



03

Promotion of Sustainability Management

Framework for Promoting Sustainability Management

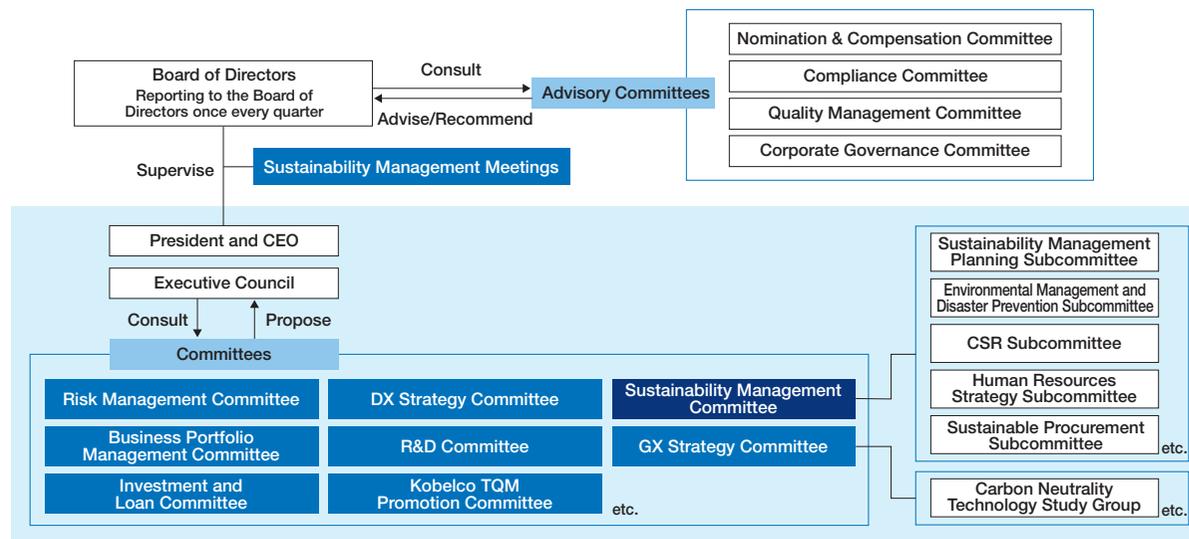
Promotion of Kobelco Group's Sustainability Management

With a firm resolve to achieve sustainable growth by providing solutions to the needs of society through our business activities, the Kobelco Group is working to further enhance corporate value by fulfilling its corporate social responsibilities and addressing societal challenges through the provision of enhanced technologies, products, and services.

Our Group's sustainability management is promoted by the Sustainability Management Committee and various other committees that serve as auxiliary bodies to the Executive Council. In fiscal 2025, we reviewed the structure of the subcommittees under the Sustainability Management Committee and established a new Sustainability Management Planning Subcommittee to further advance sustainability management. Additionally, we set up a new Sustainable Procurement Subcommittee, which undertakes procurement-related activities that were previously handled by the CSR Subcommittee, to further enhance our supply chain initiatives.

In fiscal 2024, we strengthened the Board of Directors' monitoring function by forming the Sustainability Management Meetings, comprised of all directors, as a forum to share understanding and exchange opinions on our Group's major sustainability activities with executives, including those from business divisions, on a regular basis.

Organization and structure for promoting sustainability management



Materiality-Oriented Sustainability Management Initiatives

In 2021, our Group identified five items of materiality (key issues) that we address over the medium to long term. We have set indicators and targets for each materiality item in order to take more concrete steps toward achieving what we aim for. The progress is monitored by the Sustainability Management Committee.

The indicators and targets set for materiality, as well as their progress, are reported and discussed at the Sustainability Management Meetings to promote our Group's sustainability management.

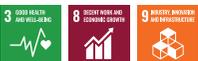
Sustainability Management Committee

Chair (responsible officer): Hajime Nagara, Executive Vice President and Representative Director
 Reporting to the Board of Directors: Once every quarter
 Meetings: Once every quarter

Functions:

- Identify sustainability-related issues
- Create the schedule for sustainability promotion activities
- Advise on the Group's Medium-Term Management Plan
- Monitor and advise on sustainability promotion activities
- Announce information on the initiatives that the Company supports and promote relevant activities
- Take the necessary actions for external ESG-related evaluations

Materiality-Related Non-Financial KPIs

Kobelco Group's Materiality		Indicators and Targets		Actual (FY2023)	Actual (FY2024)
		Indicators	Targets		
<p>Contributing to a green society</p> 	Response to climate change	(1) Reduction of CO ₂ emissions in production processes	2030: 30–40% reduction (compared to FY2013) 2050: Taking on the challenge of realizing carbon neutrality	20% reduction	22% reduction
		(2) Contribution to reduction of CO ₂ emissions and net sales of related products	Contribution to CO ₂ reduction: 78 million tons in 2030 and 100 million tons or more in 2050 Net sales of related products: 550 billion yen in FY2030	61.18 million tons 402.1 billion yen	62.35 million tons 394.5 billion yen
		(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	—	—
	Response to resource recycling	(4) Water recycling rate	Water recycling rate: 95% or higher	95.9%	96.0%
		(5) Water pollutant (COD, TP) load in restricted areas	Water pollutant load • COD: 474 tons/year or less • Total phosphorous: 23 tons/year or less	COD: 227 tons Total phosphorous: 7 tons	COD: 220 tons Total phosphorous: 7 tons
		(6) Disclosure based on the TNFD recommendations	—	—	Scoping and disclosure of L (Locate) and E (Evaluate) of the LEAP approach
<p>Ensuring safety and security in urban development and manufacturing</p> 	Supplying energy focused on S+3E ¹	(7) Continuous stable supply of electricity	Continuous stable supply of electricity	Ongoing	Ongoing
	Providing materials and machinery that meet needs	(8) Percentage of eco-friendly products in steel products	FY2024: 22% FY2026: 22% → FY2030: 25%	19%	23%
		(9) Percentage of low-CO ₂ raw materials in aluminum rolled products	FY2024: 86% FY2026: 90% → FY2030: 100%	76%	85%
		(10) Advanced materials: Percentage of environmental products in net sales	FY2024: 29%, FY2025: 29%, FY2026: 32%	30%	31%
		(11) Percentage of orders for environment-related machinery products (decarbonization, LNG, etc.)	FY2024: 23% FY2030: 25%	31%	16% ²
		(12) Total domestic unit sales of ICT construction machinery	FY2024: 400 units or more FY2026: 1,000 units or more	400 units or more	400 units or more
		(13) Percentage of welding solution products in sales	FY2024: 23% FY2026: 25%	22%	24%
<p>Providing solutions for the future connecting people and technology</p> 	Manufacturing and operational transformation through digitalization (DX)	(14) Employee awareness survey results on DX	FY2024: Begin survey/set targets ³ FY2026: Study based on the set targets	— (Before activities)	68%
	Integration and innovation of diverse intellectual assets	(15) Number of ideas for new businesses	Every year: 10 cases/year	— (Before activities)	7 cases

¹ S+3E = Safety + Energy Security, Economic Efficiency, and Environment

² Despite the slowdown in the carbon neutrality trend, we are making steady progress in R&D and verification while closely monitoring market conditions.

³ The percentage of employees who feel they are ready to promote DX is used as a materiality indicator.

Kobelco Group's Value Creation

Management Strategy for Value Creation

Promotion of Sustainability Management

Business Foundation

Operating Results by Segment

Data Section

Materiality-Related Non-Financial KPIs

Kobelco Group's Materiality		Indicators and Targets		Actual (FY2023)	Actual (FY2024)
		Indicators	Targets		
Promoting active participation of diverse human resources 	Enhancing organizational diversity	(16) Percentage of women in new graduate hires for career-track positions	Every year: Career-track administrative positions: 50% or more Career-track technical positions: 15% or more	Administrative: 44% Technical: 13%	Administrative: 42% Technical: 8%
		(17) Percentage of women in new graduate hires for general technical positions and their turnover	Every year: Percentage of women in new graduate hires: 10% or more; Turnover rate within five years: 15% or less	Percentage of women in new hires: 9% Turnover rate: 26.3%	Percentage of women in new hires: 6% Turnover rate: 26.6%
		(18) Number of female managers	FY2026: 100 female managers	74 people	86 people
	Creating a work environment where employees can play active roles	(19) Percentage of male employees taking paternity leave or special leave for childcare	Every year: 100% or higher	167.8%	157.4%
		(20) Number of annual paid leave days taken	15 days (per year/employee)	18.0 days	16.8 days
	Encouraging the growth and initiative of every employee	(21) Instilling the Group Corporate Philosophy	Every year: 80% or higher positive response rate for related questions in the employee awareness survey	77–79%	79–80%
(22) Improving and expanding employee training		FY2026: 40 hours or more average hours of training per employee	33.0 hours	44.2 hours	
Pursuing governance that supports sustainable growth 	Compliance and risk management	(23) Whistleblowing system usability	Positive response rate for related questions in the employee awareness survey FY2026: 85% or higher	76.1%	77.7%
	Human rights	(24) Companies implementing human rights due diligence	Supply chain (SC): Approx. 330 companies ⁴ Group companies: Domestic 83 companies Overseas 41 companies ⁴	SC: completed Domestic: 3 companies Overseas: 18 companies	SC: completed Domestic: 34 companies Overseas: 29 companies
	Safety and health	(25) Lost time injury frequency rate	Every year: 0.10 or less	0.31	0.27
	Quality assurance	(26) Percentage of business sites certified under the Quality Guidelines	FY2025: 100%	67%	84%
	TQM	(27) Kobelco TQM practical management program completion rate	FY2025: 100% of line managers FY2027: 100% of managers and eligible employees of Group companies	—	78% of line managers (non-consolidated) Program for managers starts in FY2025

⁴ The number of companies that implement human rights due diligence by fiscal 2026.



Roundtable Discussion among the Chair of the Sustainability Management Committee and Independent Directors

Sustainability Management Today and Tomorrow

—A vision for creating a Kobelco Group that continues to take on new challenges and achieve sustainable growth—

Kobelco Group's Sustainability Management

Nagara 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 regularly assess and improve our practices based on external ESG evaluations and

consistently implement our responsibilities as a company. Our policy is to maintain this approach while ensuring its effectiveness through external reviews.

Kitagawa As you mentioned, sustainability management is a prerequisite for a company's continued existence. It is essential for companies to gain acceptance from stakeholders, which include shareholders and investors, customers, business partners, local community members, and employees,

while fostering trust-based relationships with them. We can deem a corporation truly sustainable if it can implement these basic things with sincerity. I was appointed as an independent director during a time when the impact of the quality-related misconduct was still evident. Now the Company has developed a stable earning base in the electric power business and other segments, and management is taking a more aggressive approach. Even if the materials businesses underperform, the Company's



Shinsuke Kitagawa
Independent Director



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



Yoshie Tsukamoto
Independent Director



Roundtable Discussion among the Chair of the Sustainability Management Committee and Independent Directors

earnings will be supported by the machinery and electric power businesses. This portfolio management is a significant strength of the Group. I believe the Company is now entering a phase of integrating and increasing the potential of each segment, moving past the phase of simply adding up the profits of each segment. Under the Medium-Term Management Plan (Fiscal 2024–2026), we are promoting KOBELCO-X that aims to create synergies across business divisions, with both management and employees aligned in the same direction.

Tsukamoto I observe that the Group's sustainability efforts are steadily progressing. Generally, sustainability management consists of three stages: (1) ensuring compliance with laws and regulations; (2) integrating sustainability into business strategies; and (3) achieving differentiation (demonstrating uniqueness). The Group has implemented the stage (1) above and is committed to portfolio management while working to create its own unique value. The Company's commitment to creating new value through the integration of different businesses and technologies is a noteworthy initiative that highlights the uniqueness of the Kobelco Group. An example of this is the hybrid-type hydrogen gas supply system developed through the integration of technologies of the machinery and engineering businesses and Kobelco Eco-Solutions Co., Ltd. I believe that this approach

is creating a fundamental competitive advantage for the Company, not simply addressing ESG issues.

Nagara These efforts are expanding beyond the Board of Directors to include the Sustainability Management Meetings established last year, along with other meeting bodies. These meetings serve as a forum for comprehensive discussions on medium-to long-term management issues, fostering active discussions.

Kitagawa The Sustainability Management Meetings cover a wide range of topics, including trends in ESG-related disclosure regulations, human capital, and information disclosure policies. Thanks to the materials provided in advance, we can engage in a productive exchange of opinions, allowing us independent directors to enhance our understanding beforehand.

Tsukamoto The meetings offer excellent opportunities for learning. As an independent director, I am able to gain a better understanding by engaging in discussions that help integrate my external perspectives with the insights obtained from internal interactions. I believe that these dialogues will lead to corporate growth and business scale-up.



Manufacturing capabilities, technical expertise, and human resources as non-financial capital strengths

Nagara Since I became a director in 2020, the Group has undergone significant changes. What I have come to realize is the difficulty of creating new value through the integration of various businesses and technologies. However, instead of succumbing to these difficulties, both management and employees have embraced a positive mindset focused on overcoming any challenges. The past 120 years have presented continuous challenges for the Group. Our Group has a history of undertaking challenging endeavors to develop Japan's first or even the world's first technologies, experiencing

Roundtable Discussion among the Chair of the Sustainability Management Committee and Independent Directors

both success and failure along the way. I believe that this represents the true essence of the Group.

Kitagawa The Group, as an entity that supports the social infrastructures, has maintained a solid presence while evolving flexibly to meet the changing times. Business development is also progressing steadily and firmly. In terms of carbon neutrality initiatives, the Company has adopted a realistic approach by carefully assessing its capabilities and responsibilities while also considering social trends and its financial condition. This effort is bolstered by the manufacturing capabilities of each business division. For example, the K-DIVE® remote operation system for construction machinery helps address labor shortages by utilizing digital technologies. In the semiconductor sector, a newly established



Companywide semiconductor working group has enabled a strategic provision of a diverse array of technologies, products, and services from both the materials and machinery businesses. I believe that collaboration and fusion of technologies and human resources from various fields could lead to unprecedented innovations. It will be important for the Company to further develop this potential and establish it as a competitive edge.

Tsukamoto Although I have only recently been appointed, I firmly believe that, as both of you have mentioned, manufacturing capabilities, technical expertise, and knowledgeable human resources are important non-financial capital that supports the Group. The Company should leverage these strengths to further promote value creation through the integration of various technologies. From a marketing perspective, it is also crucial to effectively communicate the strengths of the Kobelco Group. Rather than simply emphasizing the strengths, I believe that stakeholders would find it more appealing if we could convey the value the Kobelco Group provides and the benefits it offers. By clearly articulating this value, particularly in relation to its manufacturing and technical capabilities, we can make our message even more compelling. The Group envisions “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. By positioning safety and security as the cornerstone of all the technologies and solutions, the Kobelco brand can provide greater value to customers.

Further enhancing the transformation spurred by KOBELCO-X

Nagara The purpose and significance of KOBELCO-X has been widely instilled in employees, supported by President Katsukawa’s unwavering commitment to promoting this transformation initiative across the Group. To further accelerate momentum, all members including executives, must swiftly enter the next phase of raising awareness, reassessing work styles, and changing behavior. One way to achieve this is through the promotion of digital transformation (DX). The management team has also begun to utilize generative AI. Expanding these efforts to the production sites will lead to further improvements in manufacturing capabilities.

Kitagawa As Mr. Nagara mentioned, transformation is steadily progressing through DX and the use of AI. In addition to these, the development of human resources will become increasingly important in the future. As the labor market is becoming more advantageous for job seekers, we face the challenge

Roundtable Discussion among the Chair of the Sustainability Management Committee and Independent Directors

of securing and developing skilled personnel. The Company needs to implement human resources strategies, including improving compensation and benefits and reviewing existing systems. It is also essential to make strategic and balanced investments in basic research and technological development, focusing on future growth sectors. I believe that promoting these initiatives through collaboration across the entire Group will lay the foundation for sustainable corporate growth.

Tsukamoto KOBELCO-X is a wide-ranging Companywide initiative that encompasses business transformation, customer experience transformation, digital transformation, and factory transformation. To move forward with these transformations, it is important to see things from the customer's perspective and share the benefits and outcomes of these initiatives throughout the organization. When each individual clearly understands the value of their contributions, their sense of purpose and fulfillment will naturally grow. I expect that both the internal and external acknowledgment of the results from these initiatives will further accelerate the Group's evolution.

Remaining a company that continues to be chosen

Kitagawa To achieve sustainable growth, the



Company must expand its operations overseas more aggressively by leveraging the strengths of its diverse businesses, rather than tackling challenges on a single business unit basis. While solidifying its domestic position, the Company should also pursue business partnerships and M&A overseas to demonstrate its comprehensive strengths. I believe this will be the key to future success.

Tsukamoto To remain a company of choice, a company must effectively communicate its unique appeal and presence both internally and externally. In particular, a company capable of promoting portfolio management can grasp customer issues from various perspectives and provide integrated solutions. This capability is a significant factor that sets the company apart. The Group possesses many

hidden gems. I believe that it is our responsibility, as those involved in management, to polish them and create an environment where they can shine.

Nagara Through the promotion of portfolio management, the Company has steadily strengthened its earning power, which has been a long-standing challenge. To sustain and further develop this progress, the Group must leverage its key strength: its globally competitive human resources. As part of this effort, it is essential to create an organizational culture and systems that allow us to provide solutions to the needs of society by making the best use of the talents of our employees and our technologies, as stated in the Group Corporate Philosophy. The momentum among employees is also on the rise. We are confident that the Group is on track to successful transformation and deliver exciting results to all stakeholders.

Environmental Management

For details, please see Basic Environmental Management Policy and Structure, Appropriate Management of Water Resources, Resource Recycling and Reduction of Environmental Impacts on pages 11–13, 32–40 of ESG Data Book 2025.

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

Basic Environmental Management Policy

Through environmental management based on three Visions, we aim to contribute to a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

Basic Environmental Management Policy

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



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

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

Response to Resource Recycling (Appropriate Management of Water Resources)

Basic Policy

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

Additionally, we recognize that the environment and living organisms in public waters may be impacted by the violation of environmental laws and regulations, ordinances, and agreements pertaining to wastewater. To address wastewater risks, we not only comply with regulations but also strive to reduce the discharge of

pollutants into public water areas by cleaning up wastewater from the production process with a treatment system suitable for the characteristics of the wastewater.

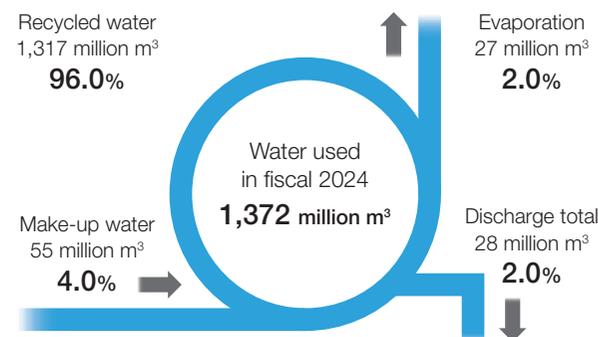
* Aqeduct is a global water risk mapping platform that identifies and evaluates water risks around the world.

Targets and Results

As management indicators for our initiatives, we have set targets for the water recycling rate, chemical oxygen demand (COD), and phosphorus pollution load, and we have achieved all the targets.

Water Recycling Status

(including domestic Group companies with significant water use)



Water Recycling Rate and Wastewater Pollution Load

Category	Target	Fiscal 2022	Fiscal 2023	Fiscal 2024
Water recycling rate	95% or higher	95.8%	95.9%	96.0%
Pollution load	COD	474 tons/year or less	213 tons/year	227 tons/year
	Total phosphorus	23 tons/year or less	4 tons/year	7 tons/year

Biodiversity

For details, please see Biodiversity on pages 41–46 of ESG Data Book 2025.

The Kobelco Group has long recognized the importance of conserving the Earth's diverse ecosystems as a central theme in its environmental activities. In December 2010, we formulated the Kobelco Biodiversity Guidelines, which consist of five principles. Based on these, we are working to conserve and contribute to biodiversity through our business activities. We are also taking steps to disclose information in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

Governance

To promote internal management of risks and opportunities related to biodiversity, we have established the Biodiversity Response Team within the Environmental Management and Disaster Prevention Subcommittee under the Sustainability Management Committee. The findings from the reviews and activities of the Biodiversity Response Team are reported to the Executive Council through the Sustainability Management Committee.

Strategy

We use IBAT* to assess the potential impacts of the Kobelco Group's production site operations on regions critical for preserving the biodiversity of the surrounding area. Our assessment has confirmed that there are no high conservation value areas within a three-kilometer radius.

We also conducted an assessment on water stress using WRI Aqueduct and found that none of the Group's business sites or Group companies in Japan are located in regions of high water stress or above.

We conducted an IBAT assessment targeting our material suppliers operating major iron ore and coal mines related to our large-scale steel projects. The results show that some are located close to protected areas.

We have confirmed that these mines are working to protect biodiversity.

* IBAT (Integrated Biodiversity Assessment Tool) is a tool that can access basic data and the latest information on nature conservation.

Management of Risks and Impacts

We have envisioned the relationship between the characteristics of the Group's businesses and the future form of society, and organized the main risks and opportunities associated with our dependencies and impacts on nature as shown in the table below.

Risks and Opportunities Stage of Value Chain	Dependencies and impacts	Risks and opportunities	Response measures
Physical risks (acute and chronic) Upstream value chain and direct operations	Climate adjustment, disaster mitigation	Supply chain disruptions due to flooding Flooding and storm surge damage at production sites	<ul style="list-style-type: none"> Securing multiple procurement sources and maintaining sufficient raw materials stocks Implementing physical measures against floods and storm surges, and improving BCP continuously
Physical risks (acute) Direct operations	Supply of water resources	A decline in operating rates due to difficulties in securing sufficient water for maintaining business continuity at Group companies located in certain overseas regions faced with heightened water stress	Assessing the status of water stress and improving water recycling rates according to the risk level
Transition risks (policies) Direct operations	Waste and recycling	Response to government policies that promote the reuse of recycled resources	Horizontal recycling of raw materials
Transition risks (policies) Upstream value chain	Alteration of terrestrial ecosystems	Supply chain disruptions due to the expansion of protected areas in line with the 30by30 policy, etc.	Diversifying raw material suppliers
Transition risks (markets and technologies) Direct operations and downstream value chain	Impacts of resource use over the life cycle	Changes in product demand due to increased demand from customers for recycled materials	Horizontal recycling of raw materials
Opportunities (markets, products and services) Downstream value chain	Reducing the impact of resource use over the life cycle	Increased demand for products with low GHG emissions and nature-related certifications	Expanding sales of Kobenable® Steel and Kobenable® Aluminum Expanding sales of the MIDREX® Process

Measurement Indicators and Targets

To assess the impact of our business on the natural environment, we have set the following indicators and targets for management.

- Water quality: COD load 474 tons/year, total phosphorous load 23 tons/year
- Water resources: water recycling rate: 95% or higher
- Nature opportunities: Contribution to reduction of CO₂ emissions: 78 million t-CO₂ (fiscal 2030)
Sales of products that contribute to CO₂ reduction of CO₂ emissions: ¥550 billion (fiscal 2030)

Technical Development



Koichi Sakamoto
 Director, Executive Officer
 Oversees companywide
 technical development

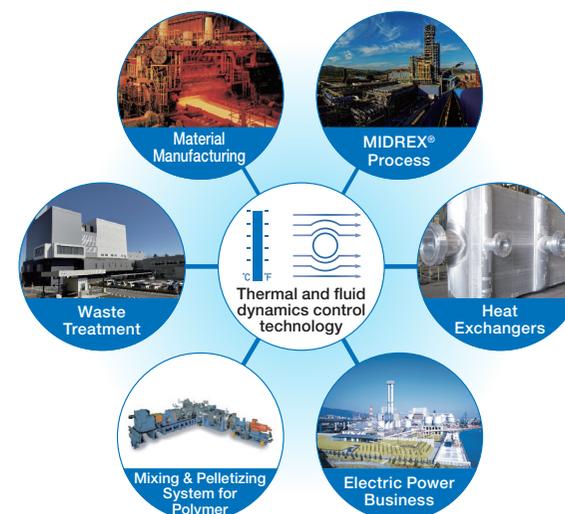
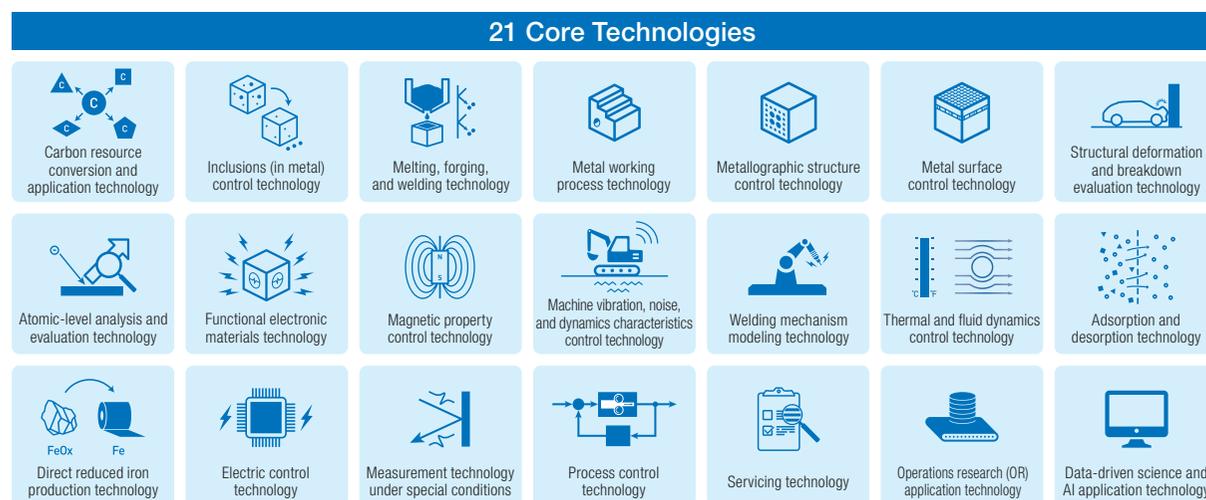
Creating New Value by Harnessing Our Broad Range of Expertise

Over the years, the Technical Development Group has cultivated a diverse range of technologies through R&D activities in various business fields, including materials, machinery, and electric power. The technological assets that support the creation of distinctive products and our advanced *monozukuri* (manufacturing) capabilities are represented by the following 21 core technologies. The Kobelco Group is creating new value by strengthening and integrating these technologies.

Our 21 core technologies have been developed as technologies shared across the Company's business segments and constitute an integral part of various products. A key strength of the Group is the intersegmental utilization of technology developed by one business segment, facilitating the development of new technologies and the creation of new value across businesses.

Among these core technologies, thermal and fluid dynamics control technology is indispensable for the stable operation of steel production facilities, as well as plants that use thermal energy for waste treatment, power generation, etc. Recent applications of this technology include the use in our CO₂ reduction solution that reduces CO₂ emissions by charging an increased amount of HBI into the blast furnace. This is also an indispensable technology for improving the performance of machinery products such as compressors, heat pumps, mixers, and heat exchangers in the machinery businesses.

Our 21 core technologies serve as a source for creating new products that address increasingly sophisticated and complicated demands and technical challenges in the materials, machinery, and electric power businesses.



Kobelco Group's Value Creation
Management Strategy for Value Creation
Promotion of Sustainability Management

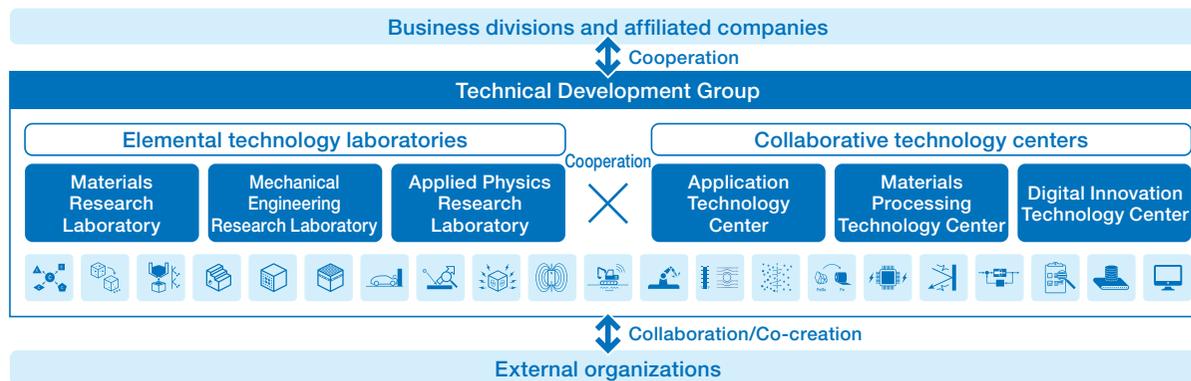
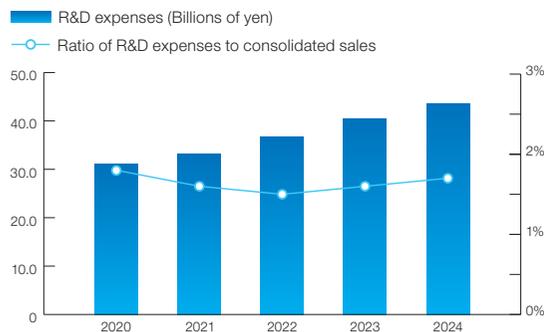
Business Foundation
Operating Results by Segment
Data Section

Technical Development

Developing an extensive range of technologies is needed to tackle the numerous changes taking place in the business environment, such as climate change; it is becoming more important for us to create new value at an unprecedented speed. The Group is working to address these challenges by promoting the integration of its 21 core technologies in collaboration with business divisions, while the Technical Development Group's elemental technology laboratories and collaborative technology centers serve as a hub for research and development. We are already beginning to see results in a wide range of fields, including the reduction of CO₂ emissions in the ironmaking process.

Under the Medium-Term Management Plan, we have set out two priority issues: (1) enhancing earning power and pursuing growth (also called AX) and (2) taking on the challenge of realizing carbon neutrality (also called GX). For research and development, our Group allocates its management resources to the following four areas of focus.

- 1**
 Strengthening existing businesses
- 2**
 Exploring business opportunities
- 3**
 Taking on the challenge of realizing carbon neutrality
- 4**
 Core technologies and DX



In January 2025, the Kobelco Group's technical showroom KoCoLab completed its large-scale renovation and opened a new Kobelco Introduction Zone that showcases the Group's efforts to address societal challenges, including carbon neutrality and digital transformation (DX). The new zone includes an exhibit where visitors can touch and feel actual products that contribute to CO₂ reduction and manpower-savings, as well as exhibits that spur visitor interest with modern technologies such as simulation and virtual reality (VR) immersive experiences.

Next to the Kobelco Introduction Zone is the Core Technology Zone, which showcases the Group's 21 core technologies. This space highlights the technical strengths of the products that visitors learned about in the Kobelco Introduction Zone, to facilitate a comprehensive understanding of them and the potential benefits of co-creation with the Group.

KoCoLab will continue to evolve as a base for promoting KOBELCO-X, facilitating technological innovation and human interaction.



KoCoLab after renovation and renovation team members



Kobelco Introduction Zone



Core Technology Zone

Kobelco Group's Value Creation
 Management Strategy for Value Creation
 Promotion of Sustainability Management
 Business Foundation
 Operating Results by Segment
 Data Section

DX Digital Transformation

We will realize, accelerate, and advance transformation by utilizing digital technology and data to provide solutions to the needs of society and create new value.

Kobelco Group's Basic Policy on DX Strategy

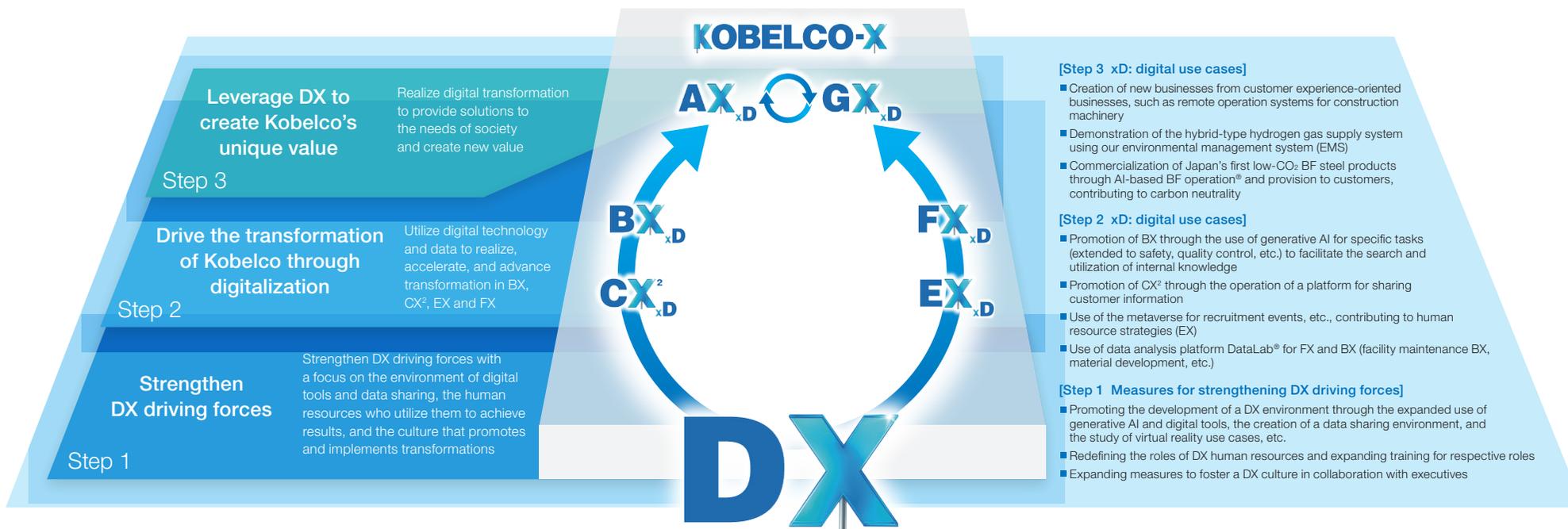
KOBELCO-X provides impetus for our transformation into an appealing company and business entity that drives innovation into the future. In this regard, Groupwide DX efforts are a key initiative.

The Group's DX strategy is to realize, accelerate and advance BX, CX², EX and FX through KOBELCO-X by utilizing digital technology and data (xD: by digital & data), making it linked to AX and GX through providing solutions to the needs of society and creating new value.

We will strengthen our DX driving forces and promote BX and other transformations in all aspects of business operations with the participation of all

employees by creating an environment that boosts transformation, utilizing digital technologies such as generative AI and a data sharing environment, and by developing human resources and a culture that can harness these tools to achieve results.

Kobelco Group's DX aims to not only enhance the earning power of existing businesses using the resources it generates, but also increase corporate value by leveraging digital technology and data for the creation of new businesses and for solutions to carbon neutrality and other societal challenges.



DX Digital Transformation

Examples of DX Initiatives

Step 1 Strengthen DX driving forces

We are promoting measures to strengthen our ability to drive DX forward so that all members including top management, not limited to those in the DX or IT departments, IT evangelists, and data scientists, will engage in DX and enhance the three DX driving forces: the environment, human resources, and culture. In fiscal 2024, we began conducting an employee awareness survey to better understand the status of progress and review the results.

Environment: We aim for everyone to have the ability to utilize generative AI in their work, while expanding the use of business intelligence (BI) tools. Following the Companywide rollout of an in-house version of ChatGPT, we started a large-scale Companywide trial of Microsoft 365 Copilot in fiscal 2025, soliciting the participation of all members, including top management. The aim is to achieve even greater results by improving the efficiency and quality of work through combining it with internal data.

Human Resources: In order to promote DX with the participation of all members, we have redefined IT evangelists and data scientists as DX driving personnel, and have defined three types of DX human resources, including executives and line managers. We have also

started new human resources development training to ensure that each individual understands their role and promotes digital transformation.

Culture: We are fostering a culture in which everyone works together on DX through measures such as regularly posting DX-related articles on the in-house portal site and creating a forum for tool users to share know-how, as well as live-streaming dialogue events between employees and executives for all employees and expanding experience sessions for virtual reality and digital tools.

Step 2 Expand use of digital technology in BX and other areas

We will also promote BX, which involves the transformation of various business processes, by utilizing digital technology and data. In fiscal 2024, we developed and began operating a generative AI system called Kako Kara Manabu (Learning from the Past). The system allows anyone to easily search and use internal knowledge on safety, helping to enhance the Company's overall safety control capabilities. Along with this, we are expanding the use of generative AI to various business transformations in areas such as quality control and product development.

In addition, there are many BX cases that utilize BI tools. We will promote the sharing of examples of BX/DX to accelerate BX through the utilization of digital technology and data.

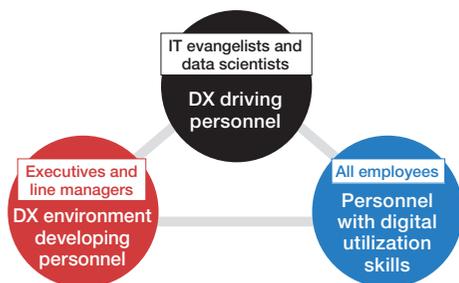
Step 3 Provide new value toward solutions to the needs of society

Kobelco Group's DX aims to not only improve the value we provide to customers and enhance the earning power of our existing businesses by accelerating BX, CX², EX, and FX, but also provide new value to customers and create new businesses through the utilization of digital technology and data.

We have commercialized Japan's first low-CO₂ BF steel product Kobenable[®] Steel by integrating the steel and engineering businesses' technologies with AI-based BF operation technology. This product has been adopted by a wide range of customers and is contributing to the realization of a carbon neutral society.

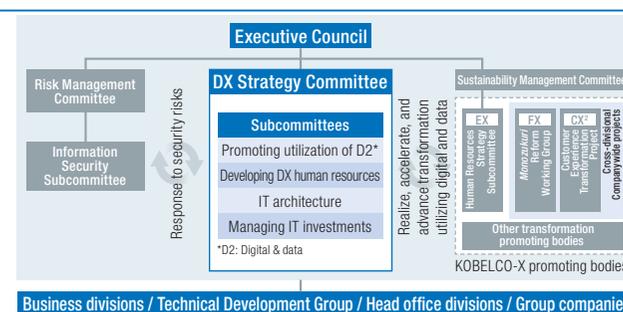
Kobelco Construction Machinery has begun selling K-DIVE[®], a site improvement solution that combines a remote operation system for construction machinery with a cloud-based system. It provides solutions to a variety of societal challenges, such as ensuring essential safety, improving on-site productivity, and promoting active participation of diverse human resources, and contributes to creating a jobsite that is accessible to everyone, as well as the growth of the construction machinery business through the expansion of the Group's customer experience-oriented business and solutions business.

Definition of roles of DX human resources



DX Promotion System

- For the promotion of Companywide DX initiatives, we have established the DX Strategy Committee as an auxiliary body to the Executive Council.
- The DX Strategy Committee advances KOBELCO-X by leveraging digital technology in collaboration with other committees and other transformation promoting bodies.



For more information on cybersecurity, please see pages 100–101 of the ESG Data Book 2025.

BX Business Transformation

We aim to achieve overwhelming improvements in productivity and dramatic improvements in quality in all business operations by combining “business process transformation” via the use of digital technology and a review of our daily business operations with “behavioral change” through transformation in individual awareness and behavior.



Shinji Miyaoka
Director, Executive Officer

What is BX in KOBELCO-X?

Business transformation (BX) is an initiative that leads to customer experience transformation (CX²), factory transformation (FX), and employee experience transformation (EX).

Of the seven X initiatives of KOBELCO-X, only BX does not have a Groupwide promoting body in the form of a committee or project team. This is because BX targets the transformation of various business processes. EX is primarily about human resources measures to improve employee experience for all employees, while BX refers to transformation of a variety of specific tasks, including safety, environment, quality, research and development, sales, design, production, procurement, accounting, human resources, and legal affairs. In other words, BX is a transformation undertaken by everyone

within the scope of their responsibilities at respective workplaces.

Business Process Transformation and Behavioral Change

BX can only be achieved by combining the transformation of business processes, which could occur by the change of organizational structures or the introduction of new systems, with behavioral change, a transformation in individual awareness and behavior.

BX: Transformation of specific tasks
including safety, environment, quality, research and development, sales, design, production, procurement, business strategy, finance and accounting, human resources, intellectual property, and legal affairs.



For CX², we have introduced new companywide systems such as a new business card management system and Sales Force Automation (SFA) system, which enabled the centralized, cross-functional management of customer contact data. This is an example of major business process transformation, allowing for the open access to customer contact information from other business divisions. To bring this to the next level and achieve customer experience transformation, we need individual behavioral change; such as checking the database for information on

business cards or meeting records prior to meeting with customers, or coordinating with the persons in charge across business segments. In this manner, individual behavioral change is critical in BX. Rather than sticking to the current business processes, we explore ideal business processes from scratch so that we can attain overwhelmingly improved productivity and dramatically improved quality.

To achieve this, each employee must create many forms of BX based on their work skills and experience, by leveraging ① free thinking that is not bound by status quo bias, ② a flexible mind for transformation at an organizational level, embracing such spirit, ③ digital tools and data (xD) that enable transformation, and ④ a strong will of each individual to change their behavior. We are also working to foster a culture to achieve this through training and interviews as well as providing opportunities to praise and share good practices, among other efforts.

The Aim of BX

As an initial result, we expect to see an increasing number of BX initiatives coming up from various tasks and workplaces. We also hope that some of them will develop into Companywide initiatives, similar to CX² and FX, bringing about new Xs that will lead to significant value creation.

The aim of BX is to improve the efficiency and quality of our business operations through numerous BX initiatives, thereby enhancing the Group’s earning power, improving the employee experience, and increasing the value we provide to customers.

CX² Customer Experience Transformation

We provide new value to our customers by sharing their concerns across business segments and proposing solutions that integrate Kobelco Group’s diverse technologies, products, and services.

What is CX² in KOBELCO-X?

As societal demands evolve, our customers encounter increasingly complex challenges. We are responding to this situation by offering solutions that utilize our unique and diverse technologies, products, and services with a new perspective of customers—seeing them as “Kobelco Group’s customers” rather than “each business division’s customers.”

Customer experience transformation (CX²) is a term invented by the Group to describe the Kobelco Group’s uniqueness. While customer experience (CX) was formerly the domain of each business segment, CX² has presented a new concept of customers who are viewed as customers of the entire Kobelco Group, not just particular business segments. With a shift of our mindset, we are working to transform our customer services alongside the customer experience. The term CX² was chosen to convey two meanings: multiplying (x) the CX efforts of each business unit and transforming customer experience (CX).

The Impetus Furnished by the Customer Experience Transformation Project

To promote CX², we had to replace the previous customer information management system by each business unit with one that allows for the centralized management of information across all businesses. To this end, in fiscal 2023, we launched the Customer Experience Transformation Project under the Executive Council and began implementing the Sales Force

Automation (SFA) system as a customer information sharing platform.

The aim and goal of CX² cannot be achieved by simply having a system or a shared platform. To increase the momentum within business divisions, the Customer Experience Transformation Project (CX²) has appointed the head of each business division as the person in charge for promotion and around 70 people as IT evangelists across the company to support users of the platform.

Within the first year of use, users became accustomed to uploading information to the server, with over 50,000 pieces of information from customer contacts stored and shared throughout the Company. In fiscal 2025, the second year, we are working to promote the utilization of valuable information assets with a particular emphasis on their accessibility and utilization by third parties.

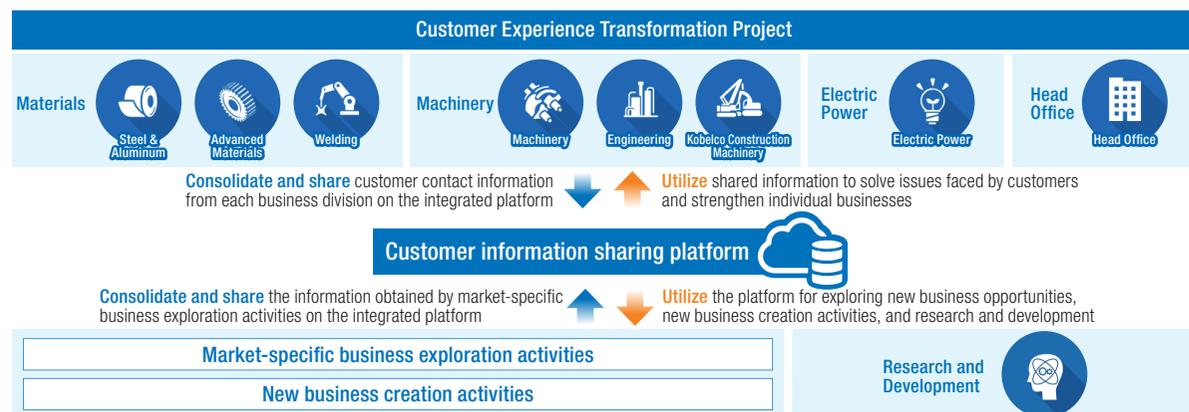
A change in mindset is becoming evident. There is a growing awareness aimed at creating CX² initiatives

from multiple perspectives in cross-functional working group activities targeting specific industries (automotive, hydrogen, semiconductors, construction, etc.). They are using the platform for sharing customer information to look for ways to add greater value to proposals.

AX and the Transformation of Customer Experience Value

While striving to increase the value we provide to customers utilizing customer-specific information, thereby enhancing the earning power of existing businesses, we will also explore opportunities to create new businesses by utilizing information with a focus on specific markets or specific societal challenges such as carbon neutrality, in our pursuit for growth.

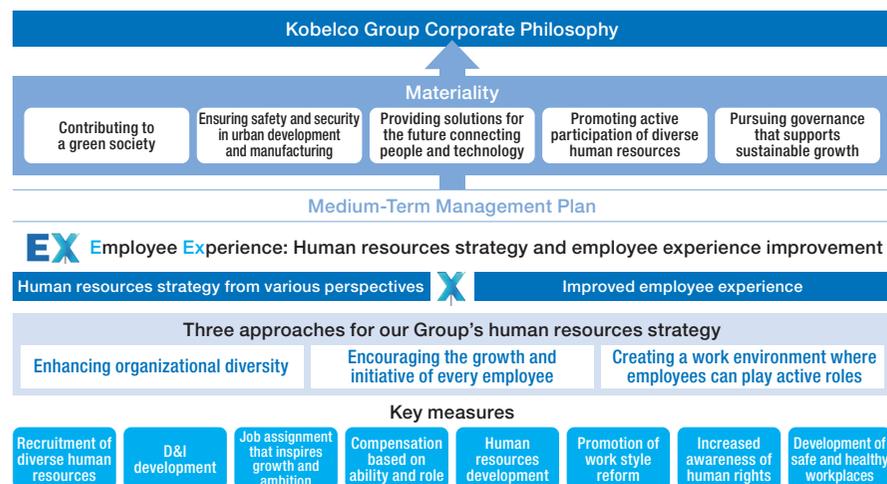
We will continue to realize CX²—transformation of customer experience value—through Kobelco Group’s unique problem-solving across business segments.



EX Human Resources Strategy and Employee Experience Improvement

For details, please see Human Resources and Work-Life Balance on pages 59–70 of ESG Data Book 2025.

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. Our Group operates in a wide range of business fields and possesses 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. To make it happen, we will strive to create a work environment in which everyone can perform at their full potential.



Strategies to Empower Our Group's Human Resources to Fully Realize Their Potential

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 have identified promoting active participation of diverse human resources as one of our material issues. Under the Medium-Term Management Plan, we aim to transform into an appealing company through enhancing earning power and pursuing growth, as well as taking on the challenge of realizing carbon neutrality. Based on this management strategy, we have defined three approaches for our human resources strategy—enhance organizational diversity, encourage the growth and initiative of every employee, and, develop a work environment where employees can play active roles. By implementing measures and investing in human capital in line with these approaches, we are working to realize the Group Corporate Philosophy, while developing the human resources who will support our transformation and creating an environment in which they can make the most of their abilities.

Governance for Implementing Human Resources Strategies

Kobe Steel has established the Human Resources Strategy Subcommittee under the Sustainability Management Committee that serves as an auxiliary body to the Executive Council. The subcommittee is in charge of planning human resources strategy, evaluating measures, and monitoring their implementation. Important human resources strategy measures are subject to reporting and deliberation at the Executive Council, ensuring executives' involvement in governance and decision-making. Human resources strategies have been positioned as one of the priority themes of Sustainability Management Meetings, which are attended by all directors, including outside directors. We are strengthening the monitoring of human resources strategies by regularly sharing awareness and holding discussions during these meetings.

Response to Risks in Promoting Human Resources Strategies

Our Group has identified risks relating to securing human resources as one of the top risks in business operations. In order to secure the talent necessary to maintain and develop our businesses, we are making efforts to improve working conditions, create a better work environment, and develop human resources so that our diverse workforce can maximize their abilities and expertise and work with enthusiasm.

For details on our risk management structure, please see Risk Management on page 98.

Metrics and Targets for Realizing Materiality

Our Group has set metrics and targets to achieve the material issue of promoting active participation of diverse human resources. Please see Materiality-Related Non-Financial KPIs on page 55.

EX Human Resources Strategy and Employee Experience Improvement Enhancing Organizational Diversity

Our Group pursues work styles that allow each and every member of its diverse workforce to demonstrate their strengths and strives to create a work environment where employees can take on the challenge of creating new value.

Stimulating Cross-Divisional Communication

Kobelco Group D&I Forum

In fiscal 2023, we began holding the Kobelco Group D&I forum to provide employees with the opportunity to learn about, understand, and experience diversity and inclusion (D&I), as well as to encourage them to take action on their own. In fiscal 2024, in order to increase opportunities to experience D&I, we organized a D&I Week during which we hold the D&I forum along with sessions to share case studies from other companies as well as the results of the Diversity Network. The D&I forum presented a keynote speech by an invited expert and a panel discussion with company executives.



Diversity Network

Diversity Network (DNW), launched in fiscal 2021, is a grassroots activity led by employee volunteers seeking to address D&I issues in the workplace. Each team works on one theme throughout the year, from understanding the current situation to planning and implementing measures.

Promoting Women's Participation in the Workplace

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

Since fiscal 2023, Kobe Steel has collaborated with Kawasaki Heavy Industries, Ltd., and Sumitomo Rubber Industries, Ltd., to hold networking sessions for female employees in technical positions with the aim of empowering women in technical fields to enrich their work and life. Each time, over 100 women participated, and we have received positive feedback such as, "I had a valuable experience talking with women who are involved in technical work at other companies," "I empathized with the stories of women who have overcome the same problems, which motivated me," and "I discovered that I have career options." We will continue to support the career development of female employees in various fields, not just technical ones, with the aim of creating a workplace where they can feel the significance of manufacturing companies in Kobe.

Support for Employees with Disabilities

Kobe Steel hosted a seminar on reasonable accommodation together with other companies to deepen employee understanding of the concept of reasonable accommodation. Many employees participated, including not only employees with disabilities but also their supervisors and co-workers.

As a visual accommodation, we encourage the use of universal design fonts in internal documents and

promote the creation of an environment where information is easily accessible to everyone.

Promoting Understanding of the LGBT Community

We are working to promote deeper understanding of the LGBT community and improve system accessibility, aiming to create an environment where all employees can work with peace of mind. As part of this effort, we have introduced the Kobelco Familyship Program, which treats same-sex partners equally as spouses, and we also provide educational opportunities about the LGBT community. In addition, to express our stance toward the LGBT community as well as provide and encourage LGBT ALLY, we have held events every year starting in fiscal 2022 at Kobe Steelers match venues to hand out pamphlets containing basic information about the LGBT community and rainbow flags to like-minded persons. In recognition of these efforts, we received a Gold Award for the fourth consecutive year in the PRIDE Index and also received Rainbow certification in 2024.



Handing out rainbow flags



EX Human Resources Strategy and Employee Experience Improvement

Encouraging the Growth and Initiative of Every Employee

To encourage employees to expand their potential and continue to take on new challenges, our Group is working to enhance systems that support their growth and foster a corporate culture that embraces learning and ambitious initiatives.

Self-Directed, Self-Driven Human Resources Development

In addition to various stratified training programs, including training for new employees, we are promoting self-directed, self-driven learning to support each employee's proactive learning. Specifically, we have introduced video learning materials (Udemy, GLOBIS Unlimited, etc.) with a vast selection of unique programs to support employees in making self-directed learning a habit.

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

Developing DX Human Resources Groupwide

In light of the importance of DX in KOBELCO-X, we are promoting the development of DX human resources Groupwide.

By providing a forum for DX driving personnel in each department to share examples of initiatives and best practices that can be rolled out to other departments, participants are given the opportunity to gain new perspectives and insights, and also promote interaction across departments.

In addition, we provide e-learning and video programs for all employees to deepen their understanding of the role of DX, the mindset required to promote it, and IT literacy. Through these efforts, we aim to encourage each and every employee to view DX as their own matter, and to foster a sense of initiative in implementing transformation using digital technology and data.

For details on our DX initiatives, please see Digital Transformation on page 65.

Training Programs for Executives of Overseas Group Companies

To develop and expand our overseas business, it is important to facilitate opportunities for executives of overseas Group companies to have a deeper understanding of the Group Corporate Philosophy and increase their mutual understanding and collaboration as members of the Group. In line with this approach, we have held the Kobelco Global Session (KGS), a training program for overseas executives, on a continuous basis since fiscal 2011. We aim to foster a sense of global leadership through KGS that includes plant tours for participants to learn about Japan's latest technology, leadership training, and interactions with Japanese executives.

We will work to further strengthen global management while sharing our values and promoting mutual cooperation with the human resources who support the Group in various countries and regions.



KGS was attended by 20 executives from nine countries in fiscal 2024.

Job Assignment That Inspires Growth and Ambition

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

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

EX Human Resources Strategy and Employee Experience Improvement

Creating a Work Environment Where Employees Can Play Active Roles

Our Group is making continuous efforts to improve productivity and create a healthy and fulfilling workplace environment through measures such as proactively investing in company facilities and equipment and reviewing our employment systems and working styles.

Improving the Work Environment

We believe that improving the work environment is a key investment in attracting and retaining talent. We plan to invest approximately 45 billion yen in this area during the period of the current Medium-Term Management Plan. Specifically, we are working to create an environment in which employees can work comfortably. To achieve this, we will be rebuilding and relocating our offices, as well as renovating and improving dormitories, company housing, and facilities at our business sites (restrooms, changing rooms, baths, etc.).

As working from home and online meetings have become common, we are reviewing our office layouts. At the Kobe Head Office, we are working to create highly productive workplaces by removing walls between departments, getting creative with desk arrangements, and setting up solo workspaces, based on the theme of an office where communication occurs naturally.



Kobe Head Office

Relocation of the Tokyo Head Office

Kobe Steel will relocate its Tokyo Head Office to the Link Pillar 2 building in Takanawa Gateway City by the end of fiscal 2026. The new head office will be within walking distance of Takanawa Gateway Station, Sengakuji Station and Shinagawa Station—an area with potential for future urban development and additional functionalities. The new head office will be equipped with business continuity plan (BCP) measures that will ensure electricity and heat in the event of a disaster, contributing to improved business continuity. We also aim to improve productivity by transforming the office into one that promotes collaboration between departments and communication among employees.

This is an important step to promote the active participation of diverse human resources and improve employee engagement as part of our investment in human capital. We expect that this relocation leads to the creation of an environment that supports more flexible and diverse work styles, thereby achieving sustainable growth and enhancing corporate value.



Image courtesy of East Japan Railway Company

Promoting Flexible Work Styles

Kobe Steel has introduced flexible work systems, including telework, systems to support work-life balance, and a unique leave system (Kobelco Life Support Leave), which is applicable to childcare, family care, medical treatment, and reskilling. These systems help employees work flexibly while balancing their work and personal lives.

For production sites, we are also introducing new shift systems tailored to each workplace. We will continue to implement measures to enable flexible work styles.

Addressing Diversifying Work Values

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

Measures to reduce the frequency of relocation

- Creation of guidelines on requirements for reducing the frequency of relocation
- Long-distance commuting (by Shinkansen and limited express train)

Measures to reduce the burden on relocating employees

- Increased financial assistance for relocation (unaccompanied transfer allowance)
- Car lease subsidy system for employees assigned to work away from home
- Broadened scope of permission for telework

Human Rights

For details, please see Human Rights and Labor on pages 50–51 of ESG Data Book 2025.

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

Revision of Basic Policy on Human Rights

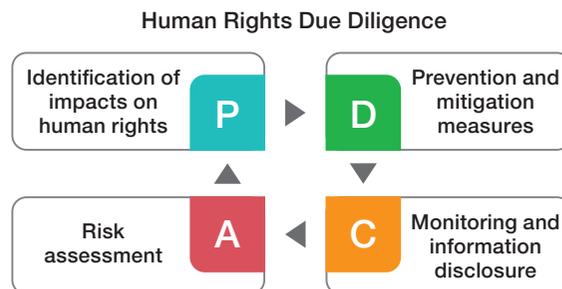
As global awareness of human rights grows, we examined our Basic Policy on Human Rights and updated it into the Kobelco Group Basic Policy on Human Rights in December 2022, in accordance with the United Nations Guiding Principles on Business and Human Rights. Based on this policy, we are stepping up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

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

Human Rights Due Diligence

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

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



Human Rights Risk Assessment Results

Fiscal year	Scope	Identified human rights issues
2022	Kobe Steel	<ul style="list-style-type: none"> Occupational safety and health Harassment Procurement practices
2023	Domestic Group companies	<ul style="list-style-type: none"> Occupational safety and health Harassment
	Overseas Group companies	<ul style="list-style-type: none"> Occupational safety and health Women’s rights Working hours
2024	Domestic Group companies	<ul style="list-style-type: none"> Occupational safety and health Harassment Working hours
	Overseas Group companies	<ul style="list-style-type: none"> Occupational safety and health Harassment

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

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

Group companies	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026
	Results			Plan	
Domestic	Kobe Steel only	3	31	30	—
Overseas	—	18	11	17	18

Building Responsible Supply Chains

For details, please see Building Responsible Supply Chains on pages 71–73 of ESG Data Book 2025.

As a responsible member of the global supply chain, the Kobelco Group is proactively working to address human rights, environmental and other issues not only within the Group but also throughout its entire supply chain.

Basic CSR Procurement Policy

Our Group has formulated the Basic CSR Procurement Policy, which systematizes its approach and action agenda to build responsible supply chains and shares it with all of its business partners. Based on this policy, we will fulfill our social responsibility while working to identify supply chain issues in the procurement of raw and other materials and ensuring a stable supply of products and services.

Basic Procurement Policy	Requests to Our Business Partners	Steering System	Action Agenda										
<p>Our Group's procurement divisions implement activities in accordance with the basic procurement policy as provided below.</p> <ol style="list-style-type: none"> 1. Compliance with laws, regulations, and other social norms 2. Fair and impartial transactions 3. Coexistence with the global environment through procurement 4. Strengthening of partnerships with business partners 5. Control of confidential information 	<p>Our Group requests its business partners to understand and practice the following in order to work together to build responsible supply chains.</p> <table border="1"> <tr> <td>Compliance</td> <td>Human rights and labor</td> </tr> <tr> <td>Safety and health</td> <td>Environment</td> </tr> <tr> <td>Fair trade and ethics</td> <td>Quality and safety</td> </tr> <tr> <td>Information security</td> <td>Business continuity plan</td> </tr> <tr> <td>Social contribution</td> <td></td> </tr> </table>	Compliance	Human rights and labor	Safety and health	Environment	Fair trade and ethics	Quality and safety	Information security	Business continuity plan	Social contribution		<p>Our Companywide policy is proposed by the Sustainability Management Committee to the Executive Council for deliberation to build consensus. The approved policy is carried out by operation managers at procurement divisions under respective business divisions.</p> <p>From the viewpoint of risk management, procurement activities are conducted in cooperation with the Risk Management Committee to strengthen the policy implementation.</p>	<p>The Kobelco Group engages in activities according to the following action agenda and works to build a responsible supply chain.</p> <ol style="list-style-type: none"> 1. Notification of Requests to Our Business Partners, including their suppliers 2. Solicitation for compliance with Requests to Our Business Partners and support for improvements 3. Information disclosure 4. Cooperation with business partners 5. Cooperation with employees, Group companies, and affiliates
Compliance	Human rights and labor												
Safety and health	Environment												
Fair trade and ethics	Quality and safety												
Information security	Business continuity plan												
Social contribution													

Main Initiatives in Fiscal 2024

Theme	Description of Initiatives
Human rights and labor	<ul style="list-style-type: none"> • We conducted the first detailed survey targeting our business partners. For companies that are deemed not to fulfill the criteria, we provided our original guidebook with best practices.
Conflict minerals	<ul style="list-style-type: none"> • We confirmed that Kobe Steel does not purchase conflict minerals (tin, tantalum, tungsten, and gold) subject to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act from restricted areas. • We confirmed that Kobe Steel and its Group companies do not purchase cobalt or mica, which pose concerns due to the risk of human rights violations, from conflict-affected or high-risk areas.

Initiatives for Fiscal 2025 and Beyond

Fiscal 2025	Fiscal 2026
Conduct the second detailed survey on human rights and the third CSR survey targeting our business partners in order to continuously assess their compliance status.	Offer intensive support to business partners identified as requiring further improvement based on the results of the second detailed survey on human rights.

FX Factory Transformation

The Kobelco Group is working on factory transformation (FX) to increase productivity and advance automation on production floors to address future labor shortages. By utilizing various tools such as AI and digital technologies, we are promoting the automation of manual labor and transportation and the advancement of equipment diagnostic technology.

In order to achieve our goals of enhancing earning power and pursue growth, as well as taking on the challenge of realizing carbon neutrality, it is imperative that we strengthen our *monozukuri* (manufacturing) capabilities. The *Monozukuri* Reform Working Group, which was established in fiscal 2024, examined the current status of labor shortages at manufacturing sites and set up a strategy focused on “manpower savings*”, along with new capital investment criteria for Companywide implementation.

In addition, we have designated three locations—Kakogawa Works’ Steel Plate Plant, Moka Works’ Aluminum Rolled Products Plant, and Chofu Works’ Aluminum Extrusion Plant—as manpower saving model plants and are promoting initiatives such as automation and logistics optimization. For example, at our steel plate plant, we are working to automate operations in a hot environment, which puts an enormous strain on workers, by digitizing experienced workers’ know-how using remote control technology and AI. Furthermore, we are holding production technology exchange forums with the aim of improving our *monozukuri* capabilities and developing human resources in an effort to raise the level of these capabilities Companywide.

In fiscal 2025, we will advance Kobelco Group’s unique FX, which promotes the widespread sharing and application of best factory transformation practices throughout the Group.

* Manpower savings: An effort to sustain operations with a smaller number of workers

Major Initiatives

Advancing Kobelco Group’s Unique FX

We will improve our *monozukuri* capabilities by promoting the sharing of best factory transformation practices across our Group’s diverse business domains. We will also explore utilizing our technological assets such as K-DIVE® and DataLab® for remote operation and advanced equipment maintenance.

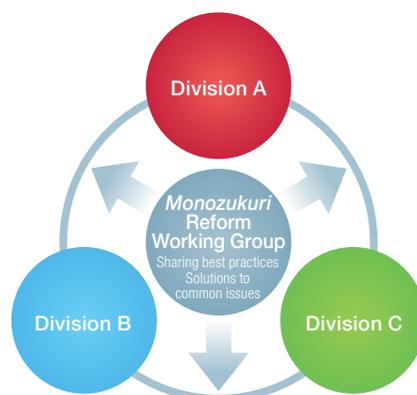
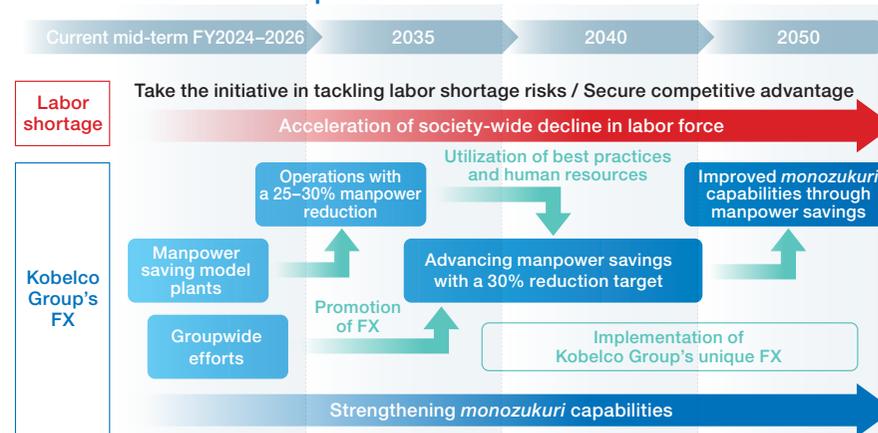
Promoting Manpower Saving Model Plants

Our Company has set three domestic model plants as its manpower saving front-runners with the goal of making them capable of maintaining production even with a 25–30% manpower reduction by 2030. We will utilize the resources and outcomes obtained from the manpower reduction across the Company to accelerate our efforts.

Companywide *Monozukuri* Support

In order to improve the core technologies of *monozukuri* (e.g., rolling, forging, measurement and control, process technology, etc.), we hold production technology exchange forums, including plant tours and networking sessions both inside and outside the Company, and promote activities that contribute to improving manufacturing capabilities and developing human resources.

Goals of Kobelco Group’s FX



Emulate and Learn

Monozukuri Reform Working Group initiative

K-DIVE®, remote operation system for construction machinery



Companywide data analysis platform (DataLab®)



Utilization of technological assets

Kobelco Group's Value Creation

Management Strategy for Value Creation

Promotion of Sustainability Management

Business Foundation

Operating Results by Segment

Data Section

Quality

For details, please see Quality on pages 97–98 of ESG Data Book 2025.

The Kobelco Group is taking proactive steps to enhance its quality management and quality control processes, while continuing to implement measures to prevent the recurrence of quality misconduct as a top priority.

Basic Policy

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

Quality Charter

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

Companywide Policy on Quality Improvement

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

Implementation Structure

Quality Management Committee

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

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

* Total quality management: A method of business management for comprehensive quality control. Kobelco TQM has begun as the next phase after completing quality misconduct preventive measures. It aims to strengthen the management of each business segment while identifying legal compliance issues that serve the needs of customers and society and addressing them with the participation of all employees.

Kobelco TQM Promotion Committee

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

Management Plan.

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

The committee, chaired by the director overseeing Companywide TQM activities, consists of 14 members from the head office, business divisions, etc.

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



Safety and Health

Please see Safety and Health, Health and Productivity Management on pages 52–56 of ESG Data Book 2025.

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

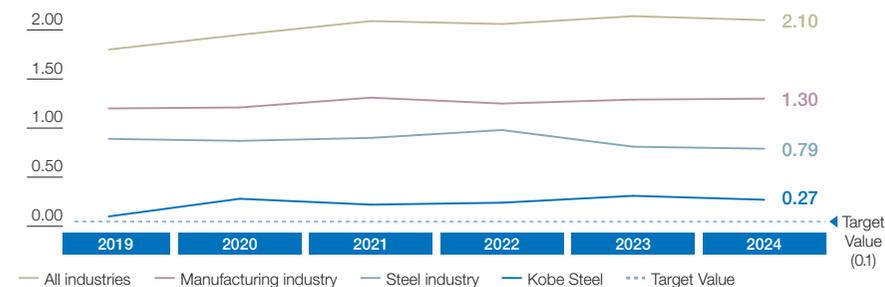
Safety Code of Conduct Based on the Core Values of KOBELCO

- 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 2025)

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

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).

In fiscal 2024, the first year of Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), we distributed a video message from the president and CEO to convey his commitment to safety and health, as well as to raise awareness for developing safety-oriented human resources and culture. To ensure safety in operation, we began to implement machinery safety measures, which were

planned under the previous Medium-Term Management Plan.

In fiscal 2025, we will fully implement these machine safety measures for production equipment at all business locations. In addition, as part of the DX efforts under KOBELCO-X, we will launch an accident analysis and search system utilizing generative AI, which helps us learn from past accidents and develop a shared risk awareness, in order to further strengthen the creation of mechanisms to prevent similar accidents from occurring again.

Key Activities in Fiscal 2025

- Developing safety-oriented personnel who can check and ensure safety before starting any work or operational procedures (fostering a safety culture)
- Safety audits and enhanced support
- Promoting machine safety
- Safety and health initiatives combined with DX
- Initiative to establish an occupational safety and health management system
- Ensuring thorough and regular control of hazardous operations

Introduction of Accident Analysis and Search System Using Generative AI

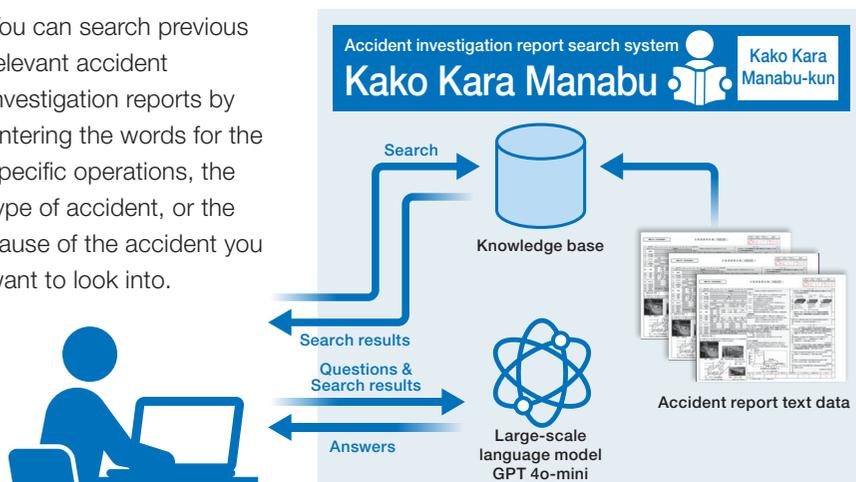
We have developed a system based on generative AI technology that can instantly search and display similar accident cases from the vast amount of accident reports, analysis materials, and countermeasure implementation records accumulated in the past, simply by entering basic information about an accident. This system is now available Companywide.

This system makes it easy for employees to learn about past accident cases related to their own work and workplaces, and is being used as an educational tool to improve workers' ability to predict danger. It also contributes to further improvements in safety awareness by increasing opportunities to share awareness of dangers within the workplace.

Safety and Health

Development of Accident Investigation Report Search System

You can search previous relevant accident investigation reports by entering the words for the specific operations, the type of accident, or the cause of the accident you want to look into.



Health and Productivity Management

In order to create a healthy work environment with safety and security ensured, we are promoting initiatives aimed at helping employees to maintain and improve their mental and physical well-being. In recognition of our initiatives, we were certified as a 2025 Health and Productivity Management Organization (White 500) for the sixth time, as in the previous year.



Mental Health Initiatives

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

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

- Providing gastroscopy and Helicobacter pylori testing every two years for employees aged 40 and older (early detection of stomach cancer)
- Providing comprehensive medical checkups for employees reaching the age of 50 or 60 as well as their spouses.

Activities to Help Employees Maintain and Improve Their Health (in cooperation with Health Insurance Association)

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