participated in the Core Values Awards so that other employees know more about our ongoing activities. Receiving this award especially motivated and invigorated the young employees who engaged in the activities. In addition, we were able to learn about other award-winning activities, which were very beneficial as it helped us realize what we can do to improve in our own activities.



Kobelco Eco-Solutions Co., Ltd. Environmental Engineering Business Unit
Operation and Maintenance Technology Section for Public Sector, Asset Management Department, Water Infrastructure and Service Division

We took part in the Core Values Awards to boost the confidence of team members and raise awareness of our activities within the Company. I am very glad that we received the award for the activities we were working on with our customers, which made them very happy and led to enhancing our relationship of trust.

Safety and Health

We believe that safety and health are fundamental to our business operations and take priority over all business activities. In accordance with this principle, we comply with all relevant laws and regulations and carry out various safety and health activities to create vibrant workplaces where employees can work with safety and security,

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 2023)

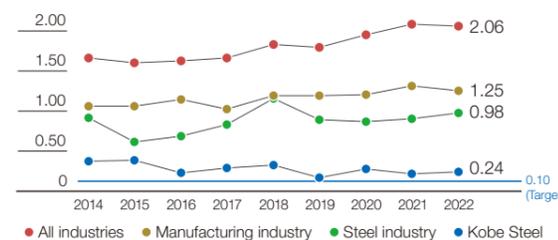
- Fatal accidents and serious accidents (Involving three or more people at the same time): Zero
- Lost time injury frequency rate (LTIFR): 0.10 or less

In fiscal 2022, the second year of the Medium-Term Management Plan (Fiscal 2021–2023), we continued our efforts, as in the previous year, to foster a safety-oriented culture and climate through (1) checking the status of all-hands activities for raising safety awareness and watching out for each other and following up their progress by means of enhancing stratified training and promoting safety awareness with the Safety Card. Along with these, we worked on (2) further enhancement of safety by creating Companywide machine safety standards, (3) continued implementation of safety and health diagnoses and support activities by the Safety Caravan Team, and (4) reaffirming thorough implementation of Group standards at overseas Group companies and implementing improvement measures at business sites where accidents occurred.

As a result, the lost-time injury frequency rate (LTIFR) remained below the national average despite the increase of 0.02 points to 0.24 from 0.22 in fiscal 2021.

In fiscal 2023, the final year of the Medium-Term Management Plan (Fiscal 2021–2023), we will continue to foster a safety-oriented culture and strengthen our training system for developing human resources. In particular, we will work toward our key objectives by promoting machine safety Companywide.

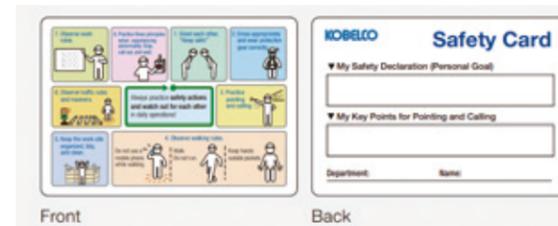
Lost Time Injury Frequency Rate



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).

Safety Card

As part of efforts to promote all-hands activities for raising safety awareness and watching out for each other, we provide a Safety Card to all employees with the aim of making it a habit to act with awareness of basic rules and manners, and raising safety awareness and increasing the momentum for all employees to participate in activities by encouraging each and every individual to think about safety as their own matter and continuously making safety the highest priority both in awareness and action.



Safety fences with interlock functions have been installed to reduce the risk of unsafe access to rewinders and other moving sections of manufacturing processes at the Ibaraki Plant of the Welding Business

Health and Productivity Management Initiatives

We aim to create a healthy work environment with safety and security ensured where employees can maintain and improve their mental and physical well-being. In recognition of our initiatives, we were selected as a 2023 Health & Productivity Stock Selection for the fourth time total and first time in six years and recognized as a 2023 Certified Health & Productivity Management Outstanding Organization (White 500) for the fourth time total and first time in two years.



Mental Health Initiatives

- All of our business locations have consultation offices staffed by industrial counselors.
- We are working to create a healthy workplace environment with an emphasis on work engagement based on the results of stress checks.
- We have added sleep-related questions to the stress check questionnaire, and industrial physicians follow up on applicable individuals. In addition, we plan to formulate and develop sleep education videos, and provide support for better 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

- Promoting regular exercise using the Pep Up health promotion support app
- Introducing videos on stretching and low back pain prevention exercises on the intranet

"Safety and Health" and "Health and Productivity Management"

▶ See ESG Data Book 2023: p.51-56

Human Rights

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 advocated by the United Nations. Going forward, as a company that endorses the principles of protecting human rights and eliminating improper labor practices, we will continue our efforts to achieve them and strengthen our initiatives to prevent human rights violations.

Revision of Basic Policy on Human Rights

In January 2019, we established the Kobe Steel Group's Basic Policy on Human Rights in response to rising global awareness of human rights. In light of the growing scope of human rights issues in the international community, we revised it to the Kobelco Group's Basic Policy on Human Rights in December 2022 in accordance with the United Nations Guiding Principles on Business and Human Rights, and formulated the appendix to address specific human rights issues.

Our human rights policy is our Group's commitment, which was formulated based on the opinions of experts inside and outside the Company, deliberated by the Sustainability Management Committee, and approved by the Board of Directors. We have always worked to respect human rights, and based on this policy, we will enhance our initiatives to comply with international norms.

Our human rights policy applies to all directors, executive officers, and employees of the Group. In addition, we will seek the support and implementation of this policy by our business partners, including suppliers.

Kobelco Group's Basic Policy on Human Rights (Contents)

- | | |
|--|--|
| 1. Respect for International Norms and Standards | 6. Dialogue and Consultation |
| 2. Scope of Application | 7. Corrective and Remedial Measures |
| 3. Compliance with Applicable Laws and Regulations | 8. Promotion of This Policy and Handling of Complaints |
| 4. Training | 9. Decision on This Policy |
| 5. Human Rights Due Diligence | 10. Appendix to This Policy |

Appendix (Human Rights Issues)

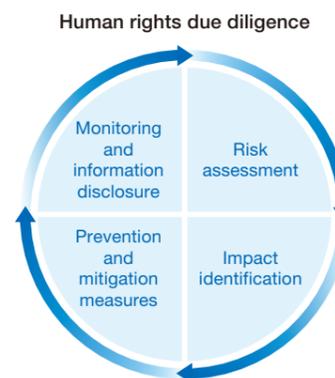
1. Elimination of Forced Labor
2. Elimination of Child Labor
3. Prohibition of All Forms of Discrimination
4. Respect for Freedom of Association and the Right to Collective Bargaining
5. Appropriate Management of Working Hours
6. Ensuring Adequate Wages
7. Respect for Diversity and Realization of a Comfortable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

Human Rights Due Diligence

We will identify and assess any potential adverse impact on human rights from our Group's business activities and take appropriate measures to prevent or mitigate any such impact.

To begin with, in fiscal 2022, we conducted a risk assessment on a non-consolidated basis to identify human rights issues, assess risks, and identify impacts.

Since fiscal 2023, we have been implementing human rights risk assessments for major Group companies in Japan and some overseas Group companies, with the objective of establishing a human rights due diligence process throughout the Group.



Education on human rights

Our Group continues to provide education on human rights.

In fiscal 2022, we conducted emotional regulation training for managers and supervisors, inviting Dr. David Matsumoto, a world-renowned expert on emotion research, as a speaker to give a practical lecture on how to deal with anger, with the aim of preventing situations that lead to harassment due to inability to control anger.

We will continue to work to raise awareness and promote education about human rights.



Emotional regulation training

Human Rights and Labor ▶ See ESG Data Book 2023: p.49-50

Building Responsible Supply Chains

Basic Policy

In order for our Group to realize KOBELCO's View of the Future, as a responsible member of the global supply chain, we actively promote initiatives to address issues such as human rights and environmental challenges, not only in our own Group but also throughout our supply chains.

In September 2022, the Group released its Basic CSR Procurement Policy with the goal of building responsible supply chains. We will fulfill our social responsibility while working to grasp the supply chain issues in the procurement of raw and other materials and ensuring a stable supply of products and services.

Promotion System

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

Basic Procurement Policy

Our Group's procurement divisions act 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. Management of confidential information

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

Our Group's Initiatives

In fiscal 2020, we announced our Group policies, and in fiscal 2021 began activities to promote a deeper understanding of our policies among business partners and initiated surveys on the current status of their initiatives.

Main Initiatives in Fiscal 2022

Formulation and Dissemination of the Basic CSR Procurement Policy

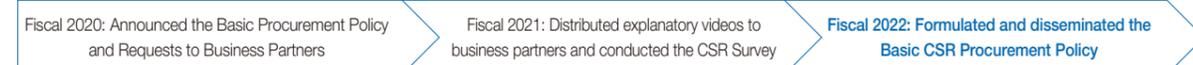
- In September 2022, we added our policy on building responsible supply chains to the already established Basic Procurement Policy and Requests to Business Partners and integrated these elements into the Basic CSR Procurement Policy.
- We have disseminated the Basic CSR Procurement Policy to our Group companies (October 2022) and business partners (December 2022). In addition, we have received letters of consent from our major business partners stating that they agree with our Basic CSR Procurement Policy.



▶ Please see our website for the full text of the Basic CSR Procurement Policy and introductory video materials.

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

Reference Our Group's Initiatives Implementation Timeline



Initiatives Scheduled for Fiscal 2023 and Beyond

We plan to ask for the cooperation of our major business partners in our second CSR Survey and a questionnaire survey on their compliance status, focusing on important items such as "human rights" and "disputes over minerals."

Building Responsible Supply Chains ▶ See ESG Data Book 2023: p. 70-72

Quality

Trust Improvement Project

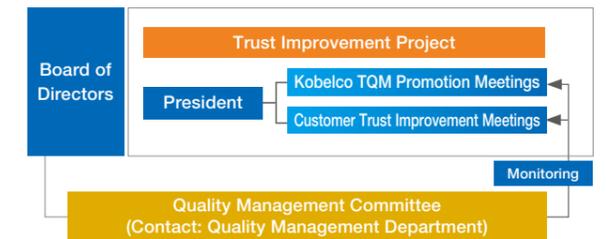
The Kobelco Group has implemented measures to prevent recurrence of the quality misconduct since fiscal 2018 and completed planned activities. In fiscal 2020, we launched an initiative for Kobelco Total Quality Management (TQM)* to prevent the quality misconduct from fading away and realize the Group Corporate Philosophy. In fiscal 2021, we reorganized the Project for Restoring Trust into the Trust Improvement Project led by the president to implement TQM activities Groupwide. The project is composed of Kobelco TQM Promotion Meetings and Customer Trust Improvement Meetings.

Under the Trust Improvement Project, the Quality Management Committee, an advisory body to the Board of Directors, continues to monitor and make recommendations from an objective perspective.

Kobelco TQM Promotion Meetings

We promote activities across the entire Group through five task forces dedicated to Planning and Promotion, Human Resources Development and Training, Operational Quality Improvement, Quality Assurance Improvement, and *Monodzukuri* (Manufacturing) Support. We also provide TQM training for management and employees as a comprehensive training program for all members. As well, we are working to revitalize quality control activities and other improvement activities, and to strengthen our quality assurance structure centered on Kobelco Group Quality Guidelines.

Trust Improvement Project Structure



* TQM (Total Quality Management): As the next step to prevent recurrence, 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.

Customer Trust Improvement Meetings

We are working to achieve and maintain a state where customers recognize that Kobe Steel has changed and employees also feel that the Company has changed, and we have earned trust from customers. As measures to achieve this goal, we are working in collaboration with relevant departments to promote the sharing of customer information, and customer satisfaction surveys.

Message from the Director Overseeing Companywide Quality

We have been implementing Kobelco TQM activities since fiscal 2020, aiming to be a corporate group that continues to be indispensable to our stakeholders and society, now and in the future, based on the Group Corporate Philosophy.

The "Q" in TQM, which stands for quality, covers not only the quality of products and services, but also the quality of overall activities in our Company. It encompasses all activities to realize our vision and management objectives, involving organizations, operations, human resources, etc.

The Kobelco TQM activities are based on the action principles of customer perspective (Trusted Quality) participation of all members (harmony of group members), and continuous changes. In addition to the basic elements of TQM activities such as daily management, policy management, and small group improvement activities, we focus on education to support them. While working to improve the quality of these activities in general, we aim to make improvements and innovative changes in addressing problems and issues. Three years have passed since the start of activities, and awareness has increased through internal dialogue and discussion. As our efforts progress, we will continue to upgrade them into more practical and effective initiatives so that we can deliver concrete outcomes. Along with these, we will link our TQM activities with other initiatives such as the Core Values of KOBELCO—Next 100 Project, DX strategy, work style reforms, D&I development, and ROIC management, etc.

Our Group has a wealth of business and technological assets and diverse human resources that have been developed through its wide range of businesses. We will continue to provide solutions to the needs of society while encouraging each business division and unit to employ TQM to provide products and services that satisfy customers. Furthermore, we will pursue solutions that meet the needs of society by taking advantage of the Group's comprehensive strengths that combine its diverse management resources and assets with an aim of achieving the Kobelco Group that grows sustainably.



Koichi Sakamoto
Director, Executive Officer

Quality ▶ See ESG Data Book 2023: p. 84-85

Directors

(Including Audit & Supervisory Committee Members, as of June 21, 2023)



Shinji Miyaoka
Director, Executive Officer

Koichi Sakamoto
Director, Executive Officer

Nobuko Sekiguchi
Independent Director,
Audit & Supervisory Committee Member

Kunio Miura
Independent Director, Audit & Supervisory
Committee Member

Shinsuke Kitagawa
Independent Director

Yumiko Ito
Independent Director

Hiroshi Ishikawa
Director (Audit & Supervisory Committee
Member, full time)

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

Hajime Nagara
Executive Vice President and
Representative Director

Yoshihiko Katsukawa
Executive Vice President and
Representative Director

Mitsugu Yamaguchi
President, CEO and
Representative Director

Hiroyuki Bamba
Independent Director

Masaaki Kono
Independent Director, Audit & Supervisory
Committee Member

Directors

Directors



Mitsugu Yamaguchi
President and CEO
Compliance Committee Member
Nomination & Compensation Committee Member
Corporate Governance Committee Member

Number of Company shares owned: 74,100

Apr. 1981 Joined the Company
Apr. 2011 Officer
Apr. 2013 Senior Officer
Apr. 2015 Senior Managing Executive Officer
Jun. 2016 Director, Senior Managing Executive Officer
Apr. 2017 Executive Vice President and Director
Apr. 2018 President, CEO and Director (incumbent)



Yoshihiko Katsukawa
Executive Vice President and
Representative Director
Corporate Governance Committee Member

Number of Company shares owned: 42,400

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 (incumbent)

Duties
Oversees the Corporate Planning Department, the Finance and Accounting Department, and overseas locations (under the Head Office)



Hajime Nagara
Executive Vice President and
Representative Director
Compliance Committee Member
Corporate Governance Committee Member

Number of Company shares owned: 41,000

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 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.



Koichi Sakamoto
Director, Executive Officer
Quality Management Committee Member

Number of Company shares owned: 16,400

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 Environment and Safety Department, the Quality Management Department, and the Intellectual Property Department. Oversees the Technical Development Group. Oversees companywide safety and health. Oversees companywide environmental protection and disaster prevention. Oversees companywide quality. Oversees companywide TOM activities.



Shinji Miyaoka
Director, Executive Officer

Number of Company shares owned: 1,600

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.



Hiroyuki Bamba
Independent Director
Chairman of the Board of Directors
Nomination & Compensation Committee Member
(Committee Chair)
Corporate Governance Committee Member

Number of Company shares owned: 13,300

Apr. 1976 Joined Sumitomo Rubber Industries, Ltd.
Mar. 2000 Director of Sumitomo Rubber Industries, Ltd.
Mar. 2003 Executive Officer of Sumitomo Rubber Industries, Ltd.
Jul. 2003 President and Director of SRI Sports Limited (currently Sumitomo Rubber Industries, Ltd.)
Mar. 2011 Chairman and Director of SRI Sports Limited
Mar. 2015 Counselor to Sumitomo Rubber Industries, Ltd.
Jun. 2015 Outside Director of Sekisui Plastics Co., Ltd. (currently Sekisui Kasei Co., Ltd.)
Jun. 2017 Director of the Company (incumbent)



Yumiko Ito
Independent Director
Corporate Governance Committee Member
(Committee Chair)

Number of Company shares owned: 7,600

Apr. 1984 Legislation Staff (Sangji), The Legislative Bureau of the House of Representatives of Japan
Apr. 1989 Admitted to the bar in Japan, Sakawa Law Office
Jul. 1991 Tanabe & Partners
Apr. 2001 General Counsel, Legal & Patent Operation, GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)
May 2004 Staff Counsel, Legal & Intellectual Property, IBM Japan, Ltd.
Mar. 2007 Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)
Apr. 2013 Executive Officer and General Counsel, Sharp Corporation
Jun. 2013 Director, Executive Officer, and General Counsel, Sharp Corporation
Apr. 2014 Director, Executive Managing Officer and General Counsel of Sharp Corporation
Jun. 2016 Executive Managing Officer and General Counsel of Sharp Corporation
Mar. 2019 Resigned as 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

Number of Company shares owned: 1,000

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, The Japan Commercial Arbitration Association (incumbent)
Outside Audit & Supervisory Board Member of YUTAKA TRUSTY SECURITIES Co., Ltd. (incumbent)

Directors who are Audit & Supervisory Committee members



Hiroshi Ishikawa
Director
Audit & Supervisory Committee Member, full time
Corporate Governance Committee Member

Number of Company shares owned: 17,600

Apr. 1982 Joined the Company
Apr. 2014 Officer
Apr. 2016 Managing Executive Officer
Jun. 2018 Director, Audit & Supervisory Committee Member of the Company (incumbent)



Gunyu Matsumoto
Director
Audit & Supervisory Committee Member, full time
Corporate Governance Committee Member

Number of Company shares owned: 0

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)



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: 5,000

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.
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 Resigned from Mizuho Bank, Ltd.
Advisor of Orient Corporation
Jun. 2016 President and Representative Director of Orient Corporation
Apr. 2020 Chairman and Representative Director of Orient Corporation
Jun. 2020 Director, Audit & Supervisory Committee Member of the Company (incumbent)
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
(Committee Chair)

Number of Company shares owned: 5,000

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: 1,000

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.
Mar. 2019 Resigned from CAPCOM CO., LTD.
Jun. 2019 Outside Director of DUSKIN CO., LTD. (incumbent)
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 involves not only business results and technological capabilities but also the stance on social responsibility to all stakeholders who may be affected by its business activities, such as shareholders and investors, customers, business partners, people of local communities, and the 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 we are 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.

▶ 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	(FY)
Philosophy and Policies		→ 2006 Establishes corporate philosophy		→ 2017 Turns corporate philosophy into the Core Values of KOBELCO and establishes the Six Pledges of KOBELCO	
			• 2000 Establishes Corporate Code of Ethics	→ 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	• 2003 Establishes the Compliance Committee as an advisory committee to the Board of Directors	• 2015 Establishes the Meetings of Independent 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	
			• 2019 Appoints the Company's first female director	→ 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	
			• 2021 Abolishes the positions of senior managing executive officer and managing executive officer	• 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 and 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)	→ 2022 Partially revises the remuneration system for directors and executive officers (including lowering the maximum remuneration)	

Corporate Governance Highlights



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.

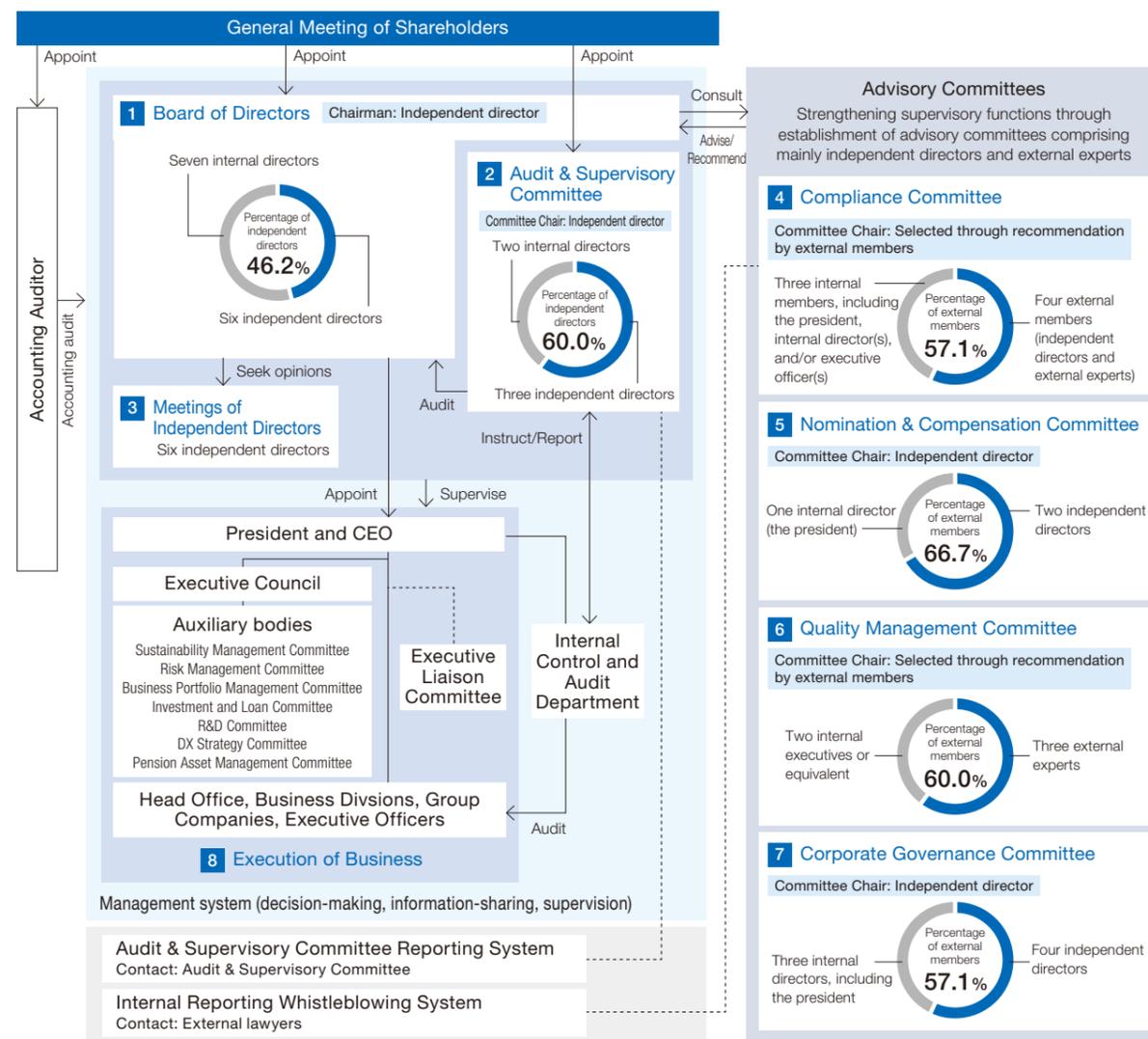
Under this governance structure, the Company aims to

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, 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, 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 Chairman of the Board of Directors is elected from among the 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 Chair of the Audit & Supervisory Committee is selected from among 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 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, the director or executive officer overseeing Companywide compliance, the executive officer responsible for Companywide compliance, lawyers (without a retainer agreement executed by the Company) in charge of receiving reports via the Internal Reporting (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 Compliance Committee holds regular meetings semiannually and ad-hoc meetings when necessary.

5 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 the CEO, 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, 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 independent directors.

6 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. Members of the committee include two internal executives or 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.

7 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, 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 independent directors. The Corporate Governance Committee meets at least once every fiscal year and calls a meeting as needed.

8 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 members of the Executive Council include the president, executive directors, the executive officer responsible for the Corporate Planning Department, executive officers nominated by the president (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.

In order to enhance the effectiveness of deliberations by the Executive Council, various committees are established as auxiliary bodies for important matters related to business strategy, such as sustainability management, risk management, business portfolio management, and investment and loans.

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 officers of affiliated companies nominated by the president.

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 inside 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 Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), which was formulated and announced in May 2021, 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 resolving 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	Length of Service as Director (Years)	Comprehensive skills in overall management		Skills in resolving social issues and creating new value			Skills in further strengthening the business foundation			Insights into other industry sectors	Attendance at Board of Directors' meetings (FY2022)	Attendance at Audit & Supervisory Committee meetings (FY2022)
		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			
Mitsugu Yamaguchi President, CEO and Representative Director	7	●	●	●		●					16 of 16 (100%)	—
Yoshihiko Katsukawa Executive Vice President and Representative Director	5	●				●		●		●	16 of 16 (100%)	—
Hajime Nagara Executive Vice President and Representative Director	3	●	●						●	●	16 of 16 (100%)	—
Koichi Sakamoto Director, Executive Officer	—	●	●		●						—	—
Shinji Miyaoka Director, Executive Officer	—	●		●	●	●					—	—
Hiroiyuki Bamba Independent Director	6	●	●		●					●	16 of 16 (100%)	—
Yumiko Ito Independent Director	4		●			●				●	16 of 16 (100%)	—
Shinsuke Kitagawa Independent Director	1		●			●				●	11 of 11 (100%)	—
Hiroshi Ishikawa Directors who are Audit & Supervisory Committee members	5	●		●		●					16 of 16 (100%)	18 of 18 (100%)
Gunyu Matsumoto Directors who are Audit & Supervisory Committee members	—	●						●	●		—	—
Masaaki Kono Independent Director, Audit & Supervisory Committee Member	3	●	●					●		●	16 of 16 (100%)	18 of 18 (100%)
Kunio Miura Independent Director, Audit & Supervisory Committee Member	3		●							●	16 of 16 (100%)	17 of 18 (94%)
Nobuko Sekiguchi Independent Director, Audit & Supervisory Committee Member	1		●			●		●		●	11 of 11 (100%)	13 of 13 (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. There have been 11 Board of Directors meetings and 13 Audit & Supervisory Committee meetings since June 22, 2022 when Shinsuke Kitagawa and Nobuko Sekiguchi were appointed as directors.

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 Chairman 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 2022

Overview of the Effectiveness Evaluation of the Board of Directors

Targets	All 12 directors	Implementation process	Questionnaire survey targeting all directors and individual interviews by the Corporate Governance Committee <small>Note: A third-party organization was contracted to conduct the questionnaire survey.</small>
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	<ul style="list-style-type: none"> • 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 previous fiscal year's effectiveness evaluation, the Board of Directors recognized that there were many discussions on individual business issues, while there were few opportunities to discuss themes related to the business foundation area among the various initiatives to enhance corporate value.
- In fiscal 2022, as a result of sharing information with directors and holding discussions with the executive side on themes centered on the business foundation area by utilizing meetings of independent directors and offline meetings, the Board of Directors has deepened its understanding of the efforts of the executive side in the business foundation area. In light of this, the Company evaluated that the function of

the Board of Directors as a monitoring board were enhanced.

- 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 2023 and strive to make further improvements.
- As the monitoring function of the Board of Directors has been strengthened, the Company recognizes that it is necessary to narrow down the themes to be discussed at Board of Directors' meetings and to set agenda on a yearly basis in a planned manner. In fiscal 2023, we will set an

agenda with an eye on the formulation of the next medium-term management plan and proceed with discussions according to schedule.

Future Initiatives for Improving Effectiveness

- The Board of Directors sets agenda for the fiscal year in a planned manner to map out a concrete path for the enhancement of corporate value over the medium to long term and discusses it at Board of Directors meetings.
- The Company will continue to explore initiatives for the efficient 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 the following training programs as opportunities to acquire and appropriately update the necessary knowledge. The Company will support the expenses for training.

- At the time of appointment, directors and executive officers receive sufficient explanation from the relevant departments regarding the Company's business and financial situation, etc. If needed, the Company also provides opportunities for directors and executive officers to acquire knowledge and information through visits to manufacturing sites and other means.
- In particular, for newly appointed directors and executive officers from within the Company, the Company provides opportunities for training on the roles and responsibilities of directors and executive officers, as well as legal affairs and corporate governance.
- The Company holds training sessions several times a year, inviting instructors from inside and outside the Company for the purpose of helping directors and executive officers acquire various knowledge on legal revisions and corporate management, etc., and update it as appropriate.
- The Company holds the Compliance Top Seminar once a year as an opportunity to learn from outside instructors about what is required of top management for compliance.
- In addition, the Company facilitates and encourages directors and executive officers to take external training on management strategy, finance and accounting, and organization, etc., and the Company provides support for it.
- The status of attendance at these training sessions is checked once a year and reported to the Board of Directors.

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.

- The appointment of the CEO is determined by the Board of Directors after deliberations at the Nomination & Compensation Committee taking into account the Company's business environment and the implementation of management plans, etc., which are reported to the Board of Directors.
- In developing successors to the CEO, the Company selects multiple candidates from among directors and executive officers and appoints them to important management roles after discussion at the Nomination & Compensation Committee.
- The Company provides directors and executive officers with training opportunities to acquire the knowledge and qualities necessary for the management of the Company. The Corporate Governance Committee examines the training menu in light of the Company's business environment and other factors and reports to the Board of Directors every fiscal year.
- The training status of each director and executive officer is checked by the Corporate Governance Committee once a year.

Corporate Governance

Remuneration for Directors, Executive Officers, and Accounting Auditor

1 Basic Approach to Remuneration for Directors and Executive Officers

- The system aims to secure talented human resources who can contribute to the Company's sustainable development, and appropriately compensate for such efforts.
- The system aims to share values widely with stakeholders and promote not only short-term growth, but also medium- to long-term growth.
- In offering the incentive for accomplishing consolidated business result targets, the system shall be devised with due consideration of the characteristics of each business so that directors and executive officers can fully carry out their roles.
- In ensuring the objectivity and transparency of judgments regarding remuneration decisions, the Nomination & Compensation Committee deliberates on the state of the remuneration system and the necessity of its reevaluation.

2 Remuneration Framework

- Based on the resolution at the Ordinary General Meeting of Shareholders, the Board of Directors establishes the Remuneration Regulations for Directors and Executive Officers, Detailed Rules on Remuneration Regulations for Directors and Executive Officers, Performance-Based Compensation Regulations for Directors and Executive Officers, and Stock Benefit Regulations for Directors and Executive Officers, which include the remuneration calculation methods for individual director/executive officer.
- 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. Taking into consideration their duties, independent directors and directors who are Audit & Supervisory Committee members are not eligible for performance-based compensation and medium- to long-term incentive compensation. The remuneration rank

- is determined by the president taking account of the level of responsibility of the assigned duties and reported to the Nomination & Compensation Committee and the Board of Directors.
- Of performance-based compensation, the standard pay amount for the portion linked to division performance will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank, the amount for the portion linked to individual evaluation will be set at the level of -5% to 5% of basic remuneration for each rank and remuneration rank, and the value of medium- to long-term incentive compensation provided per fiscal year will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank.
 - Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders are as follows.
 - Remuneration for directors (excluding directors who are Audit & Supervisory Committee members)
 - The limit of basic remuneration: Within a total of 460 million yen per fiscal year
 - The limit of performance-based compensation: Within a total of 240 million yen per fiscal year
 - Maximum points to be granted for medium- to long-term incentive compensation: Within a total of 424,100 points per fiscal year
 - Remuneration for directors who are also Audit & Supervisory Committee members (basic remuneration only): Within a total of 132 million yen per fiscal year

3 Performance-Based Compensation

- In terms of the portion linked to division performance of performance-based compensation, a performance target will be set based on business management indices as stated in the Medium-Term Management Plan. Each business division will also set a performance target based on performance management indices for each business division. The amount to be paid is determined by multiplying the standard pay amount for each rank and remuneration rank by 0–200% according to the accomplishment of the target. The business management indices, which serve as the basis of calculation,

- are established by the Board of Directors.
- The portion linked to individual evaluation of performance-based compensation is subject to comprehensive evaluation, including the performance of assigned duties and business unit, the accomplishment of the target, and other aspects. The amount to be paid is determined by multiplying the basic remuneration for each rank and remuneration rank by -5% to 5% according to the evaluation results. Evaluation for executive officers overseeing business divisions and heads of business divisions is determined by the president, and evaluation for other executive officers is determined by the president after primary evaluation by executive officers overseeing business divisions and heads of business divisions. The details of evaluation are reported to the Nomination & Compensation Committee.

Note: The portion linked to individual evaluation is determined by comprehensively taking into account the status of ESG-related initiatives in the commissioned duties of each director and executive officer.

- The calculation methods for the standard pay amount and coefficients for each rank and remuneration rank are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
- Business management indices are disclosed in the Business Report.

Note: From fiscal 2021, ROIC is used as an evaluation indicator to promote the efficiency of management resources and strengthen the business foundation with an awareness of cost of capital. The base value for calculation is set at a ROIC of 5%, based on the targets set forth in the Medium-Term Management Plan.

Calculation method for the portion linked to division performance of performance-based compensation
Performance-based compensation (portion linked to division performance) = Standard pay amount for each rank and remuneration rank¹ × Coefficient based on evaluation index²

- The standard pay amount for each rank and remuneration rank is set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.
- The ROIC for the evaluation period is used as an evaluation index. Coefficient is calculated based on a certain formula.

About the Coefficient Calculation Formula Based on Evaluation Indicators
▶ See ESG Data Book 2023: p. 84 "Performance-Based Compensation"

4 Medium- to Long-Term Incentive Compensation

- For medium- to long-term incentive compensation, a system known as Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit uses a base point number calculated based on the standard pay amount for each rank and remuneration rank, and the number of points determined by multiplying the base point number by 0–100% according to consolidated profit attributable to owners of parent and the state of dividend payment for each fiscal year will be granted. On a fixed date during each trust period of three years, the number of the Company's shares will be provided according to the number of points granted.

Note: Since the Company considers the return of profits to shareholders as an important issue for management, it uses profit attributable to owners of parent (hereinafter "profit") as the evaluation indicator. The base value for the calculation is profit of 79.4 billion yen, which is based on the dividend payout ratio set forth in the Company's dividend policy.

- The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.

- As funds for acquisition of shares by the trust, in principle, 1.1 billion yen will be contributed every three years. However, when there are remaining shares of the Company in the trust property as of the last day of the previous trust period, they will be used as funds for the subsequent trust periods, and the Company will contribute an amount derived by deducting the amount of the remaining Company shares, etc. from 1.1 billion yen.

Calculation method of points granted for medium- to long-term incentive compensation

Number of points to be granted = Base point number for each rank and remuneration rank¹ × Coefficient based on evaluation index²

- Stipulated in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.
- Determined based on the results of dividends and profit.

5 Timing of the Determination and the Payment of Remuneration Amount

- Basic remuneration will be paid every month from the month of appointment to the position in a monthly amount derived by dividing basic remuneration based on rank and remuneration rank by 12 months. If there is a change to the basic remuneration in the middle of the month due to a change in the assigned tasks and other reasons, the revised remuneration will be paid from the month following the change.
- Of performance-based compensation, the amount for the portion linked to division performance will be determined based on the calculation formula after the end of each fiscal year and paid lump-sum by the end of the month following the month when the Ordinary General Meeting of Shareholders is convened. The portion linked to individual evaluation will be paid in an amount determined according to the results of individual evaluation based on the calculation formula after the end of each fiscal year, together with the portion linked to division performance.
- In terms of medium- to long-term incentive compensation, the number of points will be determined based on the calculation formula after the end of each fiscal year and granted on June 30 each year. Company shares, etc., will be provided every three years on a fixed date during the trust period.

6 Method to Determine Remuneration Standards

Remuneration standards are determined based on the survey data, collected by an external specialized agency, concerning the remuneration for directors and executive officers so that the standards are commensurate with the Company's corporate scale and the commissioned duties of directors and executive officers.

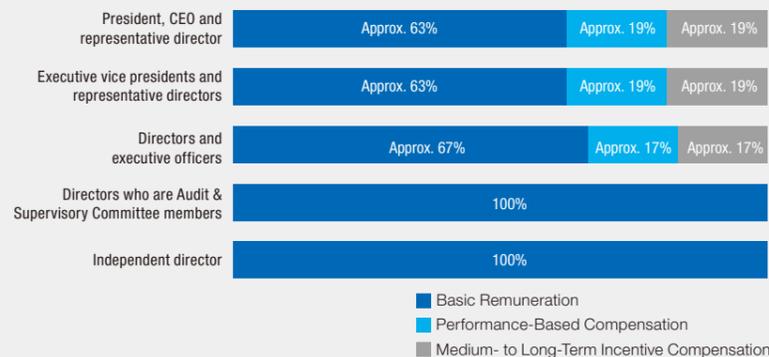
7 Method to Determine and Examine Remuneration Policy

- The policy concerning remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is determined by resolution of the Board of Directors, and the policy concerning remuneration for directors who are Audit & Supervisory Committee members is determined through discussions 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.

Reference

Composition of Remuneration for Directors and Executive Officers

The bar graph on the right shows the composition of remuneration. The percentages of the performance-based compensation and medium- to long-term incentive compensation are higher for the positions that require a higher level of performance and responsibility.



Notes: 1. The amounts of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation granted vary depending on business results. The range of fluctuation is 0–200% of the standard pay amount for the portion linked to division performance of performance-based compensation and 0–100% of the base amount for medium- to long-term incentive compensation. The percentages of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation in the above graph represent the case where each pay amount is 100% of the base amount. In addition to the above amount, the amount for the portion linked to individual evaluation is paid in the range of -5% to 5% of basic remuneration.
2. Executive directors and executive officers are based on a standard remuneration rank.

Corporate Governance

Reference

Base Value and Actual Value for Each Remuneration Category

Remuneration Category	Performance-Based Compensation	Medium- to Long-Term Incentive Compensation
Index	ROIC	Profit attributable to owners of parent
Base value for fiscal 2022	5.0%	79.4 billion yen
Actual value for fiscal 2022	4.9%	72.5 billion yen

Activities of the Board of Directors and the Nomination & Compensation Committee in Recent Fiscal Years

The following items regarding the remuneration for directors and executive officers in fiscal 2022 have been deliberated by the Nomination & Compensation Committee and then resolved by the Board of Directors.

Timing	Items deliberated and resolved
Apr. and May 2022	Submission of the proposal on revision to the maximum amount of remuneration for directors and executive officers to the General Meeting of Shareholders
Jun. 2022	Revision to the Basic Policy on Remuneration for Directors and Executive Officers (revision to the maximum amount of remuneration for directors and executive officers)
May 2023	Amount of performance-based compensation and amount of medium- to long-term incentive compensation for fiscal 2022

Fiscal 2022 Remuneration for Directors

Category	Number of payees (Persons)	Total amount paid (Millions of yen)	Breakdown of total amount by type of remuneration (Millions of yen)			Remarks
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation	
Directors excluding Audit & Supervisory Committee members (of whom are outside directors)	9 (4)	459 (40)	312 (40)	82 (—)	65 (—)	The number of payees and the amount of payment include one outside director (not an Audit & Supervisory Committee member), one internal director (an Audit & Supervisory Committee member), and one outside director (an Audit & Supervisory Committee member) who left the positions in fiscal 2022.
Directors who are Audit & Supervisory Committee members (of whom are outside directors)	6 (4)	107 (44)	107 (44)	— (—)	— (—)	
Total	15	567	419	82	65	

Remuneration for Accounting Auditor

In fiscal 2022, remuneration and other amounts payable to the Accounting Auditor by the Company totaled 169 million yen, and the total amount of money and other financial interests payable by the Company and its subsidiaries was 475 million yen.

Strategic Holding of Shares

Basic Policy on Strategic Holdings of Shares

Basic Policy on Strategic Holdings of Shares

▶ See ESG Data Book 2023: p. 86 "Strategic Holdings of Shares"

Criteria for Exercising Voting Rights

Criteria for Exercising Voting Rights on Strategic Shareholdings

▶ See ESG Data Book 2023: p. 86 "Strategic Holdings of Shares"

Verification Results Regarding Strategic Holdings of Shares (As of March 31, 2023)

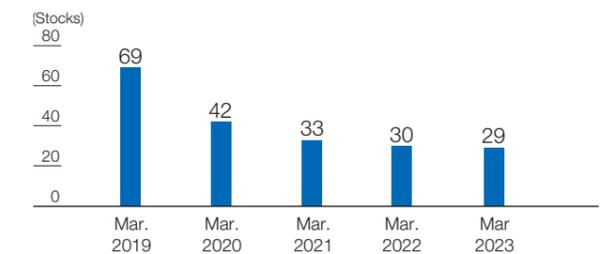
Targets	All the strategic holdings of shares that the Company holds in listed companies as of March 31, 2023 (29 stocks)
Verification details	<p>We verified whether the holding of each company's shares contributes to strengthening the Company's business foundation and to improving the Company's corporate value over medium to long term, based on the following evaluation items, and comprehensively judged the reasonableness of each shareholding.</p> <p>Evaluation items</p> <ol style="list-style-type: none"> Scale and importance as a business partner (volume of transactions, share of transactions, and stable procurement) Relationship as an alliance partner (economic effect of the alliance) Dividend yield

Verification Results

- In fiscal 2022, our Company reviewed the significance of strategic shareholdings in listed companies from the perspective of improving the capital and asset efficiency. As a result, it was confirmed that, of the 30 stocks that the Company held as of the end of March 2022, all shares in one stock and a portion of shares in another stock were sold under the agreement with the counterparties.
- As of March 31, 2023, the Company holds 29 stocks. The holdings of these shares have been judged to be reasonable as they are contributing to strengthening the Company's business foundation and to enhancing the Company's corporate value over the medium to long term, based on the scale and importance of the companies as business partners (volume of transactions, share of transactions, and stable procurement) and the relationships as alliance partners.

However, our Company will continue to verify the necessity of strategic shareholdings in listed companies to keep the shareholdings to a minimum, and we will consider reducing the holdings of shares in stocks that are judged to have diminished significance by selling them or other means.

Changes in the Company's Strategic Holdings of Shares



Approach to Listed Group Companies

In accordance with the Group Company Management Regulations, our Company obliges its Group companies to consult with the supervisory divisions and the Head Office divisions of Kobe Steel and report on important matters, when they make important decisions. The Company also requires Group companies to obtain prior approval of its Board of Directors and the president for the disposal of assets exceeding a certain amount in value in order to ensure the integrated business operation of the Group. However, since listed companies need to maintain a certain level of managerial independence from the Company, the Company takes care not to bind the independent judgment

of the management of 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. Under this approach, two of the Company's subsidiaries are currently listed. Going forward, the Company will continue to examine how the ideal corporate group should be from the perspective of enhancing corporate value including the corporate governance of the Group.

Listed subsidiaries	Benefits of listing	Uniqueness of business	Independent directors
Nippon Koshuha Steel Co., Ltd.	<ul style="list-style-type: none"> Heightened employee motivation Highly skilled human resources Flexible fundraising from capital markets 	<ul style="list-style-type: none"> The company is responsible for part of the Group's special steel business (secondary processing of bearing steel products), but it has no business restrictions from the parent company and conducts its business activities independently. When doing business with our Company, the company shall obtain approval of the Board of Directors of the Company for transactions of high importance in accordance with the Regulations of the Board of Directors and the Guidelines for Handling Matters for Deliberation of the Board of Directors. Terms and conditions of transactions are determined in the same manner as for ordinary business transactions. 	The company has appointed two independent directors from the perspectives of protecting minority shareholders, improving management fairness, and increasing transparency. These two directors have never belonged to our Company or any of our Group companies that have a capital relationship with the Company.
Kobelco Wire Company, Ltd.	<ul style="list-style-type: none"> Heightened employee motivation Highly skilled human resources Flexible fundraising from capital markets 	<ul style="list-style-type: none"> As a secondary wire rod product manufacturer of our Group, the company undertakes the manufacture and sale of pre-cut steel wire, steel wire, stainless steel wire, wire rope, steel wire processed products, etc. It is a core company in the wire rod and bar business, but it has no business restrictions from the parent company and conducts its business activities independently. When doing business with our Company, the terms and conditions of transactions shall be competitive (in price, quality, delivery date, etc.) similar to those for ordinary business transactions. The Company decides on them after comprehensively taking into account the types of projects such as joint technical development, joint ventures, etc. 	The company has appointed two independent directors from the perspectives of protecting minority shareholders, improving management fairness, and increasing transparency. These two directors have never belonged to our Company or any of our Group companies that have a capital relationship with the Company.

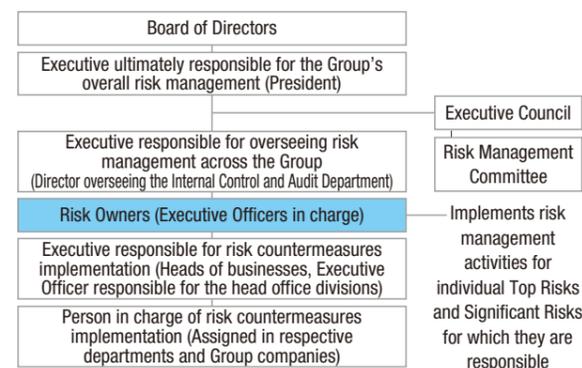
Risk Management

Basic Policy

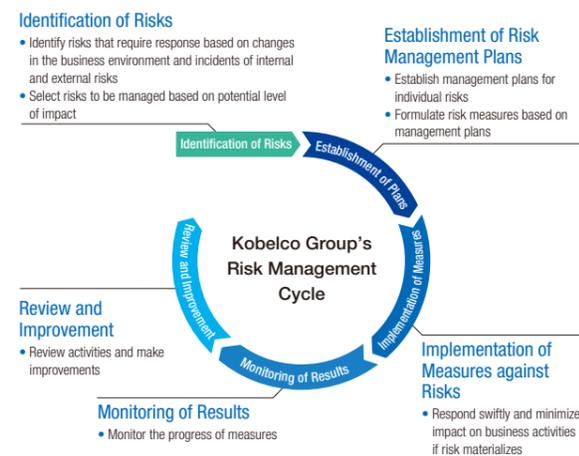
In accordance with the Companywide Risk Management Regulations and referring to the guidance issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as an international standard, we identify factors that hinder the Kobelco Group's sustainable development and enhancement of corporate value and take measures to address them. As targets for Companywide risk management, we designate 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.



Management Structure



The president 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 divisions 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 the committee members. The status of the activities of the Risk Management Committee are periodically reported to the Executive 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, 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 year. To ensure the effectiveness of our 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.

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.

Risk Management [▶ See ESG Data Book 2023: p. 92-93](#)

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 the initiatives as outlined below.

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.

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 carry out comprehensive and effective compliance activities throughout the Group.

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 these plans, and makes necessary revisions and improvements. The committee is comprised of the president, 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 the compliance committees.

(2) Kobelco Group's Compliance Program

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.

Compliance-Related Activities

Specifically, compliance-related activities include regular communication by top management about their commitment to compliance, creation of various manuals, implementation of compliance education, establishment/operation of internal reporting system, and regular implementation of compliance awareness surveys.

Compliance [▶ See ESG Data Book 2023: p.88-91](#)

Communication with Stakeholders

The Kobelco Group is committed to proactive communication with 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
Shareholders and Investors	Promote understanding of the Kobelco Group and enhance corporate value through timely and appropriate information disclosure	<ul style="list-style-type: none"> Active dissemination of information, including timely disclosure of information through integrated reports and convocation notices <p>Domestic and Overseas Institutional Investors</p> <ul style="list-style-type: none"> Individual meetings with institutional investors Briefings with a variety of themes including financial results, the progress of the Medium-Term Management Plan, ESG, and each of our businesses <p>Individual Investors</p> <ul style="list-style-type: none"> Provision of information on our corporate website <p>▶ For more information on dialogue with the capital market, please see our Company's corporate website (in Japanese only)</p> <p>https://www.kobelco.co.jp/about_kobelco/kobesteel/governance/files/capital_markets_22.pdf</p>
Customers	Improve product/service quality	<ul style="list-style-type: none"> Questionnaire surveys that request our customers to answer questions covering a wide range of subjects, including product quality, services, and delivery periods
Business Partners	Work together to build responsible supply chains with the aim of resolving various issues, including human rights and environmental issues	<ul style="list-style-type: none"> Notify our business partners of the Basic CSR Procurement Policy through briefings and video distribution Received letters of consent from major business partners regarding our policies <p>Building Responsible Supply Chains ▶ See p. 86</p>
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	<ul style="list-style-type: none"> Core Values of KOBELCO—Next 100 Project activities Human resource development Initiatives for human rights Initiatives for diversity and inclusion (D&I) Safety and health activities <p>The Core Values of KOBELCO—Next 100 Project, human resources strategy, safety and health, and human rights, ▶ See p. 78-84</p>
Community Members	<ul style="list-style-type: none"> Contribute to society as a member of the local community Innovate society through sports activities, including KOBELCO KOBELCO STEELERS' activities aimed at ensuring the connection and harmony with the local community and society, and various sports support activities 	<p>Social Contribution Activities</p> <ul style="list-style-type: none"> Kobelco Community Contribution Fund Established in 2006 to commemorate the 100th anniversary of our Company's founding. Providing support activities for children. Kobelco World Children Support Program Established in 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. Making donations every year. Kobelco Green Project—Kobelco Forest Fairy Tale Prize For the KOBELCO Forest Fairy Tale Prize, we solicit stories about forests from elementary, junior high, and senior high school students across Japan with the aim of helping children, who will lead the next generation, develop a feeling of cherishing the forest that offers various blessings of nature. The stories that win the Gold Prize are made into picture books and donated to schools, libraries, and other institutions under the jurisdiction of the sponsoring local government. <p>Contributions to Society through Sports</p> <ul style="list-style-type: none"> Promote various activities based on a business partnership agreement with Kobe City Engage in activities to develop healthy youth through rugby Promote activities to support various organizations through rugby

Communication with Stakeholders ▶ See ESG Data Book 2023: p. 99-101 "Community (Communication with Stakeholders)"

Participation in Sustainability Initiatives and External Evaluations

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

TCFD



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SDGs



SUSTAINABLE DEVELOPMENT GOALS

White Logistics Movement



「ホワイト物流」推進運動

賛同企業

Challenging Initiatives for 30% of Executives to be Women by 2030



30 Challenge

#HereWeGo2030

UN Global Compact



WE SUPPORT

Kobe Steel 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



行動宣言

多く女性の活躍を加速する男性リーダーの会

Declaration of Partnership Building



パートナーシップ構築宣言

GX League



GX League

External Evaluations (Listed below are only major ones as of August 2023.)

FTSE4Good Index Series



FTSE4Good

FTSE Blossom Japan Index



FTSE Blossom Japan

FTSE Blossom Japan Sector Relative Index



FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index



S&P/JPX カーボン エフィシエント 指数

MSCI Japan ESG Select Leaders

2023 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 Index (WIN)

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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CDP



DISCLOSURE INSIGHT ACTION

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

Platinum Kurumin



プラチナくらみん

PRIDE Index



work with Pride

Best Practice 2022

2023 White 500 Health and Productivity Management Organization



健康経営優良法人 ホワイト500

2023 Health & Productivity Stock Selection Program



健康経営銘柄

10-Year Financial and Non-Financial Data

Fiscal year		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
For the fiscal year (Millions of yen)	Net sales	1,824,698	1,886,894	1,822,805	1,695,864	1,881,158	1,971,869	1,869,835	1,705,566	2,082,582	2,472,508
	Operating profit	114,548	119,460	68,445	9,749	88,913	48,282	9,863	30,398	87,622	86,365
	Ordinary profit (loss)	85,044	101,688	28,927	(19,103)	71,149	34,629	(8,079)	16,188	93,233	106,837
	Profit (loss) attributable to owners of parent	70,191	86,549	(21,556)	(23,045)	63,188	35,940	(68,008)	23,234	60,083	72,566
	Cash flows from operating activities	194,294	153,078	97,933	141,716	190,832	67,136	27,040	194,798	168,809	119,692
	Cash flows from investing activities	(62,105)	(73,674)	(104,618)	(137,833)	(161,598)	(28,603)	(218,986)	(141,853)	(161,510)	(97,267)
	Cash flows from financing activities	(138,501)	(156,027)	93,883	16,545	(66,598)	(9,561)	140,589	118,444	(69,143)	(85,564)
	Capital expenditures	101,402	103,522	109,941	160,297	128,653	133,471	239,816	185,091	108,139	97,302
	Depreciation	82,936	89,881	94,812	96,281	102,032	102,589	105,346	100,856	105,147	112,505
	Research and development expenses	28,494	29,920	29,843	30,102	32,014	34,495	35,890	31,008	33,244	36,702
At fiscal year-end (Millions of yen)	Total assets	2,288,636	2,300,241	2,261,134	2,310,435	2,352,114	2,384,973	2,411,191	2,582,873	2,728,745	2,874,751
	Net assets	734,679	851,785	745,492	729,404	790,984	803,312	716,369	769,375	872,346	977,653
	Interest-bearing debt	748,138	650,991	776,073	789,632	726,013	724,221	784,478	785,761	655,154	590,526
	Interest-bearing debt including IPP project financing	787,246	677,447	789,493	796,927	738,865	760,364	906,639	987,808	908,442	861,814
Per share data ¹ (yen)	Net profit (loss)	226.2	238.1	(59.3)	(63.5)	174.4	99.2	(187.5)	64.0	160.2	183.8
	Net assets	1,841.10	2,137.00	1,903.80	1,860.36	2,049.95	2,041.29	1,811.10	1,958.57	2,066.48	2,314.31
	Cash dividends	40.00	40.00	20.00	—	30.00	20.00	0.00	10.00	40.00	40.00
Financial indicators	Return on assets (ROA) (%)	3.8	4.4	1.3	(0.8)	3.1	1.5	(0.3)	0.6	3.5	3.8
	Return on equity (ROE) (%)	11.9	12.0	(2.9)	(3.4)	8.9	4.8	(9.7)	3.4	7.9	8.4
	Return on invested capital (ROIC) (%)				0.8	4.5	2.8	0.9	1.1	4.7	4.9
	Equity ratio (%)	29.2	33.8	30.6	29.2	31.6	31.0	27.2	27.5	29.9	31.8
	Debt/equity (D/E) ratio (times) (excluding project financing)	1.11	0.88	1.10	1.17	0.98	0.98	1.19	1.11	0.80	0.65
	Dividend payout ratio (%)	17.7	16.8	—	—	17.2	20.2	—	15.6	25.0	21.8
Number of shares issued (in thousands)		3,643,642	3,643,642	3,643,642	364,364	364,364	364,364	364,364	364,364	396,346	396,346
Non-financial data											
Environmental	Reduction of CO ₂ emissions in production processes (compared to fiscal 2013 levels) (%) ^(Note)								21	16	20
	Contribution to reduction of CO ₂ emissions through technologies, products, and services (in million tons) ^(Note)						36.74	42.14	40.77	44.91	58.91 ²
	Water recycling rate (%) ^(Note)						96.0	95.9	95.9	95.7	96.2
	By-product recycling rate (%) ^(Note)						99.3	98.5	98.9	99.3	99.2
Social	Number of employees										
	Consolidated	36,019	36,420	36,338	36,951	37,436	39,341	40,831	40,517	38,106	38,488
	Non-consolidated	10,586	10,609	10,833	11,034	11,191	11,401	11,560	11,837	11,296	11,368
	Men	9,891	9,881	10,090	10,241	10,304	10,422	10,528	10,750	10,231	10,284
	Women	695	728	743	793	887	979	1,032	1,087	1,065	1,084
	Non-Japanese ^(Note)	34	40	57	60	70	69	85	87	76	74
	Percentage of female managers (non-consolidated) ³ (%) ^(Note)	1.2	1.4	1.5	1.6	1.9	2.4	2.6	2.7	2.8	3.0
	Employment rate of people with disabilities (non-consolidated) ⁴ (%) ^(Note)	2.02 (1.8)	2.28 (2.0)	2.31 (2.0)	2.38 (2.0)	2.30 (2.0)	2.35 (2.2)	2.37 (2.2)	2.34 (2.2)	2.56 (2.3)	2.64 (2.3)
	Number of new graduates employed (non-consolidated)										
	Men	336	294	362	344	421	350	315	349	254	224
	Women	19	14	26	50	64	50	52	38	39	25
	Number of employees taking childcare leave (non-consolidated) ⁵										
	Men	0	1	5	7	8	13	35	48	82	142
	Women	45	48	38	54	40	40	58	63	49	31
	Percentage of employees returning from childcare leave (non-consolidated) (%)	89.5	100.0	94.7	96.0	96.7	98.2	100.0	99.1	99.0	99.4
	Turnover of employees with less than 3 years of service (non-consolidated) ⁶ (%) ^(Note)	9.0	5.2	12.1	12.8	10.7	15.3	16.6	11.9	10.2	4.0
	Turnover of employees with less than 10 years of service (non-consolidated) ⁷ (%) ^(Note)	11.9	13.2	14.5	13.1	13.4	18.9	19.1	15.8	19.5	20.0
Overtime (non-consolidated) (hours per month/employee) ^(Note)	20.2	22.9	22.7	16.5	18.4	18.4	17.7	16.6	17.2	16.5	
Number of annual paid leave days taken (non-consolidated) (days per year/person) ^(Note)	8.4	9.1	11.8	14.9	15.5	16.3	17.0	11.0	13.9	17.0	
Total hours worked (non-consolidated) ^(Note)								2,080	1,978	2,057	2,050
Employee training ⁸											
Total hours of training (across all employees) ^(Note)									364,545	349,585	408,216
Average hours of training per employee ^(Note)									30.8	30.9	35.9
Occupational safety and health											
Lost time injury frequency rate ⁹ (%) ^(Note)	0.17	0.36	0.32	0.26	0.31	0.26	0.19	0.28	0.22	0.24	
Governance	Compliance										
	Number of internal reporting (whistleblowing) cases ^(Note)							119	112	113	111

Note: Indicators and targets for materiality. For some items, data for fiscal 2020 or earlier are also retroactively listed.

1 The Company carried out a 1-for-10 reverse stock split of its shares on October 1, 2016. Per share data has been recalculated assuming that the reverse stock split had been carried out at the beginning of fiscal 2013.

2 The latest coefficients were used in the calculation of contributions to reduction of CO₂ emissions through technologies, products, and services. These coefficients have been revised for the calculation for fiscal 2022.

3 At Kobe Steel, managers or higher positions are defined as managerial positions.

4 Figures in parentheses are the statutory employment rate.

5 The period of the Company's childcare leave is up to three years. The number of employees includes those who continue to be on leave from the previous fiscal year.

6 The figure shows the percentage of those who left the Company with less than three years of continuous service, among the employees who joined the Company during these fiscal years through the regular hiring process.

7 The figure shows the percentage of those who left the Company with less than 10 years of continuous service, among the employees who joined the Company during these fiscal years through the regular hiring process.

8 Regarding employee training, the figures for fiscal 2020 and 2021 have been revised due to changes in the calculation method (with the addition of e-learning and training programs conducted at business locations).

9 Regarding the lost time injury frequency rate, the figures for fiscal 2020 and 2021 have been revised due to changes in the calculation method (recalculated on a fiscal year basis).

Results by Operating Segment (Fiscal 2018–2022)

Steel & Aluminum <small>(Billions of yen)</small>					
Fiscal year	2018	2019	2020	2021	2022
Net sales	—	780.2	696.3	914.9	1,105.1
Ordinary profit (loss)	—	(16.5)	(22.6)	37.5	41.9
Total assets	—	1,022.4	1,000.3	1,089.0	1,185.4
Depreciation	—	56.0	57.2	57.4	57.6
Research and development expenses	—	7.5	6.4	6.2	6.3
Capital expenditures	—	62.4	69.2	27.1	33.4
Number of employees (consolidated)	—	—	12,424	11,828	12,268
Crude steel production (Mt)	—	6.50	5.81	6.59	6.19
Sales volume of steel products (Mt)	—	5.30	4.73	5.27	4.98
Average steel selling price (Yen per ton)	—	86,900	82,300	105,600	140,100
Sales volume of aluminum rolled products (Kt)	—	299	305	343	337

Note: From fiscal 2020, the reporting segments have been changed due to the rearrangement of the corporate structure and performance management units. Accordingly, the figures for fiscal 2019 or later have been adjusted in accordance with the new segments. Regarding figures for the former segments in fiscal 2018 or earlier, please refer to Integrated Report 2020.

Advanced Materials <small>(Billions of yen)</small>					
Fiscal year	2018	2019	2020	2021	2022
Net sales	—	297.1	238.1	333.2	277.7
Ordinary profit (loss)	—	(25.2)	(12.1)	5.1	0.9
Total assets	—	277.1	256.0	244.4	270.4
Depreciation	—	15.7	10.2	11.3	10.5
Research and development expenses	—	3.5	2.6	2.5	1.6
Capital expenditures	—	27.0	14.2	8.2	8.0
Number of employees (consolidated)	—	—	6,080	4,469	4,489
Sales volume of aluminum extrusions (Kt)	—	34	31	36	34
Sales volume of copper rolled products (Kt)	—	53	48	60	54

Note: From fiscal 2020, the reporting segments have been changed due to the rearrangement of the corporate structure and performance management units. Accordingly, the figures for fiscal 2019 or later have been adjusted in accordance with the new segments. Regarding figures for the former segments in fiscal 2018 or earlier, please refer to Integrated Report 2020.

Welding <small>(Billions of yen)</small>					
Fiscal year	2018	2019	2020	2021	2022
Net sales	83.9	83.7	70.0	76.9	88.4
Ordinary profit	3.6	2.9	1.7	2.7	2.8
Total assets	78.5	79.6	77.6	79.4	86.4
Depreciation	2.2	2.4	2.4	2.5	2.3
Research and development expenses	3.7	4.0	2.9	3.1	3.8
Capital expenditures	2.3	2.6	2.1	1.3	1.6
Number of employees (consolidated)	2,560	2,587	2,514	2,445	2,384
Sales volume of welding materials (Kt)	298	288	242	258	248

Machinery <small>(Billions of yen)</small>					
Fiscal year	2018	2019	2020	2021	2022
Net sales	171.4	165.9	175.3	166.8	186.9
Ordinary profit	1.2	9.6	11.4	12.5	14.3
Total assets	171.9	184.7	181.3	190.9	212.7
Depreciation	6.1	5.6	5.2	5.2	5.5
Research and development expenses	2.7	3.5	3.8	3.6	5.4
Capital expenditures	4.1	4.8	4.1	4.0	6.2
Number of employees (consolidated)	4,094	4,278	4,661	4,716	4,881
Orders	171.7	151.6	133.1	206.6	249.3

Note: Orders in fiscal 2018 and 2019 are calculated including Kobe Steel and its major consolidated subsidiaries. Orders from fiscal 2020 onward are calculated including Kobe Steel and all of its consolidated subsidiaries.

Engineering <small>(Billions of yen)</small>					
Fiscal year	2018	2019	2020	2021	2022
Net sales	151.7	141.5	136.1	135.6	145.2
Ordinary profit	6.5	5.7	4.4	7.7	4.1
Total assets	137.3	139.0	123.8	132.5	144.9
Depreciation	2.0	1.8	1.6	1.6	1.5
Research and development expenses	2.3	2.4	2.1	2.3	3.5
Capital expenditures	2.7	1.8	1.6	1.4	2.8
Number of employees (consolidated)	3,523	3,584	3,524	3,553	3,772
Orders	122.6	134.5	113.4	208.5	157.5

Note: Orders in fiscal 2018 are calculated at the time of sale, which include orders for the long-term operation and maintenance of water treatment and waste treatment facilities of Kobelco Eco-Solutions Co., Ltd. Orders from fiscal 2019 onward are calculated at the time of contract award.

Construction Machinery <small>(Billions of yen)</small>					
Fiscal year	2018	2019	2020	2021	2022
Net sales	386.0	360.8	333.1	371.6	381.7
Ordinary profit	25.5	7.5	12.7	12.0	12.3
Total assets	358.6	341.0	334.6	361.9	408.5
Depreciation	12.3	12.9	12.8	13.8	12.5
Research and development expenses	6.5	6.9	6.4	8.4	9.1
Capital expenditures	13.5	13.5	10.4	9.8	13.8
Number of employees (consolidated)	7,487	7,765	7,917	7,829	7,550
Unit sales of hydraulic excavators (Units)	26,600	26,600	26,600	28,100	24,600
Unit sales of crawler cranes (Units)	448	399	320	321	289

Electric Power <small>(Billions of yen)</small>					
Fiscal year	2018	2019	2020	2021	2022
Net sales	76.1	75.6	80.4	109.8	324.3
Ordinary profit (loss)	(0.3)	8.9	20.6	13.2	24.5
Total assets	123.2	251.6	321.3	397.8	470.2
Depreciation	5.8	7.6	8.4	10.3	19.5
Research and development expenses	—	—	—	—	—
Capital expenditures	20.1	123.5	81.1	52.9	27.8
Number of employees (consolidated)	244	255	263	272	287

Other Businesses <small>(Billions of yen)</small>					
Fiscal year	2018	2019	2020	2021	2022
Net sales	42.0	33.6	27.8	28.8	27.5
Ordinary profit	2.3	3.3	4.2	7.0	6.3
Total assets	57.0	54.8	56.1	59.8	58.7
Depreciation	1.6	1.2	0.5	0.5	0.6
Research and development expenses	1.0	0.9	0.7	0.9	0.8
Capital expenditures	3.3	1.4	0.8	0.5	1.0
Number of employees (consolidated)	1,643	1,651	1,637	1,542	1,432

Corporate Data and Stock Information (As of March 31, 2023)

Corporate Profile

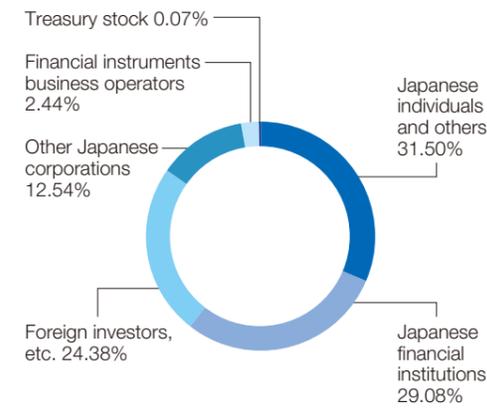
Company name:	Kobe Steel, Ltd. (Japanese Name: Kabushiki Gaisha Kobe Seikosho)
Group brand:	KOBELCO
Founded:	September 1, 1905
Incorporated:	June 28, 1911
Capital:	¥250.9 billion
Total assets:	¥2,874.7 billion
Employees:	38,488 (consolidated) 11,368 (non-consolidated)

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

Stock Information

Authorized:	600,000,000 shares
Issued:	396,345,963 shares
Number of shareholders:	174,580
Record date:	March 31 every year
Share unit number:	100
Listings:	Tokyo Stock Exchange, Prime Market (Ticker Code: 5406) Nagoya Stock Exchange, Premier Market (Ticker Code: 54060)
Transfer agent & office:	Mitsubishi UFJ Trust and Banking Corporation
Accounting auditor:	KPMG AZSA LLC

Breakdown of Shareholders by Investor Type



Major Shareholders (As of March 31, 2023)

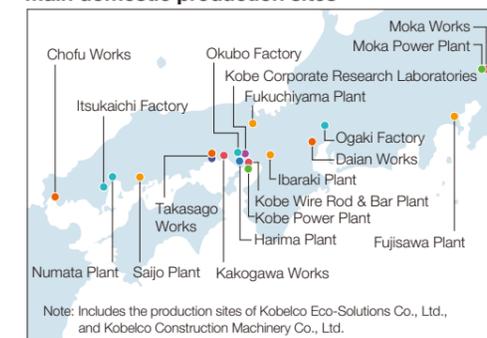
Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	62,777	15.85
Custody Bank of Japan, Ltd. (Trust Account)	17,876	4.51
Nippon Steel Corporation	10,735	2.71
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS ACCT	7,572	1.91
BNYM AS AGT/CLTS NON TREATY JASDEC	6,634	1.67
Nippon Life Insurance Company	5,447	1.38
Kobelco Employee Stock Ownership Plan	4,891	1.23
BNYM SA/NV FOR BNYM FOR BNYM GCM	4,584	1.16
STATE STREET BANK WEST CLIENT-TREATY 505234	4,545	1.15
SHIMABUN Corporation	4,420	1.12

Note: Shareholding ratio is calculated excluding treasury shares (265,237 shares).

Global Locations (As of March 2023)



Main domestic production sites*

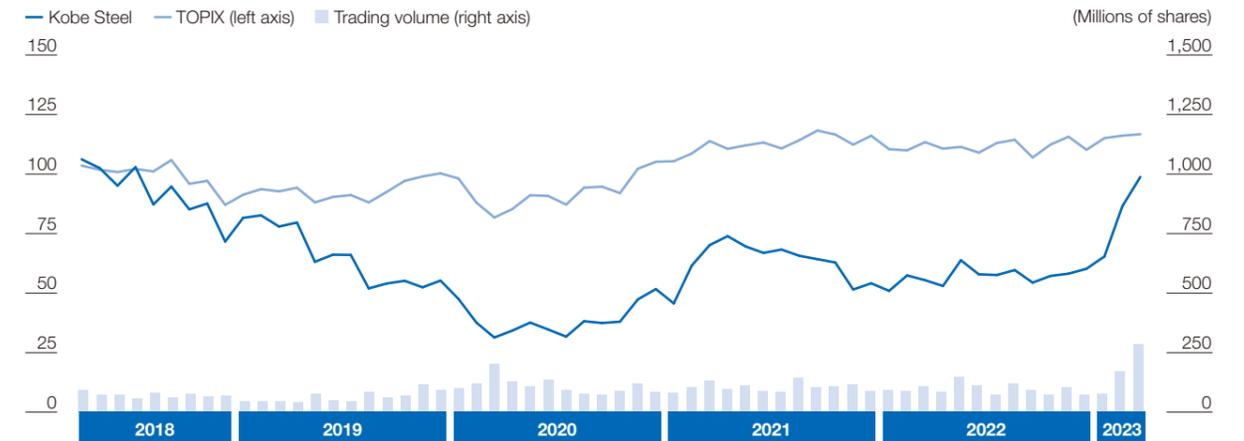


For more details, please visit our Group website.

Kobe Steel's Business Locations
https://www.kobelco.co.jp/english/about_kobelco/kobesteel/locations/index.html

Kobelco Group Companies
https://www.kobelco.co.jp/english/about_kobelco/group/index.html

Stock Price and Trading Volume



Note: Kobe Steel's stock price and TOPIX are indexed with closing prices in March 2018 equal to 100.

About Our ESG Data Book

For more details on our sustainability initiatives, please see ESG Data Book and our Company's website.

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



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



Please let us hear your comments on this report.

Questionnaire

Inquiries
 General Administration and CSR Department,
 Kobe Steel, Ltd.

KOBELCO



This report uses environment-friendly ink and paper.