Kobelco Group

Integrated Report 2024

KOBELCO

Introduction

Transforming into an appealing company

Over the course of its 118-year history, the Kobelco Group have engaged in a diverse array of businesses, all dedicated to its mission of providing solutions to the needs of society. The driving forces behind this dedication are our corporate culture of embracing new challenges and our willingness to respond to people's wishes. Our strength lies in our comprehensive capabilities, which enable the integration of the vast expertise and technologies we have cultivated in each of our businesses, as well as the diverse human resources that serve as their base.

By leveraging this strength, we will strive to transform into an appealing company that is trusted, valued, and beloved by all stakeholders.

As Team Kobelco, we will keep working together and moving forward.

CONTENTS

Section 1
Management Strategy / Value Creation Story

Presents the value creation stories of the Kobelco Group that pursues growth alongside societal development by leveraging its strengths and competitive capital advantages, revealing the Group's uniqueness that it has cultivated through its contribution to society, rooted in its inherent spirit and values.

04 Group Corporate Philosophy
05 Framework for Sustainability Management
06 Message from the President and CEO Message
12 Materiality and Indicators/Targets
16 History of the Kobelco Group
20 Overview of the Kobelco Group
22 Value Creation Process
24 Business Capital, the Source of Comprehensive Strengths
26 Business Model and Value Provided
28 Our Group's Strength
28 Diverse Human Resources Voices of Employees
30 Technical Development Message from Independent Director

Section 2
Growth Strategy toward 2030

Outlines the targets and strategies under the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), mapping out the Group's growth trajectory, along with the financial strategies that support the consistent implementation of the plan and the strategies being promoted by respective business segments. This section also contains the human resources strategy, which facilitates a cross-functional approach to the materiality initiatives as detailed in the subsequent section.

32 Review of the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023)
34 Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026)
44 Message from the CFO Message Message from Independent Director
48 Enhancement of Corporate Value
52 Kobelco Group's Human Resources Strategy
53 Roundtable Discussion between a Director and Employees Roundtable Discussion
57 Core Values of KOBELCO—Next 100 Project
58 Economic Environment by Customer Domain
60 Business Overview by Operating Segment
60 Materials Businesses
64 Machinery Businesses
68 Electric Power Business

Section 3
Promotion of Sustainability Management

Explains the materiality initiatives for the sustainable enhancement of corporate value.

70 Promotion of Sustainability Management
72 Contributing to a Green Society
75 Climate-Related Disclosures Based on TCFD Recommendations
80 Ensuring Safety and Security in Community Development and Manufacturing
84 Providing Solutions for the Future Connecting People and Technology
88 Promoting Active Participation of Diverse Human Resources Voice of Employee
93 Pursuing Governance That Supports Sustainable Growth
93 Risk Management
94 Compliance Message from Independent Director
95 Human Rights
96 Safety and Health
98 Quality
99 Building Responsible Supply Chains
100 Roundtable Discussion among the Board Chair, Audit & Supervisory Committee Chair, and the President and CEO Roundtable Discussion
104 Directors
108 Corporate Governance Message from New Independent Director
116 Communication with Stakeholders
117 Participation in Sustainability Initiatives and External Evaluations

Section 4
Corporate Data

118 10-Year Financial and Non-Financial Data
120 Results by Operating Segment
122 Corporate Profile and Stock Information

This Integrated Report describes our Group's ESG initiatives in Section 3 (Promotion of Sustainability Management), 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 2024

E (Environmental) p.10-47
S (Social) p.48-72
G (Governance) p.73-97

▸ Our corporate website

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

Kobelco Group Integrated Report 2024

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 business capital and other forms of capital, which are the source of our Group's comprehensive strengths that have been cultivated over its 118-year history. The second is to foster understanding about the Group's businesses and initiatives by presenting the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) announced in May 2024.

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

Period covered	Covers fiscal 2023 (from April 1, 2023 to March 31, 2024). Please note that this Integrated Report may refer to fiscal years before and after the period when necessary.
Guidelines referenced	• 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	• United Nations Global Compact • Sustainable Development Goals (SDGs) • Recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)
Production process	1. After publishing Kobelco Group Integrated Report 2023, we requested analysts, institutional investors, Group employees, and other internal and external stakeholders to provide their frank opinions and comments on the report. We also applied for awards offered by outside organizations for relative assessment of the report. 2. 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. 3. The production of Kobelco Group Integrated Report 2024 proceeded based on discussions with the management team through the Sustainability Management Committee, etc.

Kobelco Group's Information Disclosure Scheme

The 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 the Kobelco 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/index.html

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

Investor Relations
https://www.kobelco.co.jp/english/ir/

Tools for information disclosure		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).	●	●
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 contained in the above information disclosure documents, including particular information pertaining to ESG matters. For further comprehensive ESG-related information, please refer to the Sustainability page on our corporate website.	●	●

Group Corporate Philosophy

Group Corporate Philosophy Created by All Group Members Working Together

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

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

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

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

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

Group Corporate Philosophy		
KOBELCO's View of the Future	Our view of a society and future to be attained as we carry out KOBELCO's Mission	We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.
KOBELCO's Mission	Our mission and the social significance of the KOBELCO Group that we must fulfill	Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.
Core Values of KOBELCO	The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group	1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live. 2. We value, and support the growth of, each employee on an individual basis, while creating a cooperative and harmonious environment. 3. Through continuous and innovative changes, we create new values for the society of which we are a member.
Six Pledges of KOBELCO	Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter	1. Uphold the Highest Sense of Ethics and Professionalism 2. Contribute to the Society by Providing Superior Products and Services Quality Charter 3. Establish a Comfortable but Challenging Work Environment 4. Live in Harmony with the Local Community 5. Contribute to a Sustainable Environment 6. Respect Each Stakeholder

Framework for Sustainability Management

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.

KOBELCO's View of the Future

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

Our technologies, products, and services are not only for those who live in the present, but also for future generations. KOBELCO sees a sustainable, beautiful, and flourishing world in the future, with safety and security in people's lives. Such a future will give rise to value that creates new conveniences and comfort and help people fulfill their hopes and dreams.

KOBELCO's Mission

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

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

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

Message from the President and CEO

Yoshihiko Katsukawa
President, CEO and Representative Director

Message from the President and CEO

Forging solidarity as Team Kobelco, we will work together to advance the transformation into an appealing company that is trusted, valued, and beloved by all stakeholders.

Transforming into an Appealing Company by Turning the Results from the Previous Medium-Term Management Plan into Real Competencies

My name is Yoshihiko Katsukawa, and I was appointed President and CEO in April 2024. I was born and raised in Kobe, and I joined Kobe Steel in April 1985 with a dream of working for a company that represents my hometown. After joining the Company, I was assigned to the Machinery Business, where I worked in sales and planning & administration, and then to the Corporate Planning Department at the head office, where I was involved in the process of launching a joint venture. In my most recent role as a member of the management team under the previous President and CEO, I served as a director who oversees the corporate planning department and performed a wide array of duties. When I was informed of my appointment as President and CEO, I was a bit surprised. However, accepting the new role does not imply that I will undertake entirely new or exceptional duties. I will proceed with tasks that need to be completed in the same manner that I have done in the past, and I will do everything in my capacity to lead the Company to a better future.

In 2020, our Group established a new corporate philosophy, which sets forth Kobelco's View of the Future. I believe it has fulfilled two primary purposes. First, it has clarified the direction that the Group should take—the realization of a safe and secure society and a prosperous future while fully demonstrating Kobelco Group's unique value, underpinned by the comprehensive strengths of its diverse technologies and human resources. Second, it has defined the code of conduct that we must adhere to—upholding an attitude of sincerity toward our customers, which we have cultivated over our long history. I was also engaged in the formulation process of the Group Corporate Philosophy in 2020 as a director through discussions about what the Group should aspire for. This Group Corporate Philosophy stands at the core of our corporate value, and I am confident that it presents a future that all employees of the Group can agree on.

My life motto is "*kyoshin tankai*" which is to have no preconceived notions and deal with things with an open and calm mind. To find the best solution, I make it a point to listen to a wide range of perspectives in a fair and open manner, without prejudice. I also practiced this when formulating the Medium-Term Management Plan (Fiscal 2024–2026). I humbly listened to diverse opinions, accepting various suggestions, and ultimately took responsibility for its completion.

Accomplished Most of the Targets Set in the Previous Medium-Term Management Plan

In fiscal 2023, we achieved the profitability targets set in the previous Medium-Term Management Plan for both return on invested capital (ROIC) and debt-to-equity (D/E) ratio, as well as increasing the dividend payout ratio to approximately 30%.

With regard to establishing a stable earnings base, which is one of the two priority issues, we made generally good progress, although we still need to improve the profitability of the aluminum businesses. I believe these results were attributable to our key performance indicator (KPI) management efforts, including ROIC-based management and Kobelco TQM activities, which we introduced during the period of the previous Medium-Term Management Plan. However, we need to examine whether the targets are set accurately, whether the plan-do-check-act (PDCA) cycle is being implemented for the targets, and whether KPI management has taken root throughout the Company. We will address these issues for improvement during the period of the current Medium-Term Management Plan.

In the steel business, we have seen ups and downs in earnings due to the deterioration in metal spreads and soaring raw materials prices. However, metal spreads have improved through our efforts to improve selling prices; now, we have a structure in place to generate stable earnings.

Message from the President and CEO

In terms of the smooth startup and stable operation of new electric power projects, we completed the startup of the Kobe Power Plant No. 3 and No. 4 units as planned, contributing to a stable earnings base.

As for the contribution of strategic investments to earnings in the materials businesses, higher selling prices were a positive factor, but earnings were sluggish due to the impact of weaker demand for aluminum flat-rolled products in the IT and semiconductor sectors, as well as the change in the automotive aluminum panel production structure in response to fluctuations in demand in China and the recording of impairment losses on non-current assets in the aluminum advanced materials business.

In the restructuring of unprofitable businesses, we achieved profitability in steel castings and forgings, titanium, and cranes. Without becoming complacent with our achievements, we will continue to improve our business structure and pursue growth.

In terms of stabilizing earnings in the machinery businesses and responding to growing markets, orders and earnings increased in the machinery and engineering businesses. In addition, in the construction machinery business, we rolled out structural reforms, primarily aimed at the reorganization of our global production and supply systems.

As for initiatives to take on the challenge of realizing carbon neutrality, from the perspective of reducing CO_2 emissions in the production processes, we have promoted efforts in line with our roadmap, including the efforts in the steel business to charge even larger quantities of HBI[1] in the blast furnace (BF), and to move forward with the study on the manufacture of high-grade steel in the large electric arc furnace (EAF), which is one of the options in our double-track approach, as well as the efforts in the electric power business to advance the study of biomass fuel and ammonia co-firing. In addition, we won a bid in the Long-Term Decarbonization Power Resource Auction.

From the perspective of contributing to reduction of CO_2 emissions through technologies, products, and services, we have launched Kobenable® Steel, a low-CO_2 blast furnace steel product, and started the feasibility study of low-CO_2 iron metallics supply project. These are some examples of our efforts to plant seeds for future growth.

Along with this, we are working to strengthen our business and management foundation, primarily by restructuring our management structure and promoting ESG initiatives based on materiality indicators and targets in order to realize our ideal business portfolio.

1 Hot briquetted iron is a compacted, briquetted form of direct reduced iron (DRI). Since hot DRI (HDRI) is not suitable for long-distance transportation, it is pressed into solid briquettes upon being discharged from the reduction furnace.

Medium-Term Management Plan (Fiscal 2024–2026)—Transforming into an Appealing Company and Fostering True Competencies

The period of the current Medium-Term Management Plan is positioned as a three-year period in which we will reap the results of the initiatives in the previous Medium-Term Management Plan, while strengthening our earning power and enhancing our competencies by redeveloping our operation base and optimizing our production and sales systems.

Under the current Medium-Term Management Plan, we aim to stably achieve an ROIC of approximately 6% as a profitability indicator, a net asset ratio in the low 40% range as a safety indicator, and a gross D/E ratio[2] in the mid 0.7 times range. In terms of shareholder returns, we will also continue to maintain a dividend payout ratio of around 30%.

In the current Medium-Term Management Plan, we will work to enhance earning power and pursue growth as priority issues, and we will continue to focus on taking on the challenge of realizing carbon neutrality as in the previous Medium-Term Management Plan. On top of this, we will strengthen our sustainability management through various transformation initiatives and proceed with our transformation into an appealing company.

Transforming into an appealing company is not something I can do alone. It is important for all Group employees to work together as Team Kobelco to advance the transformation process. To this end, all employees—down to those on the front line of our operations—must give a serious thought to what the Group should do to become an appealing company, and each of them do their part in this transformation into an appealing company. We must be a company that is trusted, valued, and beloved as we adapt to the demands of the times. I will engage in more active dialogue with stakeholders than before, and aggressively incorporate their opinions and suggestions.

Looking toward fiscal 2030, we will work to improve our business performance, aiming to achieve net sales of 3 trillion yen, ordinary profit of 200 billion yen, and an ROIC of 8% on a consistent basis, while seeking to be a business entity that drives innovation into the future.

2 Starting with the current Medium-Term Management Plan, the gross D/E has been based on interest-bearing debt including project finance.

Two Priority Issues: Enhancing Earning Power and Pursuing Growth, and Taking on the Challenge of Realizing Carbon Neutrality

In terms of enhancing earning power, we will strive to return the material businesses to profitability in fiscal 2024 by rebuilding our global operation base and improving profitability while promoting the development of operation bases with an eye on the future business environment.

In the machinery businesses, by optimizing our global production and sales systems, we will explore the optimal structure for each of the markets where we adopt an offensive or defensive strategy. In the electric power business, we will strive to maintain stable operation as a pillar of securing stable earnings. In terms of pursuing growth, we will work to expand the market scale for our technologies, products, and services by exploring business opportunities as we meet the changing needs of society, including responses to climate change, in both the materials and machinery businesses. In the materials businesses, we will expand the sale of products such as Kobenable® Steel and green aluminum. In the machinery businesses, we aim to achieve growth by capturing new demand and widening our business domains with a focus on acquiring new business opportunities, such as the progress of the energy transition.

Additionally, by utilizing the knowledge we have cultivated through our business activities in combination with DX-related technologies, we will work to develop the customer experience-oriented business and solution business. Specifically, our efforts in this field include: the development of welding systems that help to reduce labor shortages, the remote operation system for construction machinery K-DIVE®, the crane construction planning support software

Message from the President and CEO

K-D2 PLANNER®, and the hybrid-type hydrogen gas supply system that provides a solution for stable and low-cost hydrogen production.

Our Group's advantage in these efforts is its comprehensive strengths that enables the integration of the diverse expertise and technologies it has cultivated in its numerous businesses. In addition to the 21 core technologies of the Technical Development Group, our Group possesses commercialization technologies of each business division as well as production, operation, and manufacturing technologies of each plant. Our comprehensive strengths are not limited to these technologies, but also encompass our diverse workforce with various fields of expertise in the materials, machinery, and electric power businesses, as well as our business operations on a global scale.

Such comprehensive strengths are also demonstrated in the Group's carbon neutrality initiatives. While we are making progress in reducing CO_2 emissions in the ironmaking process in accordance with our roadmap, we will continue to aim for a 30 to 40% reduction by 2030 (compared to fiscal 2013) by promoting technology development through collaboration across business divisions to proceed with our double-track approach—working on CO_2 reduction by charging an increased amount of HBI into the existing BF, while looking to the introduction of a large-scale innovative EAF.

To reduce CO_2 emissions in the electric power business, our coal-fired power plant in Kobe is promoting the use of biomass fuels such as sewage sludge and food residues, while advancing the development of technologies that include ammonia co-firing to single-firing. Meanwhile, the Moka Power Plant is exploring ways to maximize the use of carbon-neutral city gas.

In terms of our contribution to reduction of CO_2 emissions through our technologies, products, and services, we have revised our 2030 target upward from 61 million tons to 78 million tons in light of the growth of the machinery businesses.

Taking on the challenge of realizing carbon neutrality is a critical issue not only for the Group but also for society at large. Achieving carbon neutrality is important, however, we also need to focus on the sustainable growth of the Group at the same time. With this in mind, we are examining what future technologies we should opt for.

Strengthening Sustainability Management to Realize Both "Enhancing Earning Power and Pursuing Growth" and "Taking on the Challenge of Realizing Carbon Neutrality"

In order to realize our priority issues and achieve the transformation into an appealing company, the entire Group must work together. In the current Medium-Term Management Plan, we have set out seven transformation initiatives that the Group need to work on.

First, we have identified AX (ambidexterity) and GX (green transformation), which are the two pillars of our business strategy, aimed at "enhancing earning power and pursuing growth" and "taking on the challenge of realizing carbon neutrality," respectively. In addition to these, we have defined five transformation initiatives: CX^2 (customer experience transformation), EX (employee experience), FX (factory transformation), BX (business transformation), and DX (digital transformation), which will be the driving force for realizing our business strategy. We believe that these seven transformation initiatives are necessary for the Group to become an appealing company, and we have decided to collectively call them Kobelco-X.

The X in Kobelco-X means not only "transformation" but also "the intersection of various activities" and "the integration of diverse elements that are unique to the Kobelco Group." We believe that the seven Xs of Kobelco-X are not individual efforts but are interacting with each other so that we can aim for even greater heights in all areas. In particular, we believe that DX will play a central role in the five Xs for realizing our business strategy. CX^2, EX, FX, and BX initiatives will be achieved, accelerated and enhanced by digitalization. We believe that advancing a digital-based transformation (promotion of DX strategy) will link to AX and GX initiatives, which are the two pillars of our business strategy, enabling us to provide solutions to the needs of society and create new value. For the promotion of DX strategy, we have established a committee to comprehensively formulate and implement our Group's strategy in this area. The committee will play a central role in promoting each initiative necessary for our transformation into an appealing company.

In addition to these, we will continue to strengthen our business foundation in key areas such as safety, quality, compliance, and governance, which are primary prerequisites for our existence, with the aim of boosting our sustainability management.

While we have presented the seven Xs in the Medium-Term Management Plan, we still think it's crucial to continue to seek out additional Xs. Anything that bothers you or seems odd may lead to the discovery of new Xs. Again, these efforts are not something I can do alone. It is important for all Group employees to work together as Team Kobelco, and this effort requires the utilization of our Group's distinctive advantage—our comprehensive strengths. The Group Corporate Philosophy sets out KOBELCO's Mission, which 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. In order to create new value by utilizing the Group's technologies, we must leverage unique qualities of each individual of our diverse work force. Since the Group engages in a wide range of business fields, we have a variety of people who wish to have their diverse thoughts and ideas reflected in their work environment in each business segment. I believe that gathering every one of these ideas is the first step toward transforming into an appealing company. We will listen carefully to the voices of employees and create a work environment that encourages their active participation.

Aiming to Become a Company Appealing to All Stakeholders

We have finally reached the starting point of the Group's transformation into an appealing company, as we have largely achieved the targets set in the previous Medium-Term Management Plan, however, we must not be content with the achievement and cease to proceed; we should rather use the three years of this Medium-Term Management Plan to transform into an appealing company and cultivate our true competencies. In order to do so, the first step is to review our conventional practices. Instead of continuing in the same manner, it is essential to examine each piece of our practice one by one and make changes for the future. I will lead the initiative and drive the Group forward.

We will keep working to make our transformation into an appealing company a reality for our stakeholders. We appreciate your continued guidance and encouragement.

Materiality and Indicators/Targets

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

For each item of materiality, we have set specific indicators and targets to achieve, and we are managing their progress. This year, we reviewed the materiality indicators and targets as follows, taking into account changes in the external environment and other factors. Please refer to pages 14–15 for the status of our efforts against the annual indicators and targets up to the previous fiscal year.

Please see page 70 and subsequent pages for initiatives corresponding to materiality for the promotion of sustainability management.

Materiality	Subcategory	Indicators
Contributing to a green society	Response to climate change	(1) Reduction of CO_2 emissions in production processes
		(2) Contribution to reduction of CO_2 emissions and net sales of related products
		(3) Reduction of CO_2 emissions in the electric power business
	Response to resource recycling	(4) Water recycling rate
		(5) Water pollutant (COD, TP) load in restricted areas
		(6) Disclosure based on the TNFD recommendations
Ensuring safety and security in community development and manufacturing	Supplying energy focused on S+3E	(7) Continuous stable supply of electricity
	Providing materials and machinery that meet needs	(8) Percentage of eco-friendly products in steel products
		(9) Percentage of low-CO_2 raw materials in aluminum rolled products
		(10) Percentage of orders for environment-related machinery products (decarbonization, LNG, etc.)
		(11) Total domestic unit sales of ICT construction machinery
		(12) Percentage of welding solution products in sales
Providing solutions for the future connecting people and technology	Manufacturing and operational transformation through digitalization (DX)	(13) Employee awareness survey results on DX
	Integration and innovation of diverse intellectual assets	(14) Number of ideas for new businesses
Promoting active participation of diverse human resources	Enhancing organizational diversity	(15) Percentage of women in new graduate hires for career-track positions
		(16) Percentage of women in new graduate hires for general technical positions and their turnover
		(17) Number of female managers
	Creating a work environment where employees can play active roles	(18) Percentage of male employees taking paternity leave or special leave for childcare
		(19) Number of annual paid leave days taken
	Encouraging the growth and initiative of every employee	(20) Instilling the Group Corporate Philosophy
		(21) Improving and expanding employee training
Pursuing governance that supports sustainable growth	Compliance and risk management	(22) Whistleblowing system usability
	Human rights	(23) Companies implementing human rights due diligence
	Safety and health	(24) Lost time injury frequency rate
	Quality assurance	(25) Percentage of business sites certified under the Quality Guidelines
	TQM	(26) Kobelco TQM practical management program completion rate

Process of Identifying Materiality

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

Process of Identifying Materiality

Step 1

Make a comprehensive list of significant societal challenges

Frameworks, guidelines, etc., used as references

- 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

Step 2

Map the importance of societal challenges and select relevant issues for the Group

Mapping of value creation area

Magnitude of social needs × Compatibility with management intentions and business operations

Mapping of business foundation area

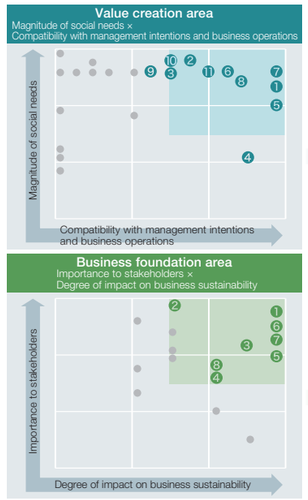
Importance to stakeholders × Degree of impact on business sustainability

Step 3

Consolidate similar issues and narrow them down to key issues

Consolidate similar issues in the value creation area and business foundation area selected in Step 2 and integrate them into five key issues

Specific Outcomes of Discussions in Step 2 to Step 3



Value creation area

1. Inadequate urban infrastructure
2. Developing intelligent cities
3. Urban flood control
4. Urban public health
5. Response to climate change
6. Securing water resources
7. Response to marine pollution
8. Advancement of robotics
9. Autonomous driving technology
10. 3D printing technology
11. IoT, Cloud, DX

Business foundation area

1. Response to climate change
2. Human rights
3. Labor
4. Diversity
5. Safety and health
6. Compliance
7. Quality
8. Risk management

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

Materiality

- 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

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

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

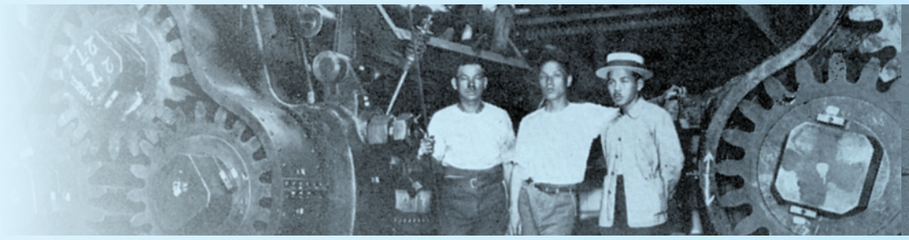
Materiality and Indicators/Targets

1 Due to a revision of the calculation method and scope of targets, the figures for fiscal 2020 have been revised retroactively.
2 The latest coefficients are used to calculate the contribution to reduction of CO_2 emissions through technologies, products, and services.
3 Three main items: Slag, dust, and sludge
4 S+3E = Safety + Energy Security, Economic Efficiency, and Environment
5 Employees in the back-office sections develop apps using no-code, low-code tools on their own.
6 Progress rates of the plan to rebuild existing IT systems, excluding the mainframe, which was planned at the time of formulation of the Medium-Term Management Plan (Fiscal 2021–2023)
7 a. IT evangelists (DX personnel who utilize IT to plan and implement business reforms in their own divisions), b: Data scientists (DX personnel capable of advanced data analysis)
8 Due to a revision of the calculation method (to include seconded employees and employees taking leave of absence), the figures for fiscal 2020 have been retroactively revised.
9 The time required for an e-learning lesson is estimated at 15 minutes per person.

Kobelco Group's Materiality		Indicators and Targets				Description of Initiatives
		Indicators	Targets	Actual (FY2020)	Actual (FY2023)	
Contributing to a green society	Response to climate change	(1) Reduction of CO_2 emissions in production processes	2030: Down 30–40% (compared to FY2013) 2050: Taking on the challenge of realizing carbon neutrality	20% reduction[1]	20% reduction	• Promoted energy-saving activities and implement initiatives in line with the roadmap toward carbon neutrality in the ironmaking process.
		(2) Contribution to reduction of CO_2 emissions through technologies, products, and services	2030: 61 million tons (including at least 45 million tons through MIDREX® Process) 2050: 100 million tons or more	40.77 million tons	61.18 million tons[2]	• Increased sales and expanded the lineups of technologies, products, and services that contribute to CO_2 reduction.
		(3) Reduction of CO_2 emissions in the electric power business	2030: Increasing efficiency of coal-fired power plants to the USC level or higher 2050: Taking on the challenge of realizing carbon neutrality	—	—	• Implemented initiatives in line with the roadmap toward carbon neutrality in the electric power business, including ammonia co-firing/single-fuel firing and the use of biomass.
	Response to resource recycling	(4) Water recycling rate	Maintaining at 95% or higher	95.9%	96.3%	• Promoted efficient use and thorough recycling of water.
		(5) By-product recycling rate	Recycling of three main items[3] FY2025: 99%	98.9%	99.1%	• Promoted recycling of the three main items and reduce final disposal amounts.
Ensuring safety and security in community development and manufacturing	Supplying energy focused on S+3E[4]	—	—	—	—	—
	Providing materials and machinery that meet needs	(6) Percentages of target products in the product mix	FY2025: Percentage of wire rods/bars and high-tensile strength steel in the steel products: 52%	44%	48%	• The percentage of wire rods/bars and high-tensile strength steel has steadily increased as we secured the sales volume of special steel wire rods and ultra-high-tensile strength steel roughly in accordance with the plan due to our efforts to steadily capture the recovery in automobile demand after the pandemic and demand for automotive weight reduction. In steel plates and other sectors, we are working to expand the sales volume of high-value-added products tailored to customer needs.
	Improving safety and productivity		—	—	—	—
Providing solutions for the future connecting people and technology	Reforms in manufacturing and operations through digitalization (DX)	(7) Hours of office work streamlined by digitization	FY2023: 125,000 hours/year FY2025: 250,000 hours/year	—	259,000 hours/year	• Have implemented measures to improve the no-code/low-code development environment and promote civil development[5] since fiscal 2022, and achieved targets for fiscal 2025 ahead of schedule.
		(8) Progress rates of reconstruction of existing systems[6]	FY2025: 100%	—	63.6%	• The integration and renovation of the SAP ERP system (for financial accounting and the machinery businesses) and the large-scale restructuring of the design system are generally on schedule. The new SAP ERP system was launched in April 2024 as planned.
		(9) Number of DX personnel trained	a. IT evangelists[7] FY2023: Approx. 500 b. Data scientists[7] FY2023: Approx. 140	a. 35 b. 99	a. 593 b. 146 (cumulative)	• Made progress as planned and achieved the target. To improve effectiveness, the following measures are underway. a. Enhance the follow-up after training. Strengthen the sharing of case studies and information dissemination in the IT evangelist community. b. Continuous follow-up through introductory and intermediate training and advanced training by specialized departments and networking events.
	Integration and innovation of diverse intellectual assets	(10) New business creation	FY2025: Multiple task forces (TFs) to create new businesses FY2030: Multiple TFs to launch new businesses (Annual target earnings: 1 billion yen or more per business)	—	One business	• Continued to explore new businesses centered on the hydrogen working group and explored medium- to long-term growth areas next to the hydrogen sector. In addition, built a foundation for new activities from fiscal 2024, such as creating guidelines for new business activities.
		(11) Number of employees with PhDs	—	177	168	• Promoted initiatives for encouraging employees to obtain academic degrees and the hiring of students with PhDs.
Promoting active participation of diverse human resources	Diversity and inclusion	(12) Percentage of women in new graduate hires	FY2023: a. Career-track administrative positions: 50% or more b. Career-track technical positions: 15% or more c. General technical positions: 15% or more	a. 34% b. 16% c. 9%	a. 44% b. 13% c. 9%	• Career-track positions: Introduced scout-type service and participated in seminars for female students. • General technical positions: Enhanced approach to schools/institutes to promote recruitment.
		(13) Percentage of female managers	FY2023: Twice the fiscal 2020 level	2.3%[8]	3.1%	• Enhanced the mid-career recruitment of women.
		(14) Percentage of employees with disabilities	2.3% (statutory employment rate)	2.34%	2.62%	• Conducted recruiting activities based on the statutory employment rate.
		(15) Number of non-Japanese employees	—	87	87	• Continued to conduct recruiting activities at universities in China. • Conducted recruiting activities in Taiwan, South Korea, and Vietnam.
	Work style transformation	(16) Percentage of male employees taking special leave for childcare	FY2023: 100%	77.8%	94.5%	• Conducted activities to raise awareness at various D&I seminars, etc.
		(17) Turnover of employees with less than 10 years of service	Less than 15%	15.8%	21.1%	• Conducted various work style transformation activities and activities to support work-life balance, etc.
		(18) Overtime hours	—	16.6 h (per month/ employee)	16.1 h (per month/ employee)	• Conducted activities at each business unit, such as finishing work by 7:00 pm and setting a day with no overtime work, etc. • Carried out activities for improving business operations to increase operational efficiency.
		(19) Number of annual paid leave days taken	15 (per year/employee)	11.0 days	18.0 days	• Encouraged the taking of annual leave based on annual plans created through two-way communication between supervisors and individual employees in a planned manner.
		(20) Total hours worked	Under 2,000 hours/year	1,978 h	2,050 h	• 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	• Continued to implement the survey between fiscal 2021 and fiscal 2023.
	Human resources development	(22) Improving and expanding employee training a. Total hours trained (across all employees) b. Average hours of training per employee		a.364,545 h b. 30.8 h[9]	a. 380,056 h b. 33.0 h[9]	• Conducted training for selected leaders, in addition to stratified training based on the issues of each department and open training that can be selected by individuals. • Implemented self-directed, self-driving learning support (video training service).
Pursuing governance that supports sustainable growth	Compliance and risk management	(23) Number of reported whistleblowing cases	—	112 cases	117 cases	• Disseminated information about the whistleblowing system through various in-house training sessions, intranet, posters, cards, leaflets, etc. • Conducted training for employees, who are in charge of addressing whistleblowing, explaining how to handle the information obtained from whistleblowers and criminal penalties in the event of leakage of confidential information.
	Human rights	(24) Participation rate in employee training	Implementation of Groupwide human rights training	—	100% (e-learning participation rate at Kobe Steel)	• Conducted human rights training for all employees using video-based learning materials (the theme for fiscal 2023 was harassment). • Continued training for those in charge of promoting employee training at Group companies (How to conduct training overseas is to be determined separately).
	Safety and health	(25) Lost time injury frequency rate	0.10 or less	0.28	0.31	• Implemented priority items, which include (1) Improving safety awareness and heightening attention to each other with participation of all members, (2) Conducting audits of business location, including domestic and overseas Group companies, and improvement activities, and (3) Systematically introducing machinery safety and human safety support tools. In terms of training, we conducted machinery safety training for a total of 1,144 employees by the end of fiscal 2023.
		(26) Expansion of safety and health training		694	1,367	• Implemented new employee training, new supervisor training, and line manager training to help them acquire knowledge and skills related to safety and health.
	Quality assurance	(27) Accreditation rate in compliance with Quality Guidelines in internal quality audit	FY2023: 70% of internal quality audit target locations	—	67%	• A total of 75 sites were approved for compliance, and the approval rate was 67% (cumulative). Working to improve quality assurance levels by self-diagnosing the status of compliance with the Quality Guidelines at each site of 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.
		(29) Continuation of customer satisfaction survey		Ongoing	Ongoing	• Conducted surveys with questions tailored to each business division considering the difference of business operations.
	Corporate governance	(30) Improving the effectiveness evaluation of the Board of Directors		Ongoing	Ongoing	• Conducted questionnaire surveys targeting all directors and individual interviews by the Corporate Governance Committee.

History of the Kobelco Group

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 118 years since its founding, our Group has been responding to the needs of society and demands of the times through its materials, machinery, and electric power businesses.



1900 – Industrial modernization

▶ Establishes the Group and develops business foundation for the growth of Japanese steel industry

1950 – Post-war recovery and rapid economic growth

▶ Resumes steel production promptly after the war

Establishes position as a pioneer in titanium industrialization

Builds a foundation for the integrated management of steel, non-ferrous metals, and machinery

Expands overseas with the Kobelco brand

Groupwide

1905 Founded

1937 Listed on the stock market

1960 Opens office in New York

1979 Establishes KOBELCO as international unified trademark

1988 Establishes U.S. headquarters

Materials Businesses

1905 Begins steel casting and forging business

1916 Begins steel products business

1937 Begins aluminum business

1917 Begins copper business

1940 Begins welding business
Produces Japan's first welding electrodes

1955 Begins titanium metal business
Begins Japan's first industrial production of titanium

1959 Establishes integrated steel production

1968 Establishes production base in Thailand

1970 Completes Kakogawa Works

1979 Develops ARCMAN™ welding robot

1990 Establishes manufacturing and sales base for automotive hot-dip galvanized steel sheet in the U.S.

Machinery Businesses

1914 Begins machinery business
Begins first domestic development of air compressors

1930 Begins construction machinery business
Completes first domestically produced electric shovel

1926 Begins engineering business
Completes Japan's first cement plant

1962 Begins overseas plant business
Japan's then-largest plant export (East Pakistan, currently Bangladesh)

1975 Implements automated guideway transit (AGT) system
Begins operation of AGT system "KRT" at Okinawa International Ocean Exposition

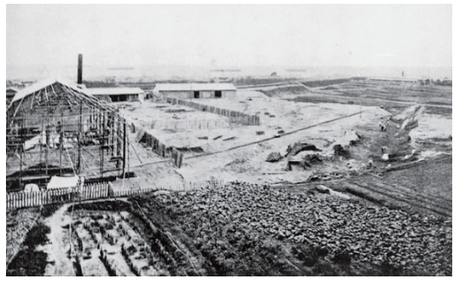
1983 Acquires U.S. company Midrex Technologies, Inc.
Begins direct reduction ironmaking plant business

The spirit of tackling societal challenges

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 while expanding its business domains in these areas.

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.



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 Japan's first industrial production of titanium metal
2022 Announces the launch of Japan's first low-CO_2 blast furnace steel product Kobenable® Steel

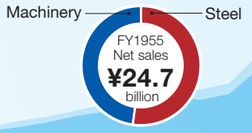
Corporate culture that drives growth through taking on new challenges

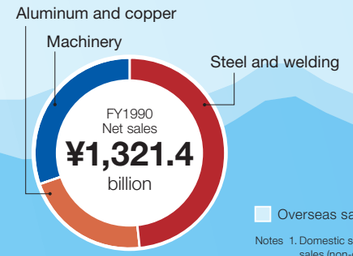
In the prewar period, our Company entered various business fields, all of which required advanced technology. Therefore, we aggressively introduced and avidly absorbed new technologies from overseas companies, while actively recruiting human resources from outside. Through these efforts, we have nurtured 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.

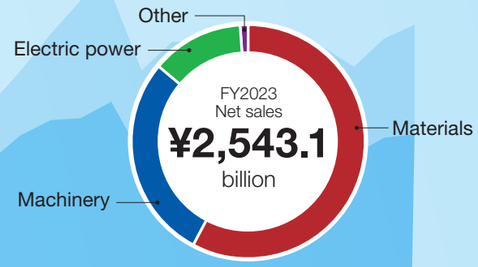
Even today, such corporate culture and spirit remain as the common values shared by all members of the Kobelco Group, as expressed in KOBELCO's View of the Future and KOBELCO's Mission.

History of the Kobelco Group

Contributing to Solving Customer Problems with Three Business Areas as Pillars







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 net sales (non-consolidated basis until fiscal 1980, consolidated basis from fiscal 1981).
2. The ratios in the pie charts are calculated by simply adding the net sales of each segment, including inter-segment transactions.

1995– Great Hanshin-Awaji Earthquake

▶ Transitions from earthquake recovery to improving competitiveness and contributes to the reconstruction of local communities through urban power plants

2005– Global financial crisis

▶ Strengthens Group structures for the management and business next 100 years

2020– Acceleration of the sustainability movement

▶ Takes on the challenge of realizing carbon neutrality to achieve a sustainable society

Groupwide

2000 Establishes Corporate Code of Ethics

2006 Establishes corporate philosophy

2011 Establishes China headquarters

2017 Launches Next 100 Project

2017 Establishes headquarters in Southeast Asia and South Asia

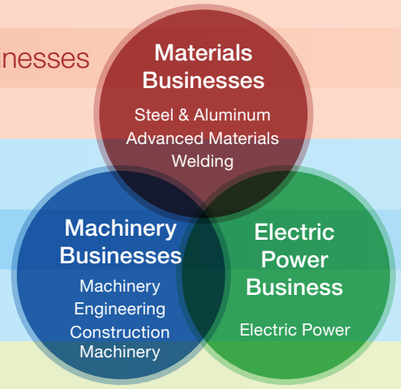
2020 Establishes Group Corporate Philosophy

2017 Announces quality misconduct and formulates measures to prevent recurrence

2019 Establishes regional headquarters in Europe

2024 Announces Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026)

Materials Businesses



2006 Starts operations of special steel wire rod processing base for automobiles in China

2006 Starts operations of aluminum forging plant for automotive suspension products in the U.S.

2014 Establishes manufacturing and sales base for automotive cold-rolled, high-tensile strength steel in China

2016 Begins producing aluminum panel material at Tianjin Plant in China —Becomes first Japanese company to produce automotive aluminum panel material in China

2017 Consolidates upstream processes at Kakogawa Works

2018 Establishes production and sales base (KPEX) in the U.S. for aluminum extrusions and fabricated products

2022 Announces the launch of low-CO_2 blast furnace steel product Kobenable® Steel

Machinery Businesses

2004 Establishes manufacturing and sales base for standard compressors in China

2006 Establishes manufacturing and sales base for non-standard compressors in the U.S.

2017 Acquires Quintus Technologies of Sweden, world's leading isostatic press manufacturer

2021 Kobelco Eco-Solutions Co., Ltd. becomes a wholly owned subsidiary

2022 Begins capital and business alliance with Miura Co., Ltd.

Electric Power Business

1996 Enters wholesale power supply (IPP) business

2002 Starts commercial operations of Kobe Power Plant No. 1 unit

2004 Starts commercial operations of Kobe Power Plant No. 2 unit

2016 Begins Electric Power Business

2019 Starts commercial operations of Moka Power Plant No. 1 and No. 2 units

2021 Starts commercial operations of Kobe Power Plant No. 3 unit

2022 Starts commercial operations of Kobe Power Plant No. 4 unit

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—the materials businesses (steel & aluminum, advanced materials, and welding), the 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-CO_2 ironmaking technology that combines the technologies of our steel and engineering businesses, the hybrid-type hydrogen gas supply system developed in collaboration between the machinery and engineering businesses, sharing their management resources.

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 domains. 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 active roles in a wide range of divisions of the Company.

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

Overview of the Kobelco Group

Founded	Capital (consolidated)	Total assets (consolidated)	Number of employees (consolidated)
1905	¥250.9 billion	¥2,919.7 billion	38,050

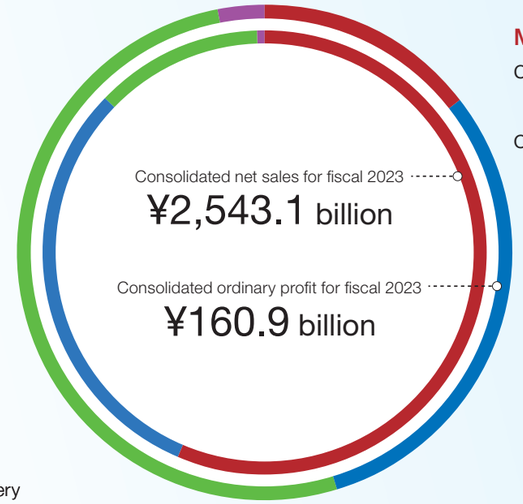
Global operations (consolidated)	Group companies	Research and development expenses	Number of intellectual property rights owned
23 countries	247 202 subsidiaries and 45 affiliated companies	¥40.4 billion	7,042 (3,213 in Japan, 3,829 overseas)

Net Sales and Ordinary Profit

Other Businesses Net sales ¥10.8 billion
Ordinary profit ¥4.8 billion

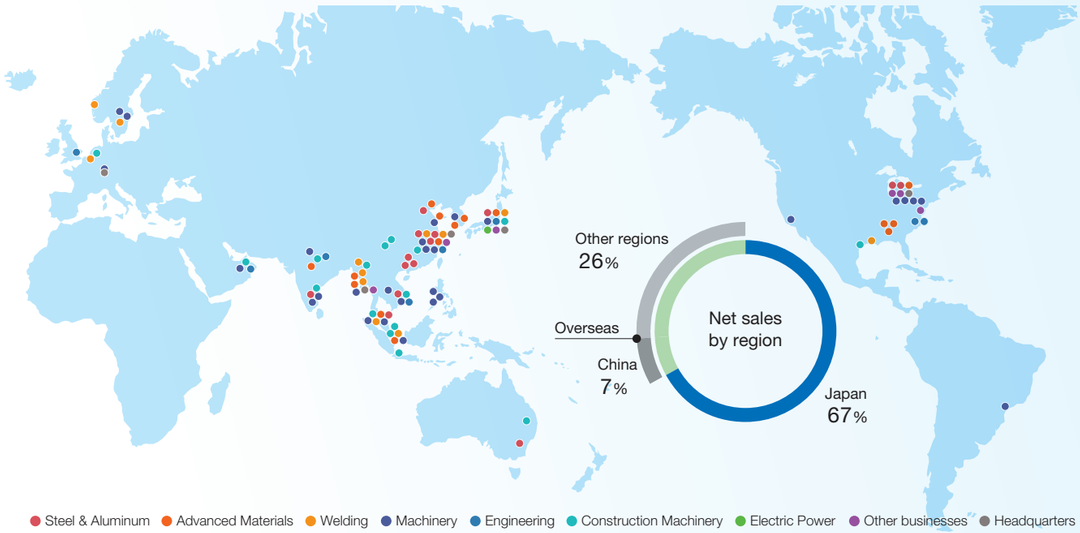
Electric Power Business
Net sales
¥315.9 billion
Ordinary profit
¥85.7 billion

Machinery Businesses
Net sales
¥809.2 billion
Ordinary profit
¥51.2 billion
- Machinery
- Engineering
- Construction Machinery



Materials Businesses
Consolidated net sales:
¥1,474.3 billion
Ordinary profit:
¥24.2 billion
- Steel & Aluminum
- Advanced Materials
- Welding

Global Locations



Manufacturing Process

Materials Businesses

Net sales
¥1,474.3 billion
Ordinary profit
¥24.2 billion
Number of employees
19,130

Raw materials and parts procured	Our Group's products
Iron ore Coal Aluminum ingot Titanium sponge Other secondary materials, etc.	• Steel products Wire rods and bars, steel sheets and steel plates • Aluminum rolled products • Copper rolled products • Steel castings and forgings • Titanium products • Steel powder • Aluminum extrusions • Aluminum castings and forgings • Welding materials

Machinery Businesses

Net sales
¥809.2 billion
Ordinary profit
¥51.2 billion
Number of employees
16,882

Raw materials and parts procured	Our Group's products
Various parts Various equipment Various materials Various components	• Industrial machinery • Compressors • Various plants • Construction machinery

Electric Power Business

Net sales
¥315.9 billion
Ordinary profit
¥85.7 billion
Number of employees
303

Raw materials and parts procured	Our Group's products
Coal, natural gas Generator Repair parts Other materials	• Power generation

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.

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

Our Recognition of Medium- to Long-Term Trends in the Business Environment

- Domestic/worldwide demographic changes, Increasing urbanization
- National security and geopolitical risks
- Growing demand for a sustainable society
- Advances in technologies

Assessment of business environment by customer domain

Economic Environment by Customer Domain
▶ See pp.58–59

Inputs

Financial Capital
Stable financial base

Human Capital
People and organizations, respecting and leveraging diverse values and expertise

Manufactured Capital
Production processes to create distinctive products

Intellectual Capital
Know-how and technologies developed over 118 years of business operations

Social and Relationship Capital
Deepening relationships with business partners nurtured through a wide range of businesses

Natural Capital
Pursuit of efficient use of natural capital and reduced environmental impact

Business activities

Diversified business operations through the materials businesses, machinery businesses, and electric power business

Expansion and advancement of each business domain

Mutual reinforcement and collaboration between businesses

Materials Businesses
Steel & Aluminum
Advanced Materials
Welding

Machinery Businesses
Machinery
Engineering
Construction Machinery

Electric Power Business
Electric Power

Group's comprehensive strengths
The driving force to continue to be a solution provider

Expansion and advancement of each business domain

Expansion and advancement of each business domain

Business Capital, the Source of Comprehensive Strengths
▶ See pp.24–25

Advancements in the value creation area

Enhancement of the business foundation area

Outputs

Net Sales and Ordinary Profit (FY2023)

Consolidated net sales	Ordinary profit
¥2,543.1 billion	¥160.9 billion

Diverse Products and Services

Mobility
- Automobiles
- Shipbuilding
- Aircraft
- Rolling stock

Life
- Container materials
- Electrical equipment
- Electronics

Energy & Infrastructure
- Construction and civil engineering
- Advanced urban transit system
- Environmental and energy facilities
- Electric power

Outcomes

Shareholders and Investors
Enhancing shareholder value over the medium to long term and providing returns
- FY2026 target: Achieving an ROIC of 6%
- Providing continuous and stable dividends

Customers
Ensuring safety and security in community development and manufacturing
- Providing materials and machinery that meet needs
- Continuous stable supply of electricity
- Improving safety and productivity

Employees
Increasing employee satisfaction in work and personal life and promoting employees' global activities
- Penetration rate of the Group Corporate Philosophy: 78%
- Lost time injury frequency rate: 0.31
- Kobelco Gathering: Around 4,000 cumulative participants in FY2023

Business Partners
Building cooperative and responsible supply chains
- CSR survey: Around 330 companies

Community Members
Contribute to society as a member of the local community
- Social contribution activity expenses: Around 850 million yen
  - Kobelco Community Contribution Fund
  - Kobelco World Children Support Program
  - Kobelco Green Project, Kobelco Forest Fairy Tale Prize
- Contributions to society through sports

Environment
Contribution to a sustainable global environment
- Taking on the challenge of realizing carbon neutrality by 2050
- Reduction of CO_2 emissions in production processes: 20% reduction (compared to fiscal 2013)
- Contribution to reduction of CO_2 emissions through technologies, products, and services: 61.18 million tons
  Water recycling rate: 96.3%
  By-product recycling rate: 99.1%

Business Capital, the Source of Comprehensive Strengths

The Kobelco Group has been engaged in a wide range of businesses over its 118-year history. The Group's comprehensive strengths are built on the knowledge and technological capabilities that it has cultivated and a solid base of diverse human resources working in the Group. We will continue to provide solutions to the challenges 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. In fiscal 2023, the final year of the previous Medium-Term Management Plan, we recorded an ordinary profit of 160.9 billion yen, with an ROIC of 6.7%, exceeding the target of 5%.

In the Medium-Term Management Plan (Fiscal 2024–2026), we will continue to strengthen our financial base and achieve sustainable growth, aiming for an ROIC of approximately 6% on a consistent basis and increasing it to 8% in a favorable business environment.

Total assets ¥2,919.7 billion	ROIC 6.7%
Interest-bearing debt (Excluding lease and project finance) ¥873.4 billion	Gross D/E ratio 0.83 times
Net asset ratio 38.6%	Stockholders' equity ¥914.3 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 23 countries around the world and its employees with diverse values, knowledge, and nationalities constitute an integral part of our strengths.

With the aim of encouraging 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 (consolidated) 38,050	Average hours of training per employee 33.0
Number of non-Japanese employees 87	Percentage of employees returning from childcare leave 99.6%
Percentage (number) of female managers 3.1% (74)	Lost time injury frequency rate 0.31

Manufactured Capital Production processes to create distinctive products

While accelerating capital investment necessary to create technologies, products, and services that address societal challenges, we strive to 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) ¥94.8 billion	Percentage of business sites certified under the Quality Guidelines 67%
Property, plant and equipment ¥1,034.4 billion	Depreciation ¥119.0 billion

Intellectual Capital Know-how and technologies developed over 118 years of business operations

We create new value by integrating the technological capabilities and knowledge, which have been cultivated by each business division, beyond organizational boundaries.

In October 2022, we established the Kobelco Future Pioneering Co-Creation Research Center together 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).

21 core technologies	Number of intellectual property rights owned 7,042
Research and development expenses ¥40.4 billion	Number of DX personnel trained (Cumulative since fiscal 2020) 593 IT evangelists 146 data scientists

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 members of 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 23 countries	Group companies 247
Individual dialogue with domestic and international institutional investors and analysts 216 companies (cumulative total)	Social contribution activity expenses Approx. ¥850 million

Natural Capital Pursuit of efficient use of natural capital and reduced environmental impact

Our Group's business activities are closely related to natural capital, since 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 byproduct recycling.

Reduction of CO_2 emissions in production processes 20% reduction (compared to FY2013)	Contribution to reduction of CO_2 emissions through technologies, products, and services 61.18 million tons
Water recycling rate 96.3%	By-product recycling rate 99.1%

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

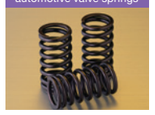
The Kobelco Group provides solutions to the needs of society by combining the advantages of our diverse businesses, while leveraging our Group's comprehensive strengths to respond swiftly to changes in the social environment, aiming for a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

Materials Businesses

Steel & Aluminum

- Wire rods and bars
- Steel sheets (hot-rolled, cold-rolled, surface treated)
- Steel plates
- Aluminum flat-rolled products
- Other (steel billets, foundry pigiron, pig iron for steelmaking, slag products)

Steel products for automotive valve springs



Aluminum sheets for automotive panels

High-tensile strength steel sheets

Aluminum bottle can stock

Aluminum disks

Eco-View® steel plates for longer-lasting paint on bridges

Advanced Materials

- Steel castings and forgings
- Aluminum-alloy and magnesium-alloy castings
- Titanium and titanium alloy
- Aluminum-alloy forgings and fabricated products
- Aluminum extrusions and fabricated products
- Copper rolled products
- Steel powder

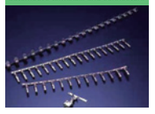
Titanium for aircraft engine components

Crankshafts

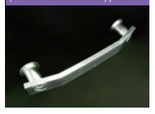
Aluminum forged parts for automotive suspensions

Steel powder

Copper alloys and plating for automotive terminals and connectors



Aluminum extrusions and fabricated products for automotive applications



Welding

- Welding materials (covered welding electrodes, wires for automatic and semi-automatic welding, fluxes)
- Welding robots
- Welding machines
- Robotic welding systems
- Welding-related testing, analysis, and consulting

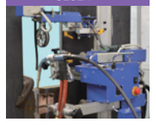
Flux cored wire

ARCMAN™ SENSARC™ series

FAMILIARC™ MIX-1TR

REGARC™

SESLA™



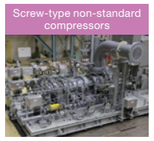
Robotic Welding System for 9% Ni Steel

Machinery Businesses

Machinery

- 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 • Chillers • Heat pumps
- Various plants (steel rolling, nonferrous metals, etc.)
- Various internal combustion engines
- Special alloys and other new materials (target materials, etc.)
- Analysis and testing of materials

Screw-type non-standard compressors



Screw-type standard compressor Emeraude

Polyethylene mixing and pelletizing systems

LNG vaporizer (ORV)

Isostatic pressing equipment

Semiconductor silicon wafer inspection systems

Engineering

- Various plants (direct reduction ironmaking, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc.)
- Automated guideway transit (AGT) system
- Chemical and food processing equipment

MIDREX® Process

Advanced urban transit systems

Kobelco Pelletizing System

Water treatment facilities

Steel plate digester tanks

Grate-type incineration furnace

Construction Machinery

- Hydraulic excavators
- Mini excavators
- Environmental recycling machines
- Crawler cranes
- Wheel cranes
- Remote operation system for heavy machinery
- Crane construction planning support software

Backward ultra-small swivel excavators

Multi-vehicle dismantling machines

Crawler crane

Building demolition machine

Remote operation system for construction machinery K-DIVE®

Electric Power Business

- Electric power supply
- Heat supply

Kobe Power Plant

Moka Power Plant

Mobility

- Automobiles
- Shipbuilding
- Aircraft
- Rolling stock

Life

- Container materials
- Electrical equipment
- Electronics

Energy & Infrastructure

- Construction and civil engineering
- Advanced urban transit systems
- Environmental and energy facilities
- Electric power

Our Group's Strength— Diverse Human Resources

Each and every member of our Group is working toward 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.

During the course of my everyday work, I make it a point to say "thank you" and "sorry" straight to my colleagues to create a healthy and pleasant workplace. I respect everyone who works for the Company!

Rolling Section,
Copper Rolled Products Plant,
Copper Rolled Products Unit

As a member of the Finance and Accounting department at the U.S. headquarters, I provide essential cash management and banking support to our Group companies in North America. Through these services, I aim to facilitate smooth business operations across the board, and I am committed to fostering financial stability and supporting sustainable growth, ultimately contributing to the overall value enhancement of the Kobe Steel Group.

Finance Manager, Kobe Steel USA Inc.

I'm dedicated to supporting Kobelco Group as RHQ* through our principle "Try together, Run together" and be a professional group capable of responding proactively to quick changes in the environment.

*Regional Headquarters

Corporate Division,
Kobelco South East Asia Ltd.

To contribute to creating prosperous lives for people living in the future, we will continue to provide high-performance steel products and services to provide solutions to the needs of society, including carbon neutrality.

Steel Sheet, Plate & Aluminum Sheet Sales Section,
Nagoya Steel & Aluminum Sheet Sales Department

I believe that the mission of a general foreman is to develop "human resources" who take responsibility for their work and do not give up even in the face of adversity, as well as to create a work environment that encourages the growth of every team member. Therefore, I am committed to both teaching and showing good examples.

Manufacturing Section, Ibaraki Plant

I am in charge of auditing the status of compliance with applicable laws and regulations and Kobelco Group standards at our overseas Group companies and supporting their activities. I will strive for self-improvement to enhance my expertise and commit to my responsibilities with integrity.

Health & Safety Group,
Environment and Safety Department

As a core member, I am engaged in a team activity aimed at fostering a culture in our business division where all employees can feel more fulfilled in their work and actively take on new challenges.

Marketing Planning Department,
Sales and Marketing Division,
Machinery Business

While balancing work and childcare, I am working to contribute to our safe, secure, and prosperous lives continuing into the future by ensuring compliance with environmental and disaster management laws and regulations, appropriate control of chemical substances, and the promotion of resource recycling.

Environmental Control &
Disaster Prevention Group,
Environment and Safety Department

Aiming for sustainable growth of our business in China, I am contributing to support activities to build a safety culture and an excellent quality system while monitoring the current situation of our Group companies, as well as committed to continued quality improvement of our support services by incorporating feedback from our Group companies.

Safety Quality Technology Section, Administration Department,
Kobelco (China) Holding Co., Ltd.

In order to provide "satisfying quality," I am engaged in support activities to strengthen middle management through a practical management program.

Kobelco TQM Planning &
Promotion Group,
Quality Management Department

As a metallurgical expert who specializes in the science of metal formation, I will contribute to providing solutions to societal and environmental challenges by reducing CO_2 emissions in the ironmaking process through the improvement of the MIDREX® process technology in cooperation with professionals from various fields.

Refining & Solidification Research Section,
Materials Research Laboratory,
Technical Development Group

I am creating systems that will be used extensively in our daily operations and supporting the efforts to achieve things that have not be possible by utilizing the power of IT, beyond organizational boundaries.

DX Strategy Project Group,
IT Planning Department

I am working to contribute to the realization of the Group Corporate Philosophy by enhancing our credibility as a company through the accurate filing of tax returns in Europe and supporting compliance with laws and regulations.

Accounting & Administration Department,
Kobelco Europe GmbH

In order to realize what our customers wish for and provide new value, I make a conscious effort to closely communicate with every customer and listen to their diverse voices.

Project Group,
Business Development Department
Kobelco Construction
Machinery Co., Ltd.

Aiming to achieve carbon neutrality, I am committed to promoting the feasibility study of low-CO_2 iron metallics supply in Oman, implementation of EPC (engineering, procurement, construction) projects in Japan and overseas, and mechanical design of the MIDREX® direct reduced iron (DRI) plant.

Mechanical Engineering Section,
Project Engineering Center,
Engineering Business

I am supporting our power plants in their implementation of Japan's new electricity regulations. We are contributing to the continuous and stable supply of electricity to local communities by staying adaptable to changes in the electric power industry's business environment.

Planning and
Administration Department,
Electric Power Business

I am working at the U.S. headquarters, addressing daily problems from an HR viewpoint. As a member of Kobelco One Team, my mission is to collaborate with Group companies from a global perspective and create a work environment where diverse human resources can play active roles.

Secondment from Kobe Seel, Ltd. to
Kobe Steel USA Inc.

Our Group's Strength— Technical Development

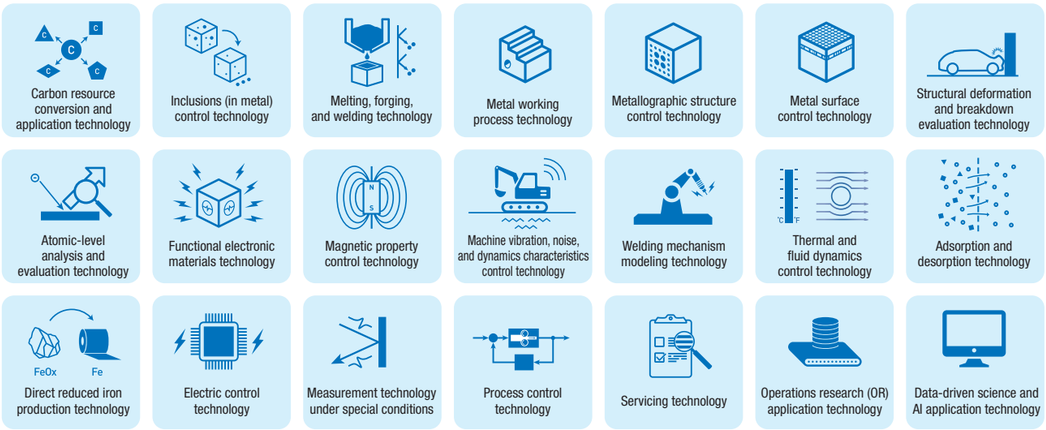
Creating New Value by Harnessing Our Broad Range of Expertise

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 technology developed by a business segment will be utilized by other business segments for the development of new technologies, allowing for the creation of new value across businesses. We believe that this is our Group's strength.

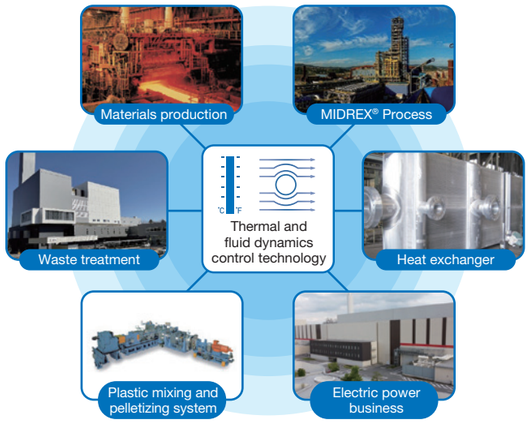
Koichi Sakamoto
Director, Executive Officer
(Oversees companywide technical development)

21 Core Technologies



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 CO_2 reduction solution that reduces CO_2 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.

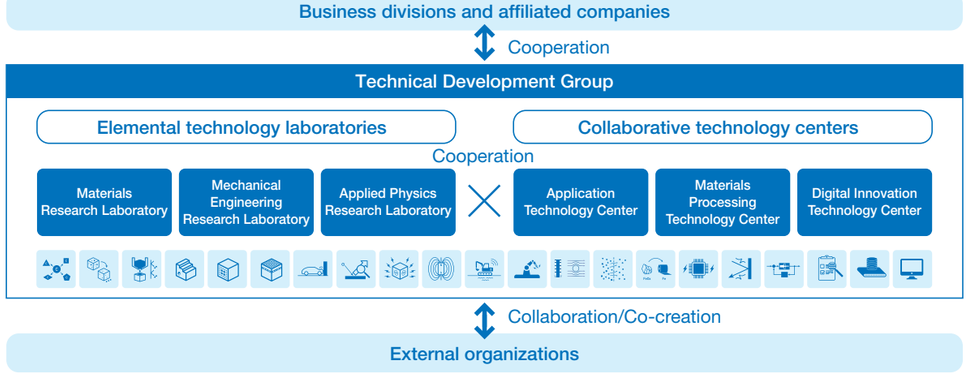
Thermal and fluid dynamics control technology serves as a core technology that helps create new products in response to the increasingly sophisticated and complex needs and trends in the materials, machinery, and electric power businesses.



Another example is machine vibration, noise, and dynamics characteristics control technology, which plays a vital role in reducing the noise and vibration, and improving the energy efficiency of the products in the machinery businesses. In the materials businesses, this technology is used to automate production processes and stabilize the quality of products. In addition, it is utilized for developing solution technologies to make optimized proposals to customers who use our materials, as well as for the development of new materials.

These are just a few examples of the applications of our 21 core technologies. In addition to the two technologies mentioned above, other technologies are also being used to improve the quality and characteristics of multiple technologies and products in respective business divisions.

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 our 21 core technologies in collaboration with business divisions, with the Technical Development Group's elemental technology laboratories and collaborative technology centers serving as a hub for research and development. We have already begun to see results in a wide range of fields, including the reduction of CO_2 emissions in the ironmaking process. We will continue to promote the creation of distinctive technologies and products and the strengthening of *monozukuri* capabilities through collaboration within the Group and co-creation with external organizations.



Message from Independent Director

I believe that Kobe Steel is demonstrating its strengths of a conglomerate with a diverse range of business operations, including in the technical field, realizing various elemental technologies that create innovation through Groupwide teamwork. In the efforts toward decarbonization, which is a challenge that society faces, the Company is a forerunner in Japan as it has realized the practical application of natural gas and hydrogen as a reducing agent in the steel business, and is working on the combustion of ammonia in the electric power business. I expect that the Company will continue to contribute to global development through the integration of the technical capabilities of its materials, machinery, and electric power businesses.

Shinsuke Kitagawa
Independent Director

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

Under the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), we worked on the two priority issues: (1) Establishing a stable earnings base and (2) Taking on the challenge of realizing carbon neutrality, with the aim of continuing to be a corporate group indispensable to our stakeholders as we provide solutions to the needs of society by leveraging the Group's collective strengths that enable the integration of its diverse businesses, technologies, and human resources.

Priority Issues of the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023)

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 CO_2 emissions in production processes
(2) Contribution to reduction of CO_2 emissions through technologies, products, and services

Establishing a Stable Earnings Base

We achieved most of the targets that we have set for the five key measures, except the earnings target for "strategic investment in the materials businesses leading to earnings contribution" due to slow growth of demand, mainly in the aluminum business.

Key measures	Evaluation	Status
(1) Strengthening the earnings base in the steel business Under the assumption that demand will decrease over the long term, we worked to establish a structure to secure stable earnings at 6.3 million tons of crude steel production and maintain profitability even at 6.0 million tons.	○	• **Profitability improved significantly** by lowering the break-even point, although the product mix remains an issue.
(2) Smooth startup and stable operation of new electric power projects We worked to secure earnings of about 40 billion yen per year starting in fiscal 2023, with the start of commercial operation of Kobe Power Plant No. 3 and No. 4 units, alongside the stable operation of Kobe Power Plant's No. 1 and No. 2 units and Moka Power Plant's No. 1 and No. 2 units.	○	• The operation of the Kobe Power Plant No. 3 and No. 4 units started as planned. • The new units have made a **substantial contribution to establishing a stable earnings base**.
(3) Strategic investment in the materials businesses leading to earnings contribution We worked to realize early earnings contribution from strategic investments for automotive weight reduction by responding to the continuously growing need for lighter vehicles, despite adverse factors such as slow growth of demand and challenges in *monozukuri* capability.	×	• Earnings contribution has **yet to be achieved** as planned. • Earnings in aluminum rolled products, extrusions, and suspensions businesses remained sluggish.
(4) Restructuring unprofitable businesses Amid changes in the demand environment and industrial structures, we worked to achieve profitability over the fiscal 2021–2022 period 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 continued to be in the red, by streamlining these businesses.	○	• **Achieved profitability** in the previously unprofitable steel castings and forgings, titanium, and crane businesses.
(5) Stabilizing earnings in the machinery businesses and responding to growing markets In the machinery businesses, we worked to expand environmental product lineup including those that contribute to CO_2 reductions, and aggressively address growing markets. In the construction machinery business, we worked to break away from dependence on the Chinese market, generate profits from the solutions businesses that help transform work styles in the construction industry, and commercialize peripheral businesses such as providing on-site installation know-how.	○	• **Orders and earnings increased** in the machinery and engineering businesses. • Structural reforms are underway in the construction machinery business.

Taking on the Challenge of Realizing Carbon Neutrality

Our Group is working together and taking on the challenge of realizing carbon neutrality, leveraging the strengths of the Group that operates a wide range of businesses with its diverse technologies and human resources as a source of competitiveness, as we strive to turn this challenge into a new business opportunity that can contribute to society.

In addition to steadily promoting the reduction of CO_2 emissions in production processes, we have launched Japan's first low-CO_2 blast furnace steel product Kobenable® Steel, and made steady efforts to capture demand for products that help reduce CO_2 emissions, such as the MIDREX® Process and environmental machinery products. We have also embarked on new businesses, including the hybrid-type hydrogen gas supply system and the supply of low-CO_2 iron metallics.

Reduction of CO_2 emissions in production processes

Steel products

- Clarify the details of the roadmaps to achieve carbon neutrality
- Advance projects aligned to the roadmaps

- Develop the technology to charge an increased amount of HBI into the BF
- Work on a double-track approach of utilizing the existing BF and introducing new EAF

Electric Power

- Clarify the details of the roadmaps to achieve carbon neutrality
- Advance projects aligned to the roadmaps

- Work on the co-firing of biomass fuels and ammonia
- Obtained funds from the Long-Term Decarbonization Power Resource Auction

Contribution to reduction of CO_2 emissions through technologies, products, and services

- Capturing growing demand for the MIDREX® Process, environmental machinery products, etc., spurred by worldwide CO_2 reduction efforts
- Carrying out new projects, such as the hybrid-type hydrogen gas supply system and low-CO_2 iron metallics project, etc.
- Commercialized low-CO_2 blast furnace steel products and aluminum products using green aluminum.

Kobenable® Steel

Feasibility study on low-CO_2 Iron Metallics Project

MIDREX® Process

Hybrid-type hydrogen gas supply system

In fiscal 2023, the final year of the Medium-Term Management Plan (Fiscal 2021–2023), the Company recorded an ordinary profit of 160.9 billion yen, and an ROIC of 6.7% (against the target of 5% or higher), as well as a D/E ratio of 0.55 times (against the target of 0.7 times or lower) as of the end of fiscal 2023, achieving both the earnings and financial targets. In addition, the Company raised the dividend payout ratio as planned to approximately 30%.

		Fiscal 2023 Targets	Fiscal 2023 Results
Profitability indicator	ROIC	5% or higher	6.7%
Financial stability indicator	D/E ratio	0.7 times or lower	0.55 times
Returns to shareholders	Dividend payout ratio	Reviewed including a raise	Raised to approx. 30%

(Billions of yen)

Major financial indicators	FY2019	FY2020	FY2021	FY2022	FY2023
Ordinary profit (loss)	(8.0)	16.1	**93.2**	**106.8**	**160.9**
Profit (loss) attributable to owners of parent	(68.0)	23.2	**60.0**	**72.5**	**109.5**
ROIC	0.9%	1.1%	**4.7%**	**4.9%**	**6.7%**
ROE	(9.7%)	3.4%	**7.9%**	**8.4%**	**11.1%**

We focused on strengthening our operation bases and business foundations, such as reviewing our management structures and promoting ESG initiatives based on materiality indicators and targets, while implementing initiatives aimed at creating an optimal business portfolio, as we move forward with our strategy from both offensive (proactive) and defensive perspectives.

Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026)

Recognition of the Business Environment

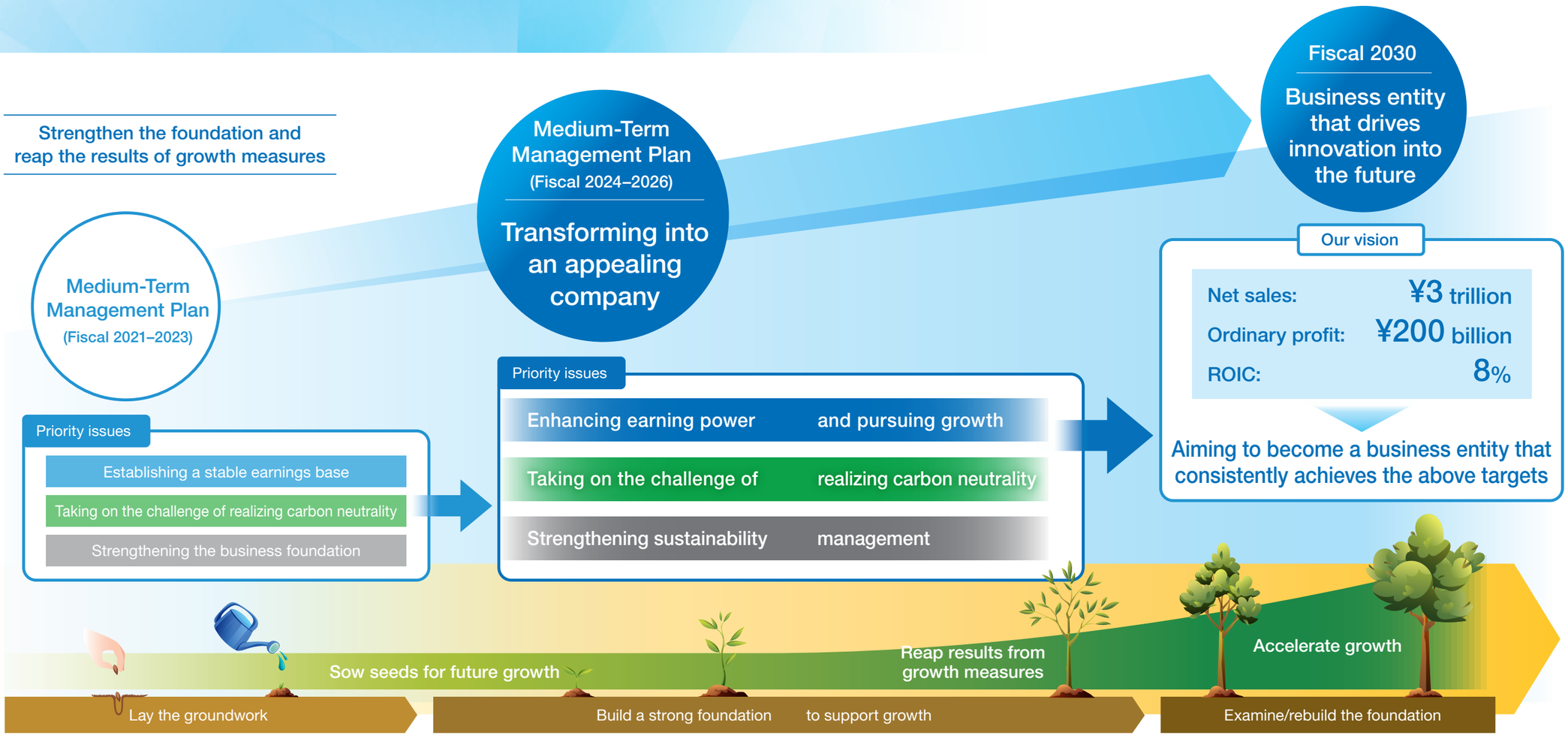
Our Group needs to respond to various changes in the business environment, including changes in demographic structure in Japan and overseas, along with increasing urbanization, national security and geopolitical risks, growing demand for a sustainable society, and advances in technology. These changes are not necessarily risks, but rather they are expected to be new growth opportunities, including contributing to social transformation toward the realization of carbon neutrality, as well as developing and implementing new technologies that address various changes. Our Group will actively work on the transformation of its business structure to provide customers with technologies, products, and services that address the future needs of society, as well as the transformation of its human resources, organizations, and systems to flexibly respond to changes in the business environment.

Positioning of the Medium-Term Management Plan

The three-year period of the Medium-Term Management Plan (Fiscal 2024–2026) is positioned as a period in which we will sow the seeds for growth, while strengthening our foundation, and gradually reap the results of growth measures that we began under the previous Medium-Term Management Plan.

Based on the review of the previous Medium-Term Management Plan and our recognition of the medium- to long-term trends in the business environment, the current Medium-Term Management Plan (Fiscal 2024–2026) has set two priority issues: (1) Enhancing earning power and pursuing growth, and (2) Taking on the challenge of realizing carbon neutrality.

In the current Medium-Term Management Plan, we aim to transform into an appealing company by implementing these two priority issues, while also aiming to become a business entity that drives innovation into the future, achieving net sales of 3 trillion yen, an ordinary profit of 200 billion yen, and an ROIC of 8% on an consistent basis, as we head toward fiscal 2030.

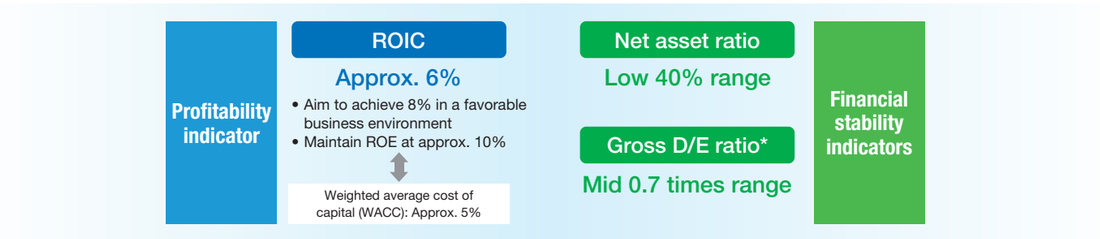


Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026)

Financial Targets

In the current Medium-Term Management Plan, we have set a target of stably achieving an ROIC of approximately 6% as a profitability indicator and increasing it to 8% in a favorable business environment, in order to achieve returns that exceed the cost of capital throughout the three-year period and to further strengthen our financial base in preparation for future strategy implementation.

In addition, we have set targets of achieving a net asset ratio in the low 40% range and a gross D/E ratio* in the mid 0.7 times range, as financial stability indicators, as we strive to establish a financial base that will allow us to make future investments, while being resilient to changes in the business environment.



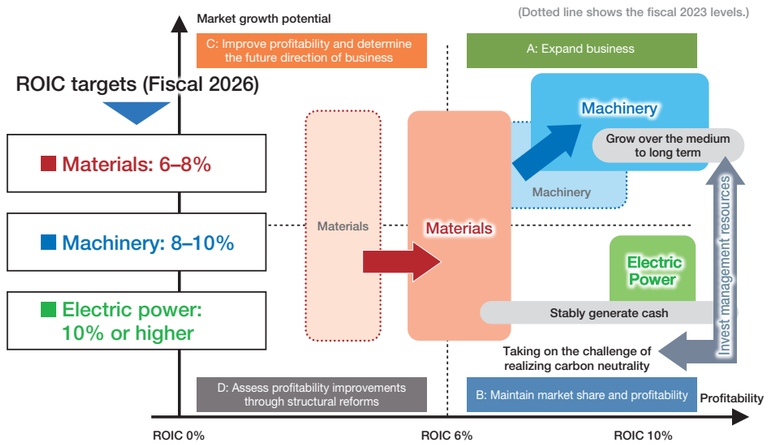
	FY2021	FY2022	FY2023	FY2021–2023 average	FY2024–2026 Medium-Term Management Plan
ROIC	4.7%	4.9%	6.7%	5.4%	Approx. 6% (aiming for 8%)
ROE	7.9%	8.4%	11.1%	9.1%	Approx. 10%
Net asset ratio	32.0%	34.0%	38.6%		Low 40% range
Gross D/E ratio	1.19 times	1.00 times	0.83 times		Mid 0.7 times range

* Starting with the current Medium-Term Management Plan, all financial targets will be managed on a consolidated basis. The gross D/E ratio is now based on interest-bearing debt including project finance.

Business Portfolio Map

The materials businesses aim to achieve an ROIC of 6–8% by improving profitability globally, focusing on enhancing earning power. Meanwhile, the machinery businesses aim to achieve an ROIC of 8–10%, pursuing growth by seizing business opportunities in the changing business environment. The electric power business aims to achieve an ROIC of 10% or higher with its continued contribution to stabilizing earnings, which was established in the previous Medium-Term Management Plan.

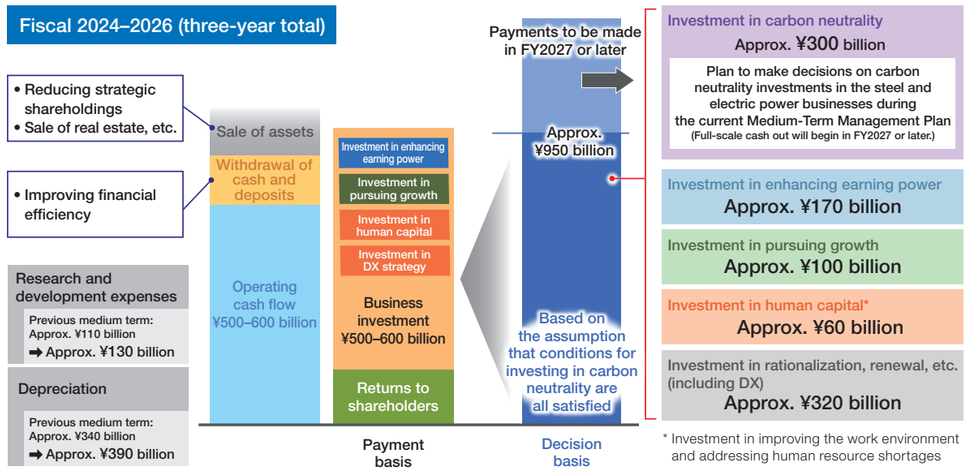
We will achieve sustainable growth by investing management resources earned by each business in pursuing growth and taking on the challenge of carbon neutrality.



Approach to Cash Allocation

We plan to secure an operating cash flow of 500–600 billion yen in total for the three-year period from fiscal 2024 to 2026. We will invest in each business, considering the returns to shareholders in accordance with our policy.

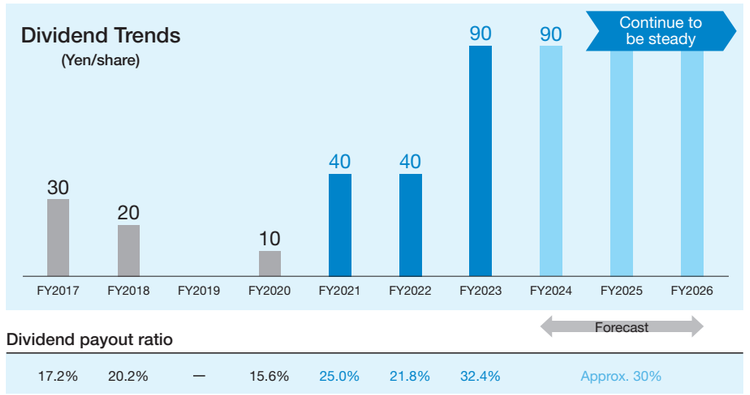
During the period of the current Medium-Term Management Plan, we also plan to make decisions on carbon neutrality investments in the steel and electric power businesses, provided that all necessary conditions are satisfied.



* Investment in improving the work environment and addressing human resource shortages

Returns to Shareholders

Kobe Steel determines dividends taking its financial condition, future capital needs, financial results, payout ratio and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. The target dividend payout ratio was raised to approximately 30% in fiscal 2023 and remains unchanged.

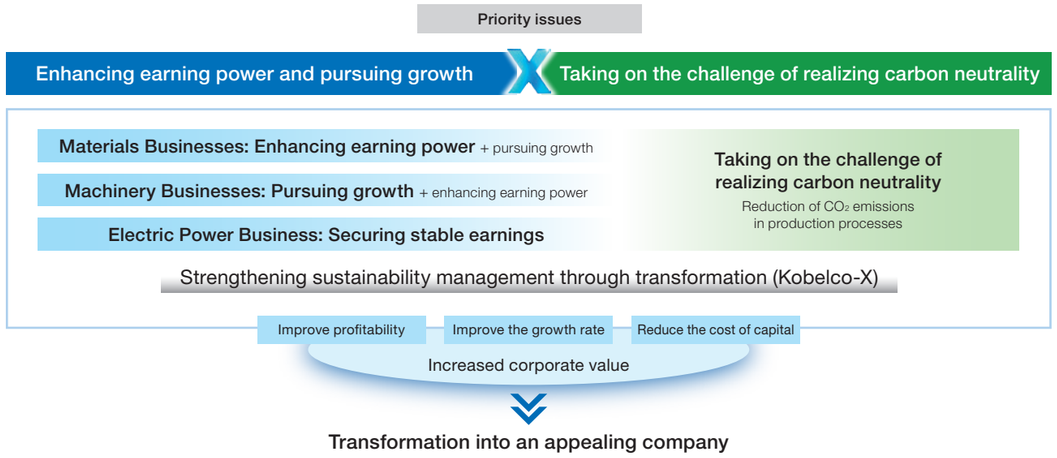


Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026)

Basic Policy

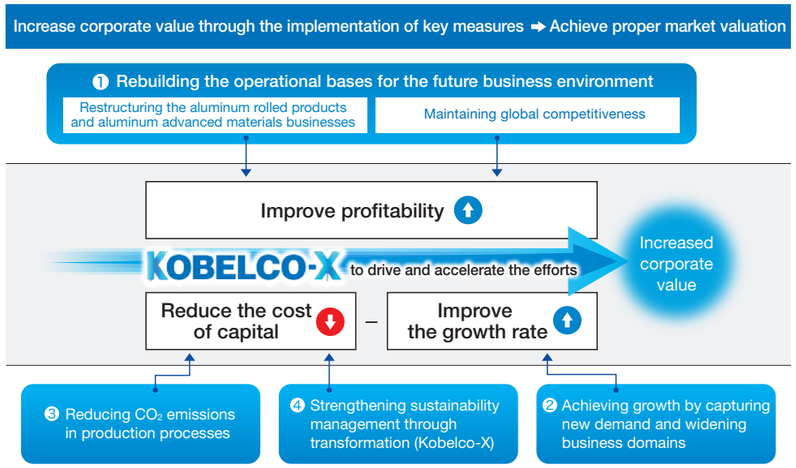
Under the current Medium-Term Management Plan, we will work on enhancing earning power and pursuing growth, as we continue to take on the challenge of realizing carbon neutrality.

Through our transformation initiatives (Kobelco-X), we will strengthen our sustainability management, increase corporate value, and transform into an appealing company.



Four Key Measures

In order to address the two priority issues of "enhancing earning power and pursuing growth" and "taking on the challenge of realizing carbon neutrality," we will steadily implement four key measures: (1) Rebuilding the operational bases for the future business environment, (2) Achieving growth by capturing new demand and widening business domains, (3) Reducing CO_2 emissions in production processes, and (4) Strengthening sustainability management through transformation (Kobelco-X), thereby increasing corporate value.



1 Enhancing Earning Power and Pursuing Growth

During the period of the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), we worked to create a business foundation focused on establishing a stable earnings base and achieved a certain level of results. During the period of the Medium-Term Management Plan (Fiscal 2024–2026), while further reinforcing the foundation by enhancing earning power, we will invest various management resources that have been made available from the foundation in pursuing growth and taking on the challenge of realizing carbon neutrality to capture future growth opportunities. Through these efforts, we aim to secure stable earnings with an ROIC of approximately 6% throughout the three-year period of the plan, looking to achieve an even higher ROIC of 8% when the business climate is favorable to us. Our vision for the future is to become a corporate group that achieves an ROIC of 8% or higher on a stable basis and grows sustainably.

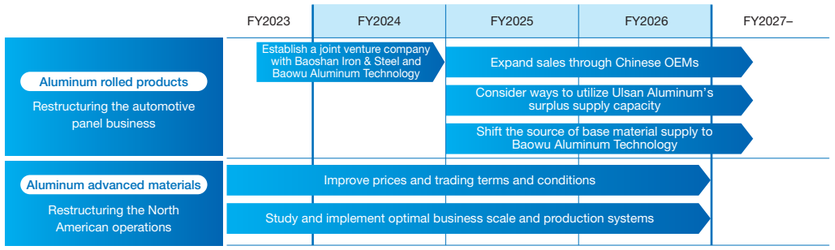
Key Measure 1

Rebuilding the operational bases for the future business environment

Enhancing earning power (materials businesses)

Restructuring the aluminum rolled products and aluminum advanced materials businesses

While demand for both aluminum rolled products and aluminum advanced materials is expected to continue to grow, we need to review our strategy due to the growing need for local production and local consumption and other factors. Aiming to return to profitability in fiscal 2024, we will continue to promote the restructuring of our business by improving base earnings through price improvements, cost reductions, and stable production, and will proceed with the establishment of a joint venture company with Baoshan Iron & Steel Co., Ltd. and Baowu Aluminum Technology Co., Ltd. in China in the aluminum panel business, in order to meet the increasing need for local production and local consumption. In the aluminum advanced materials business, we will promote structural reforms, including examining the optimal business scale and production system, in order to achieve profitability in the extrusions and suspensions businesses in North America.



Maintaining global competitiveness

In order to maintain global competitiveness of the steel and welding businesses, we will restructure the entire business structure without delay, including reviewing target regions and the production systems in respective regions, considering regional megatrends. In particular, we will strengthen our production and sales systems in Asia to meet the need for local production and local consumption.

■ Regional Megatrends and Future Strategic Directions for the Steel and Welding Businesses

Along with the structural reforms of the aluminum rolled products and aluminum advanced materials businesses, we will carry out area strategies that meet the regional megatrends in the steel and welding businesses.

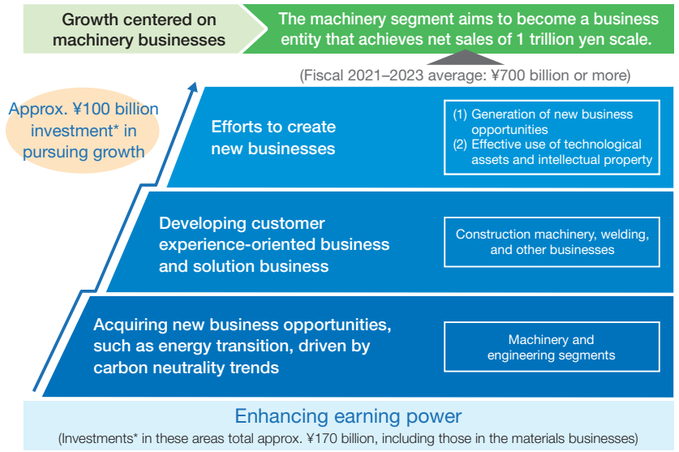
Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026)

Key Measure 2

Achieving growth by capturing new demand and widening business domains

Pursuing growth (machinery businesses)

In the machinery businesses, while enhancing its earning power, we will pursue growth by focusing on acquiring new business opportunities, such as energy transition driven by carbon neutrality trends and developing customer experience-oriented business and solution business. Through these efforts, the machinery segment will strive to become a business entity that achieves net sales of 1 trillion yen scale.



* Investment amounts are estimated on a decision basis.

Acquiring new business opportunities, such as energy transition

Machinery segment

We aim to secure orders in rotating machinery, which is expected to see increased demand for environmental applications, while expanding business in the semiconductor inspection equipment and isostatic pressing (IP) sectors. Our vision for fiscal 2030 is to achieve net sales of 300 billion yen scale.

Engineering segment

We aim to steadily capture the increasing demand for direct reduced iron (DRI), prompted by the global efforts of steelmakers to achieve carbon neutrality, while advancing the feasibility study on the low-CO_2 iron metallics supply project in Oman.

In addition, we are stepping up our efforts in the environmental and energy sectors by promoting initiatives that leverage our strengths as a company operating both waste and water treatment businesses. Our vision for fiscal 2030 is to achieve net sales of 250 billion yen scale.

Low-CO_2 iron metallics supply project

Plans to produce five million tons of DRI per year through the MIDREX® Process are under study.

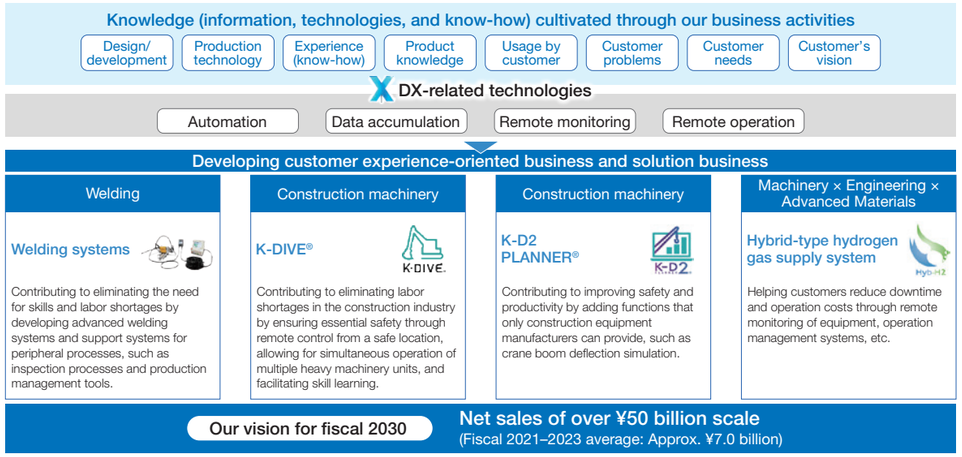
Contributing to the decarbonization of the entire steel industry in Japan and worldwide by supplying low-CO_2 iron metallics (HBI)

During the current medium term

Feasibility study of the project in Oman
▶ Make investment decisions

Developing customer experience-oriented business and solution business

We will strengthen our customer experience-oriented business and solution business, which include welding systems, K-DIVE®, K-D2 PLANNER®, and the hybrid-type hydrogen gas supply system, utilizing the knowledge, technologies, and know-how we have built up through our business activities in combination with digital transformation (DX) technologies. Our vision for fiscal 2030 is to achieve net sales of 50 billion yen scale.



Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026)

2 Taking on the Challenge of Realizing Carbon Neutrality

The Kobelco Group has set the 2030 target and 2050 vision from two angles: (1) reducing CO_2 emissions in its own production processes, and (2) contributing to reduction of CO_2 emissions through its technologies, products, and services.

In the current Medium-Term Management Plan, we have revised upward the 2030 Target for contribution to reduction of CO_2 emissions to 78 million tons, taking into account the growth of our machinery businesses, as we aim for net sales of products that contribute to reducing CO_2 emissions to reach 550 billion yen.

	2030 Target	2050 Vision
Reduction of CO_2 emissions in production processes	30–40% (compared to fiscal 2013)[1]	Taking on the challenge of realizing carbon neutrality
Contribution to reduction of CO_2 emissions[2] through technologies, products, and services	~~61 million tons or more~~ → 78 million tons (Net sales: ¥550 billion)	100 million tons or more

1 Most of the reduction targets are associated with iron and steelmaking processes.
2 Our Group contributes to the reduction of CO_2 emissions in various areas of society through its distinctive technologies, products, and services.

Key Measure 3

Reducing CO_2 emissions in production processes

Reduction of CO_2 emissions in the ironmaking process

We aim to achieve the 2030 target of 30–40% reduction (compared to fiscal 2013) by charging an increased amount of hot briquetted iron (HBI) into the blast furnace (BF) and implementing various energy-saving measures. Along with this, we will accelerate the study of the large-scale innovative electric arc furnace (EAF) capable of producing high-grade steel in order to enable early decision-making on future steelmaking facilities.

(1) Charging an increased amount of HBI into BF

Work to achieve milestones toward 2030 by (a) charging an increased amount of HBI into the BF and (b) implementing various energy-saving measures that help reduce CO_2 emissions.

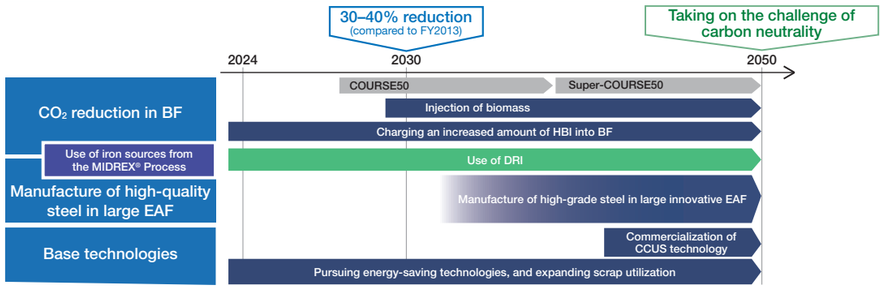
(2) Low-CO_2 iron metallics

To secure low-CO_2 iron metallics for increasing the amount of HBI charged into the BF, the Steel & Aluminum Business and the Engineering Business are collaborating for commercialization.

(3) Introduction of large innovative EAF

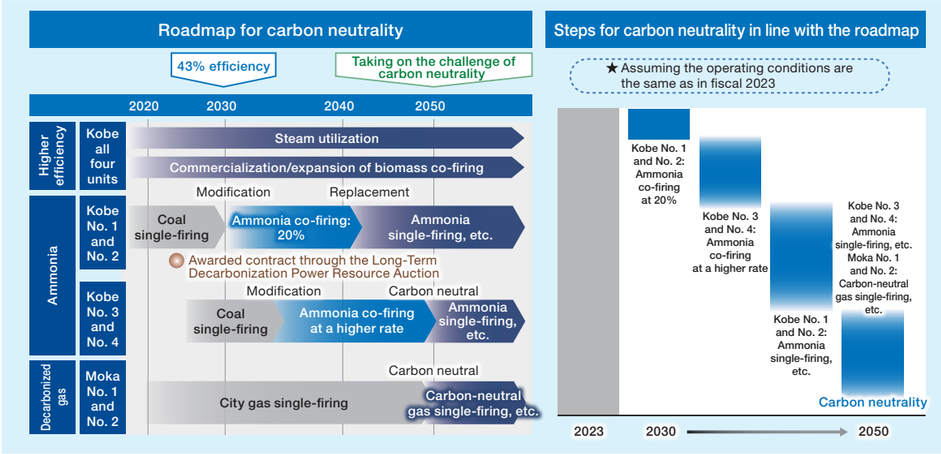
Accelerate the study of the introduction of EAF and make early decision on future steelmaking facilities, without limiting the possibilities to the current two-unit blast furnace operation system.

The system under study is a large-scale innovative EAF capable of efficiently melting direct reduced iron (DRI) and producing high-grade steel.



Reduction of CO_2 emissions in the electric power business

We aim to achieve the efficiency exceeding that of ultra-supercritical pressure (USC) coal-fired thermal power generation (43%) in fiscal 2030 by advancing efforts to realize 20% ammonia co-firing in the Kobe Power Plant No. 1 and No. 2 units. In April 2024, we were awarded a contract through the Long-Term Decarbonization Power Resource Auction, which propels our efforts to build the ammonia supply chain and advance equipment planning. Our future plans include increasing the ammonia co-firing rate and implementing ammonia single-firing at the Kobe Power Plant No. 1 to No.4 units, among other initiatives.



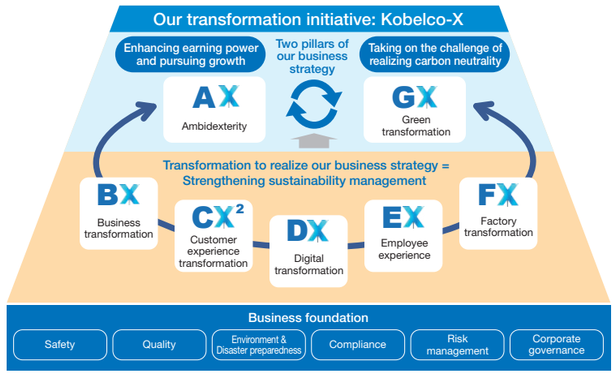
3 Strengthening Sustainability Management

Key Measure 4

Strengthening sustainability management through transformation

In the new Medium-Term Management Plan, we have identified the areas of initiatives essential for the transformation into an appealing company and collectively named them "Kobelco-X." Kobelco-X consists of seven elements: ambidexterity (AX) and green transformation (GX)—two pillars of our business strategy—and five other transformation initiatives serving as the driving force for realizing AX and GX, including customer experience transformation (CX^2), employee experience (EX), factory transformation (FX), business transformation (BX), and digital transformation (DX).

In addition to these five Xs, we will continue to strengthen our business foundation in key areas such as safety, quality, compliance, and governance, which are primary prerequisites for our existence, thereby strengthening our sustainability management and implementing our business strategies.



For details on each initiative, please see Section 3 Promotion of Sustainability Management.

Message from the CFO

In order to accomplish the transformation into an appealing company, we are working to develop a financial strategy that only Team Kobelco can implement.

Kazuhiko Kimoto
Director, Executive Officer

Aim to Revitalize Head Office Divisions, Leveraging Experience in Business Division

My name is Kazuhiko Kimoto, and I am serving as a director overseeing finance and accounting of the Company. After joining Kobe Steel in 1988, I was assigned to a sales division for steel products, and spent time in Canada and Thailand while working in steel export. From then on, I was overseeing sales of steel products in sales management and other divisions. Given my entire career in sales divisions, the appointment as CFO was wholly unexpected until I received the internal notification. When I was contemplating what I could offer in the new position, my predecessor Yoshihiko Katsukawa suggested that I take my own approach. His suggestion reminded me that my mission was to bring a fresh perspective to the head office while leveraging my experience in the business division, reaffirming my commitment to the new role. Shortly after my appointment, I was given an opportunity to explain the fiscal 2023 financial results at a press conference. As a speaker, I tried to communicate our Group's situation in a way that would enhance our stakeholders' understanding, as I seek to be creative while also honoring the approach taken by my predecessor. I felt that I had made the first step as CFO, tasked with revitalizing the head office divisions by leveraging my experience in the business division.

My mission, as CFO with a point of view from the business divisions, is not only to approach the capital markets effectively but also to find appropriate ways to engage with the business divisions and employees, while serving as part of a trusted headquarters. To grow into a truly strong Kobelco Group, we will also enhance internal communication and work toward our transformation into an appealing company as outlined in the Medium-Term Management Plan (Fiscal 2024–2026).

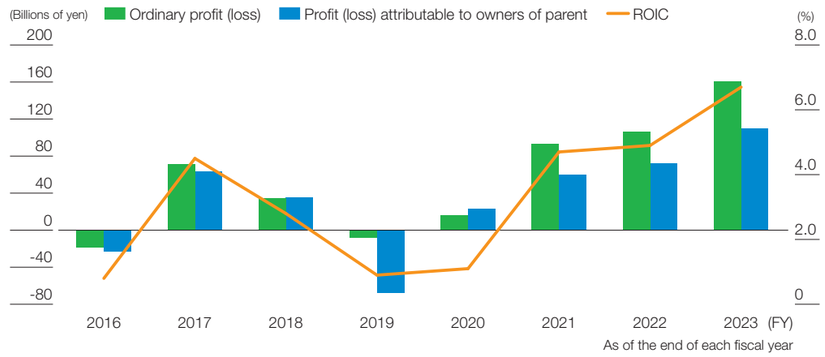
Efforts to Strengthen the Earnings Base under the Previous Medium-Term Management Plan (Fiscal 2021–2023)

For many years, the performance of our Group has been influenced by external factors. Over the three years of the previous Medium-Term Management Plan, despite a challenging business environment, we achieved our targets with a return on invested capital (ROIC) of 6.7%, which is a profitability indicator, and a debt-to-equity (D/E) ratio of 0.55, which is a financial stability indicator. This allowed us to provide our shareholders with the highest dividend in our history. This is a remarkable achievement, from the standpoint of the business division where I was working toward the goals. Although there were remaining issues in the aluminum business, we achieved almost all the targets for key measures aimed at establishing a stable earnings base, steadily enhancing profitability. Our efforts toward carbon neutrality and strengthening our business foundation and operation bases are progressing smoothly, and improvements in corporate governance, risk management, and other internal controls have laid a solid foundation for future growth.

With the improvement in our earnings base, which had been previously influenced by external factors, we reduced consolidated interest-bearing debt by 200 billion yen. As a result, our credit rating was upgraded from A- to A by Japan Credit Rating Agency, Ltd (JCR). This improvement in our rating has not only increased the stability of our financing through both direct and indirect financing, but it has also allowed us to diversify our financing, including the issuance of zero coupon convertible bonds with stock acquisition rights. We have thus established a robust base to proactively pursue an ideal financial strategy. In addition, we have established a framework for strategic and systematic information disclosure aimed at reducing the cost of capital.

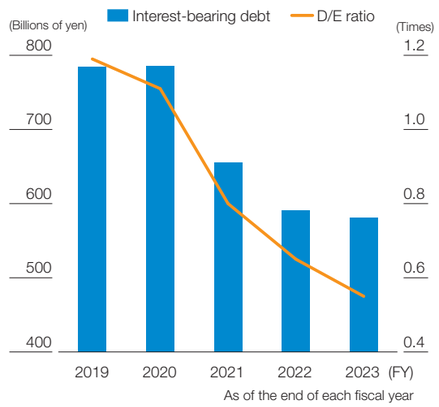
Profitability Indicators Trend

ROIC and Consolidated Performance

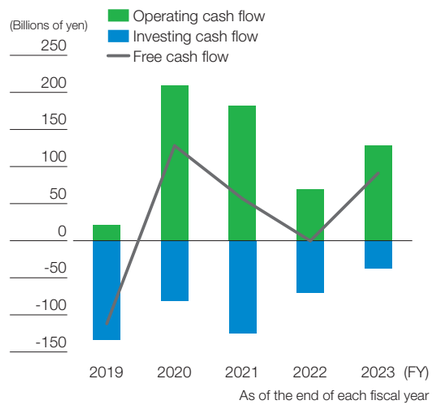


Financial Stability Indicators Trend

D/E Ratio and Interest-Bearing Debt



Reference: Cash flows



Note: The D/E ratio and free cash flow do not include project finance.

Message from the CFO

Foster True Competencies by Steadily Carrying Out Investment Plans under the Medium-Term Management Plan (Fiscal 2024–2026)

In May 2024, the Kobelco Group announced its Medium-Term Management Plan for the three years from fiscal 2024 to 2026. I was involved in the development of the presentation materials and discussed over and over with relevant departments until I fully understood. Once we grasped the overall picture of the plan, it became evident that this three-year period will be crucial for turning the outcomes of the previous plan into true competencies. Our goal is to evolve the Group, inherited from previous generations, into a competitive corporate group and build a robust business entity ready to meet the new challenges of the upcoming 2030s for the next generation. In order to accomplish the transformation into an appealing company, we have positioned the current Medium-Term Management Plan (Fiscal 2024–2026) as an important step toward our 2030 goal of becoming a business entity that drives innovation into the future. It represents our commitment to building a strong Kobelco Group that will prosper for decades to come.

Under the new plan, the key to achieving the goals will be how well we can control volatility and enhance our earning power in the materials businesses, which are susceptible to changes in the business environment, and how effectively we can implement our growth strategies in the machinery businesses, which have significant business opportunities in a global movement toward a sustainable society. During the previous medium term, ROIC-based management was recognized and practiced more extensively in the organization. In the current medium term, we will face a critical challenge in terms of bringing each business division on track to consistently implement the PDCA cycle to achieve their ROIC targets. We have set respective ROIC targets by segment: 6–8% for materials businesses, 8–10% for machinery businesses, and 10% or higher for the electric power business. I recognize that my role as CFO is to promote KPI management for each business division to achieve their ROIC targets, and this requires strong leadership.

In addition, under the current plan, I am committed to steadily advancing investments toward our priority issues: “enhancing earning power and pursuing growth,” and “taking on the challenge of realizing carbon neutrality.” These efforts are crucial to get ready for the unprecedented turmoil of the 2030s, where conventional approaches may no longer be effective. In this context, we have set the following financial stability indicators: a net asset ratio in the low 40% range and a gross D/E ratio in the mid 0.7 times range. By achieving these targets, we believe we can maintain our creditworthiness over the long term. To achieve the goals under the Medium-Term Management Plan set by each business division, we will strive to generate cash necessary for planned investments by maximizing operating cash flow through effective ROIC-based KPI management, while also reducing cash and deposits and decreasing strategic holdings of shares. In terms of financing, the mission of the finance and accounting department is to create an environment that enables the steady execution of investments aimed at fostering true competencies, as outlined in the plan, by utilizing a variety of financing methods.

During the formulation process of the plan, we also discussed returns to shareholders, together with business strategies, and reached a conclusion that we must build up equity capital by retaining a portion of periodic earnings as internal reserves in order to achieve the financial targets under the current Medium-Term Management Plan. To this end, we have decided to maintain a payout ratio of approximately 30%, balancing internal reserves necessary to ensure future growth with shareholder returns. We will continuously evaluate the appropriate level of shareholder returns while considering the progress of strengthening our financial base.

Aiming to Realize “Appealing Financial Management” for All Stakeholders

As a director overseeing finance and accounting of the Group that aims to transform into an appealing company, I will also strive to realize “appealing financial management” that satisfies all stakeholders, leveraging the insights gained from my experience in the business division.

For our shareholders and investors, we will advance initiatives to enhance the appeal of our Group and its corporate value by providing stable returns and improving the price-to-book (P/B) ratio. Rather than relying on technical methods, our focus for the P/B ratio will be on achieving the financial targets outlined in the Medium-Term Management Plan, as well as on providing stable and continuous shareholder returns with a payout ratio of approximately 30%. As we do so, we will also actively engage in investor relations by strategically and systematically communicating with stakeholders and collaborating with each business division to enhance corporate value.

In Pursuit of Transformation Unique to the Kobelco Group

From a sustainability management perspective, we will

enhance our appeal through the efforts toward carbon neutrality. Our Group is working to reduce CO_2 emissions in the ironmaking process and electric power business, both of which require leveraging our collective strengths to the fullest extent by integrating our diverse technologies. We will address this significant societal challenge utilizing Kobelco Group’s unique technologies and solutions, as we strive to enhance our corporate value.

In addition to addressing carbon neutrality, strengthening our sustainability management involves various transformation initiatives across all aspects of our business and organization, which are collectively called Kobelco-X. To proceed with this, I will ensure to keep to a minimum the use of technical terms and abbreviations within the Company, thereby eliminating barriers between the head office and business divisions, and promote the effective sharing of strategies, as I work to foster a transformational mindset in each individual, building momentum for the entire Group’s transformation. I hope these efforts will enable faster and clearer communication and accelerate our business activities as well as our investment decisions.

Last but not least, I would like to underline that we are committed to promoting our Group’s uniqueness to all our stakeholders. The Kobelco Group is a unique entity that cannot be assessed within the framework of a steel company; it is capable of integrating technologies developed in its materials, machinery, and electric power businesses. I will actively highlight this Kobelco Group’s uniqueness with diverse potentials stemming from its comprehensive strengths from a finance and accounting perspective. In our financial reports, integrated reports, ESG data books, and other publications, we will constantly emphasize the unique qualities of the Group. In next year’s integrated report, we hope to present the Kobelco Group’s further advanced and competitive evolution.

Message from Independent Director

In the previous Medium-Term Management Plan, the Kobelco Group achieved most of the targets for its management indicators, including ROIC, and has gained a certain level of trust through extensive dialogue with the capital markets. However, in terms of the market evaluations, the Company is only halfway through its efforts. Moving forward, we must become more aware of the importance of human capital and technology, which are the source of its pursuit of growth, and further promote business development through transformation (Kobelco-X). I believe that all of these efforts will result in a higher profitability of invested capital and enhanced corporate value, allowing the Group to attain a higher level of shareholder returns along with a higher market evaluations.

Nobuko Sekiguchi
Independent Director

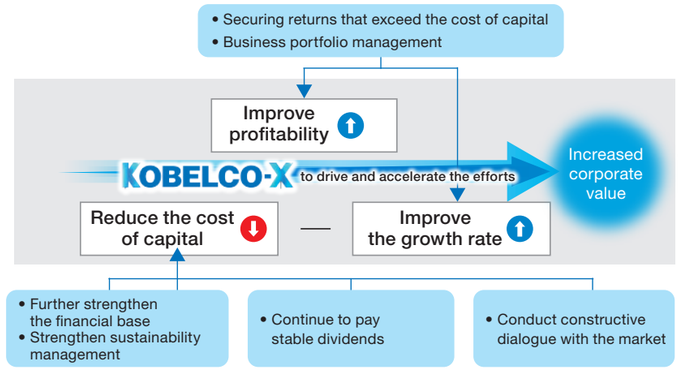
Enhancement of Corporate Value

Enhancement of 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 118 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. While keeping in mind that all initiatives contribute to enhancing corporate value, we will advance the transformation into an appealing company and work toward improving long-term corporate value.

Approach to Enhancing Corporate Value

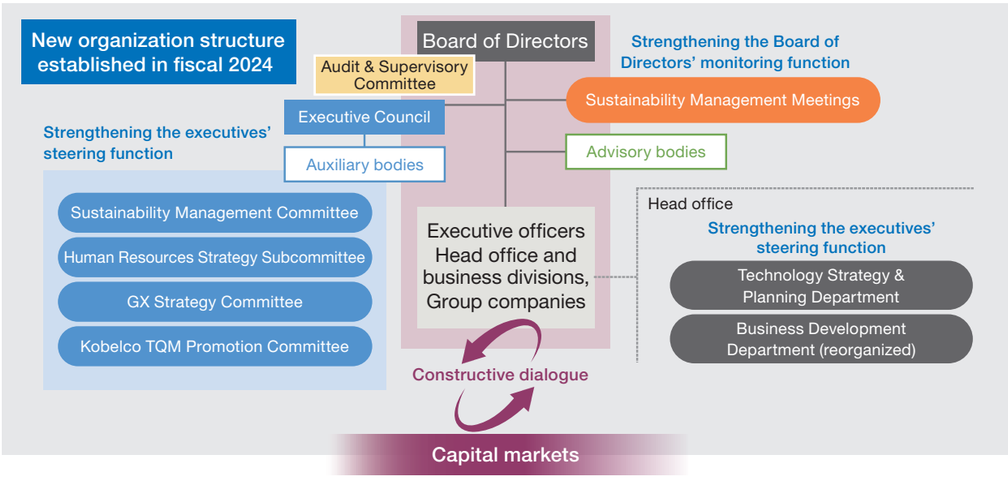
- We aim to enhance corporate value by improving both profitability and growth rates while also reducing the cost of capital.
- The subsequent sections provide detailed explanations of our initiatives outlined in the figure on the right.



Reinforce the Structure to Support the Enhancement of Corporate Value

To bolster our measures for enhancing corporate value, we implemented organizational reforms and revised the director and executive officer remuneration system effective as of fiscal 2024. With these organizational reforms, we will strengthen the Board of Directors' monitoring function on sustainability and enhance efforts on carbon neutrality—one of the priority issues, human capital management, and other areas. We will also work to further increase the incentives for directors and executive officers to improve corporate value, through the revision of the director and executive officer remuneration system with an increase in performance-based compensation ratio and the introduction of ESG indicators.

We believe that constructive dialogue with the capital market is a key factor in enhancing corporate value. We will broaden our ongoing efforts while promoting active engagement of senior management in dialogue.

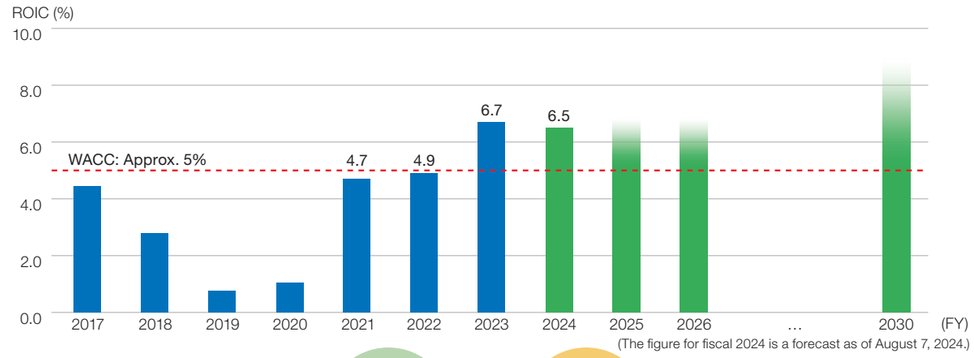


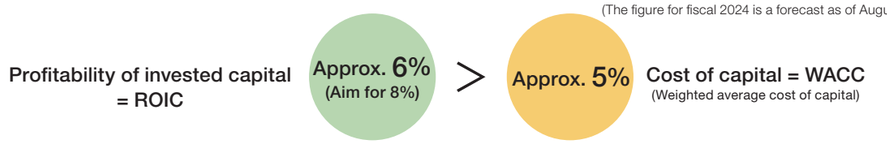
▶ For more details on the organizational structure, please see Corporate Governance on p. 110.
▶ Announcement on organizational changes: https://www.kobelco.co.jp/english/releases/1214487_15581.html
▶ Announcement on changes to director and executive officer remuneration: https://www.kobelco.co.jp/english/releases/1214556_15581.html

Improving Profitability and the Growth Rate

Securing Returns that Exceed the Cost of Capital

In fiscal 2023, we achieved a return on invested capital (ROIC) of 6.7%, exceeding the weighted average cost of capital (WACC) of 5%. In the Medium-Term Management Plan (Fiscal 2024–2026), we have identified enhancing earning power and pursuing growth as a priority issue. We aim to further boost profitability by enhancing ROIC-based management.





We use ROIC as an indicator for measuring the profitability of invested capital. We set ROIC targets for respective segments and monitor and manage performance from the aspects of both earning power and invested capital through the Business Portfolio Management Committee.

We use WACC as a metric for the cost of capital against ROIC. The cost of shareholders' equity is calculated based on the capital asset pricing model (CAPM), and then the WACC is calculated by taking a weighted average of the cost of debt.

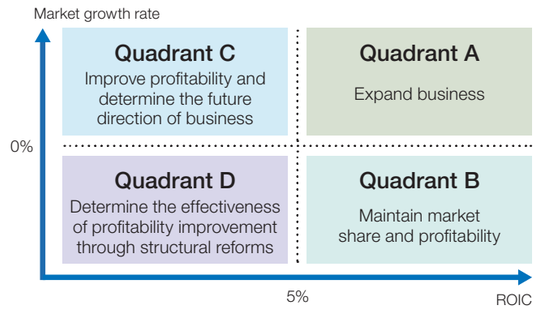
Business Portfolio Management

Structure

The Business Portfolio Management Committee, which serves as an auxiliary body to the Executive Council, plays a central role in formulating business portfolio strategies, addressing medium- to long-term changes in the business environment, and optimizing the allocation of management resources. The committee also monitors the performance and KPI management of respective business units.

Operations

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 allocating management resources according to the corresponding strategy.



Under the Medium-Term Management Plan, we will build a solid earnings base and actively invest management resources, such as cash generated from each business, in growth areas. We will work to expand into new business domains to achieve our ideal portfolio and improve profitability as well as growth rates.

Business Portfolio Map in the Medium-Term Management Plan ▶ See p. 36.

Enhancement of Corporate Value

Reducing the Cost of Capital

We will work to enhance our financial stability by stabilizing earnings and strengthening our financial base. We will also advance sustainability management, including efforts toward carbon neutrality, and strive to reduce the cost of capital.

Strengthening Sustainability Management

For achieving sustainable growth and enhancing corporate value, it is crucial to appropriately manage non-financial indicators, such as contribution to a green society and promotion of active participation of diverse human resources. Our Group has identified five key issues of materiality and monitors and manages indicators relevant to materiality.

We have also determined the areas of transformation initiatives necessary for advancing each business strategy and collectively named them Kobelco-X. In order to strengthen sustainability management, we will continuously drive transformation through the integration of technologies, businesses, and human resources in a way that demonstrates the Kobelco Group's uniqueness.

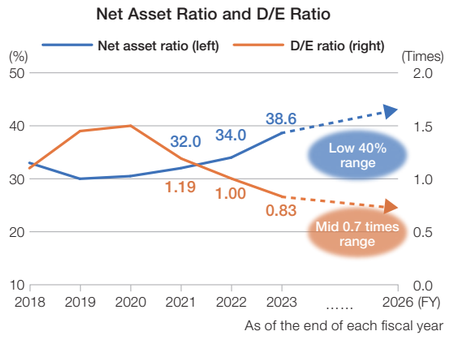
Materiality and Indicators/Targets ▶ See pp. 12–15. Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) ▶ See p. 43.

Further Strengthen the Financial Base

We will work to further strengthen our financial base in order to ensure stable, low-interest financing under any circumstances and to prepare for future large-scale investments, such as investment in carbon neutrality. Specific financial targets are as follows.

Fiscal 2026 Targets

- Net asset ratio: Low 40% range
- Gross D/E ratio: Mid 0.7 times range



The gross D/E ratio has been revised retroactively to include project finance associated with the electric power business in interest-bearing debt, effective from fiscal 2024.

Cash Allocation

While making investments aimed at increasing returns to shareholders, profitability, and growth rates, we will pursue maximizing capital efficiency primarily through asset sales and reductions in cash and deposits.

Proactive Investment Plan

In addition to investments aimed at enhancing earning power and pursuing growth, we will also actively consider investments in carbon neutrality, human capital, and digital transformation (DX) strategies. Our aim is to increase corporate value through strengthened sustainability efforts. We will strive to make investment decisions that allow for optimal allocation of management resources, taking into account discussions at the Business Portfolio Management Committee and other relevant bodies.

Returns to Shareholders

In fiscal 2023, we raised the target dividend payout ratio to approximately 30%. Future dividends will be determined based on our financial condition, future capital needs, performance trends, and the payout ratio. Under the Medium-Term Management Plan, we aim to pay dividends on a continuous and steady basis.

Cash Generation

While using operating cash flow generated from business activities as a source of capital, we will also aim to maximize capital efficiency by enhancing ROIC-based management. To achieve optimal capital efficiency, we will flexibly consider measures, such as optimizing inventory levels, reducing cash and deposits, and selling assets, including reducing strategic holdings of shares.

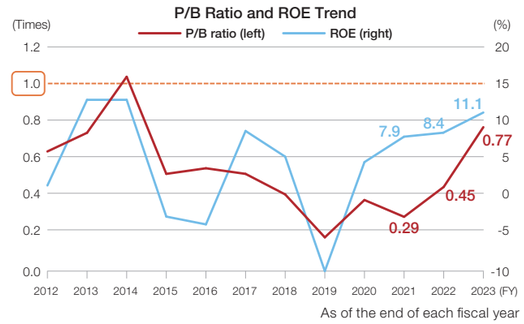
Cash allocation under the Medium-Term Management Plan ▶ See Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) on p. 37.

Market Evaluation and Initiatives for Improvement

Market Evaluation

In fiscal 2023, both our stock price and price-to-book (P/B) ratio significantly improved. We believe that the main factor behind the increase in the stock price is the successful establishment of a stable earnings base, including improved profitability in the steel business and earnings contribution from the electric power business, which were implemented as key measures under the previous Medium-Term Management Plan.

On the other hand, the current P/B ratio remains at around 0.7 to 0.8.



Reasons for the Discrepancy with Market Evaluation

The current ROE is roughly at the same level as at the end of fiscal 2014, when the P/B ratio was above 1.0, and profitability (ROIC) exceeds the WACC based on CAPM. Despite this, the P/B ratio remains below 1.0. We believe that the reason behind this is a discrepancy in the cost recognition between the capital market and our Company.

Main Causes of the Discrepancy

(1) Concerns about the instability of the earnings base and financial vulnerabilities due to past performance.

(2) Concerns about future uncertainty in various business environments, including environmental, social, and governance (ESG) perspectives, including carbon neutrality.

Efforts to Resolve the Discrepancy

Enhancing Profitability and Stability

We will steadily advance our efforts to enhance earning power and pursue growth, one of the priority issues set forth in the Medium-Term Management Plan, while striving to become a business entity that consistently achieves an ROIC of 8%, namely, a business entity that drives innovation into the future.

Reducing the Cost of Capital

To alleviate concerns in the capital market, we will work to reduce the cost of capital by strengthening our sustainability management, including taking on the challenge of realizing carbon neutrality, as well as by reinforcing our financial base, and providing continuous and stable returns to shareholders.

Continuing and Expanding Dialogue with the Capital Market

We believe that timely and appropriate information disclosure to investors, along with constructive dialogue, will help reduce information asymmetry with the capital market and foster trust in our management, thereby contributing to lowering our cost of capital. Under the policy of strategic and systematic information dissemination, we ensure active participation of our executives in dialogues with the capital market. We share the feedback from these dialogues regularly with the members of the Board of Directors to reflect the opinions of the capital market in our management decisions.

In fiscal 2023, our IR activities were highly evaluated, and we were ranked first in the steel and non-ferrous metal category in the 2023 Award for Excellence in Corporate Disclosure from the Securities Analysts Association of Japan.

We will continue to strive for enhancing corporate value through constructive dialogue with the capital market.

An example of information disclosure efforts:
Outside directors panel discussion

2023 Award for Excellence in Corporate Disclosure

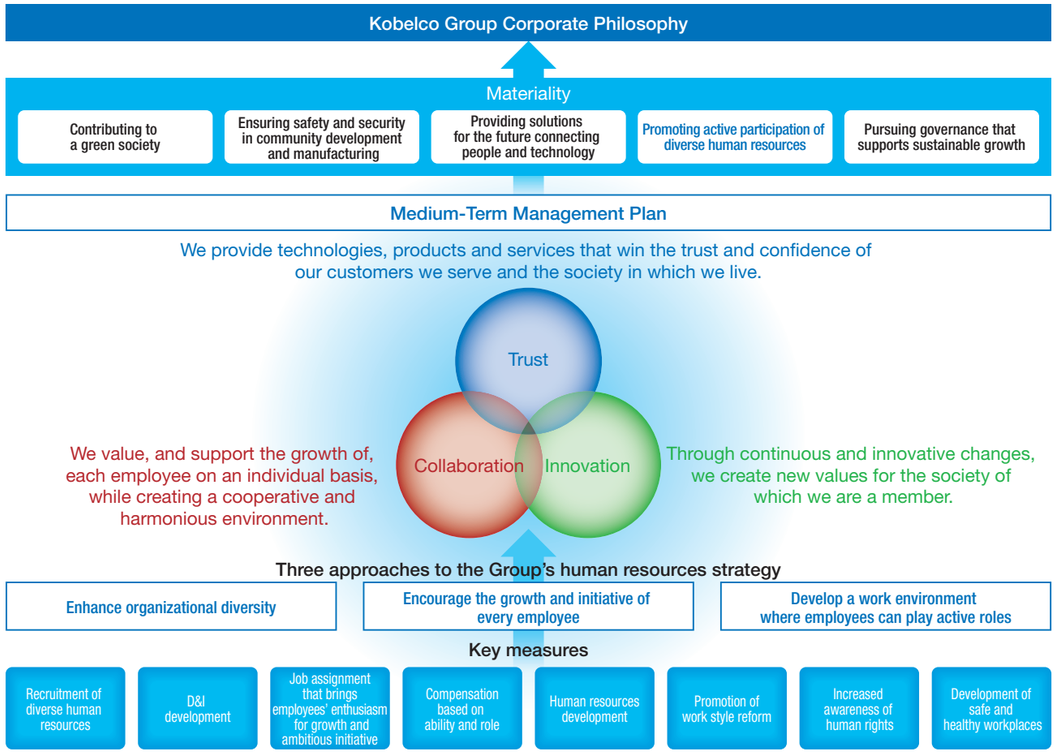
▶ Dialogue with the Capital Market (for fiscal 2022 and 2023): https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html#13

Kobelco Group 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.

Our Group operates in a wide range of business fields and possess 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 a work environment in which our people can perform at their full potential.

Kobelco Group's Human Resources Strategy



Improving Employee Engagement

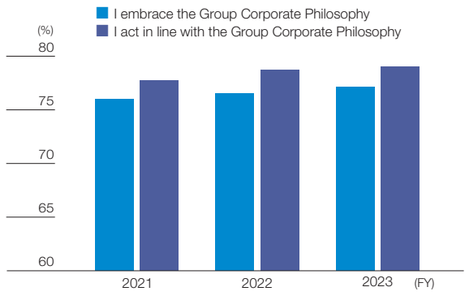
To promote our human resources strategy, our Group conducts its own employee awareness surveys annually to obtain an objective measure of changes in employee awareness, including their level of understanding and implementation of the Group Corporate Philosophy. Based on the results, we are working to improve their engagement.

We believe that increasing the number of highly engaged employees who embrace and implement the philosophy will lead to enhanced corporate value. Therefore, we regularly measure the penetration rate of the Group Corporate Philosophy as a KPI. Beginning in fiscal 2024, we have also adopted it as a materiality monitoring indicator.

For improving employee engagement, we are continuously working to instill the Group Corporate Philosophy through various activities, which include the Dialogue Platforms, an annual forum for dialogue between executives and employees and the Declaration of Pledges by Senior Management.

Questions on the Group Corporate Philosophy in the Employee Awareness Survey

(Percentage of employees who answered "I agree" or "I agree more than disagree" on the five-point scale)



Roundtable Discussion between a Director and Employees

Nao Kozakai	Yosuke Okazaki	Hajime Nagara	Keita Fukunaga	Yuta Iwamoto
Recruitment & Training Group, Human Resources Department	Personnel Group, Human Resources Department	Executive Vice President and Representative Director	Diversity, Inclusion and Labor Relations Group, Human Resources Department	Facilitator Personnel Group, Human Resources Department (at the time of the photo)

Employee experience (EX) transformation initiative (human resources strategy and employee experience improvement) is one of the key initiatives aimed at "strengthening sustainability management through transformation (Kobelco-X)" under the Medium-Term Management Plan (Fiscal 2024–2026). Executive Vice President and Representative Director Hajime Nagara and employees from the Human Resources Department sat down and talked about the ongoing initiatives aimed at leveraging the diverse talents that are the source of the Kobelco Group's uniqueness, as well as their effectiveness, progress, achievements, and the challenges they are facing.

Characteristics of the Kobelco Group's Human Resources

Iwamoto What are your impressions of our Group employees?

Kozakai I am in charge of recruiting new graduates for career-track positions, and I often hear from students that the internal recruiters they interact with are kind, gentle, and good communicators. In recruiting activities, we are collaborating with around 1,000 employees, including those outside the Human Resources Department, I believe that many of our employees actually possess these qualities.

Fukunaga In my interviews with students, I often hear them mention "the people" as the main reason they decided to join the Company. During conversations with people from other companies as well, I often receive comments that our Company has a good atmosphere in terms of relationships among employees. More specifically, in my observation, we have a culture of mutual acceptance, regardless of differences in attributes, such as whether they joined the Company as a new graduate or mid-career hire. Since our Group operates various businesses, the organizational culture and staff traits vary depending on each business division. This is another unique quality of our organization. Now, we have no dress code at the head office, branch offices, and sales offices,

Roundtable Discussion between a Director and Employees

allowing employees to express their individuality through their clothing and hairstyles.

Okazaki Prior to joining the Human Resources Department, I worked in steel sales for about six years. During that period, we went through production adjustments due to the COVID-19 outbreak and logistics disruption by typhoons. Even in such situations, we were able to supply materials to our customers by coordinating efforts not only within the sales team but also with the production teams at the steelworks. I believe this was possible because we value communication and work together as one team even in critical situations.

Nagara Interesting stories. Our people are known for their kind and gentle nature, and we also have the ability to overcome a crisis. This is how our customers and business partners have described us in their feedback for many years. I've found that such traits are still present among our Group's human resources. On the other hand, aside from these shared traits, I believe we need to strive for even greater diversity, considering our Group's diverse businesses and human resources.

Importance of Diverse Human Resources in Achieving Sustainable Growth of the Group

Iwamoto As some of you mentioned earlier, one of the characteristics of the Group is its diverse human base. Why is a diverse workforce so important in achieving sustainable growth? What kind of value can we create by promoting the active participation of diverse human resources? Could you share your thoughts and what you are working on in these areas?

Kozakai One of the things I am focusing on is increasing the percentage of women in career-track administrative positions. At the management level, the percentage of female managers remains low at 3.1% (as of fiscal 2023), although I believe Kobe Steel has developed a work environment that enables active participation of women. As a recruiter, I aim to hire women who aspire to assume roles as managers and executives. I believe that ensuring diversity in our workforce will lead to securing broad talents who can contribute to our Group's diverse businesses.

Fukunaga When I joined the Company in 2012, there were 47 new graduate hires in career-track administrative positions, with about 15% being women. In 2024, the percentage has increased to 44%.

Iwamoto The situation is changing these days. We are seeing an increase in female students wishing to join our Company. Thanks to the efforts of recruiters to date, it seems we are steadily raising awareness of the Company that is becoming inclusive to everyone.

Okazaki In my role of managing and assigning personnel, I constantly recognize the importance of diversity. In my work, it is critical to enhance organizational diversity and build a strong organization. However, given that an organization's role evolves over time, it would be impossible to develop effective strategies if I relied solely on my own instincts and the knowledge that I acquired in the past. By incorporating feedback from colleagues across business divisions into our daily discussions, we are able to design more effective strategies.

Fukunaga I am constantly aware that diverse human resources are essential in fulfilling our mission of providing solutions to the needs of society through the integration of our various businesses and technologies. Last year, we introduced the Kobelco Life Support Leave system, allowing employees to take leave not only for nursing care and childcare but also for medical treatment, volunteer activities, reskilling, and other reasons. In the formulation process of this policy, we collected the opinions of various employees, including those from the labor union. If we had discussions among individuals with similar thinking and backgrounds, we might have overlooked numerous opinions and ended up with a system similar to those already in place. I realized the importance of diversity once again through this experience.

Iwamoto When starting something new, we can achieve better results by exploring ideas with individuals with different perspectives and backgrounds. By maximizing each one's performance, I believe we can make a stronger team.

Fukunaga At the 4th Kobelco Core Values Awards, the Jury's Special Award was given to a team that carried out a workplace improvement activity at Chofu Works. I heard from a member of the team that this activity was initially aimed at creating a more comfortable work environment for female employees, including improving heavy lifting operations, but it also led to the creation of a better work environment for all employees, including male staff. It was an impressive story for me. This is a good example of how we can make a better organization by prioritizing diversity.

Nagara Diversity is a significant element in our effort to create new value for society as we strive for a better future. Along with this, good communication is also vital to attaining the effective utilization of diverse human resources. By valuing communication and fostering unity among employees, we can build a stronger organization. In this positive cycle, diverse human resources are essential.

Measures to Promote the Human Resources Strategy

Iwamoto As human capital management is gaining increased attention as a crucial driver for a company's sustainable growth, it is also important to effectively communicate our initiatives to both internal and external stakeholders. In order to further enhance our Group's ongoing human resources strategy efforts, we established the Human Resources Strategy Subcommittee under the Sustainability Management Committee in April 2024. Our Group's initiatives have been disclosed through integrated reports, securities reports, and other channels. In light of these, I'd like to hear what approach you are taking, as members of the human resources team, in order to promote our human resources strategy.

Nagara I believe that the three approaches of Kobelco Group's Human Resources Strategy—enhancing organizational diversity, encouraging the growth and initiative of every employee, and developing a work environment where employees can play active roles—are closely connected to increasing employee engagement.

Fukunaga Technical employees, in particular, appear to face a greater challenge in recognizing the connection between their job and society and to find a sense of fulfillment due to the nature of their work. Since 2018, our Company has been conducting employee awareness surveys about work and the Company, and there is a persistent tendency among technical employees to give lower ratings. As a member of the secretariat of the Human Resources Strategy Subcommittee, I am working to enhance understanding of the Company's strengths and human resource systems to address this issue. Currently, we regularly hold events such as Kobelco Gatherings, where executives explain the Company's business performance and other matters online and take questions directly from employees, as well as financial briefings for employees conducted by the IR team. Along with this, we need to reduce the digital divide among employees, since many technical employees do not have access to mobile devices (laptops, smartphones, etc.) at their workplace, making it difficult to deliver information to them via digital communication. We must address the information gap caused by disparities in hardware provision between employees who work with and without digital devices.

Okazaki Our initiatives aimed at developing an environment that allows active participation of employees include the introduction of a system that enables employees to request temporary exemption from transfers for a specific period of time if certain conditions are met, and permission for long-distance commuting, such as using Shinkansen (bullet train) or express trains. These measures address the needs of employees who previously had to leave the Company due to location issues, allowing them to balance their work with their personal lives and continue working with no worries. I believe this system supports diversified values of work styles. We are also expanding the career self-development system (internal recruitment system), which allows employees to proactively apply for transfers to their desired departments. I believe that by encouraging employees' endeavors in new positions, roles, and desired career paths, our initiatives enable enhancing the diversity of the organization and encouraging the growth and initiative of every employee.

Roundtable Discussion between a Director and Employees

Nagara To increase employee engagement, we need to communicate the significance of their work, as well as how it links to the Company's business and society. Our efforts to support human resources should not be limited to explaining the frameworks of the career self-development and other systems, but should also include providing opportunities for them to find ways to increase motivation at their workplace within the human resource management system.

Okazaki Agreed. When we think about the meaning of our work, we can gain a deeper understanding of our contribution, which in turn enhances engagement. I believe it's important to create such opportunities and, as a member of the Human Resources Department, I am committed to facilitating this.

Kozakai Career path and job location are significant concerns for students joining our Group, often referred to as the "assignment lottery." Students do worry a lot about whether they will have to live a life of frequent relocations or whether they will be able to achieve a good work-life balance. Although transfers may not be completely eliminated, our career self-development and transfer exemption systems are helping alleviate these concerns. I believe these have a strong appeal to students.

Fukunaga I am committed to advancing initiatives that enable employees to find joy and fulfillment in their work. By ensuring the effective implementation of these initiatives, we aim to stably secure and retain human resources, even though employment becomes more fluid. Meanwhile, there remain many issues to be addressed, such as the transfer of knowledge and skills from experienced employees to younger employees, improvements of the workplace environment, and automation and labor-saving measures to address labor shortages. We will move forward with our measures for these issues, including those budgeted in the Medium-Term Management Plan.

Striving to Be a Company of Choice

Iwamoto How do you see our Group evolving in 10 years from now?

Kozakai I wish to see the Kobelco Group emerge as a desirable company. While our brand is well-recognized among students in the Kansai region, it remains less known in the Kanto region. I hope that Kobe Steel will be associated with the broader reputation as a good company.

Fukunaga It's always rewarding when family and friends recognize the value of working at Kobe Steel. I believe the Company's recognition is definitely improving.

Okazaki Recently, our Group has been boosting its advertising and promotion efforts. Increased visibility through commercials and advertisements on the pitcher's mound at Hanshin Koshien Stadium boost employee pride in working for Kobe Steel.

Nagara As a 2030 target, we aim to become a business entity that drives innovation into the future under the Medium-Term Management Plan (Fiscal 2024–2026). I believe that by steadily implementing the measures outlined in the plan, we can make the Company even more appealing. Let's work together toward what we aim for.

Core Values of KOBELCO—Next 100 Project

In fiscal 2017, the Kobelco Group launched the Core Values of KOBELCO—Next 100 Project. This project aims to achieve sustainable development into the future, together with all stakeholders, including all employees, by fostering a sense of fulfillment that unites all employees and creating a corporate group full of pride, confidence, passion, and hope. A key focus of this initiative is to further instill the Group Corporate Philosophy, to prevent us from forgetting the quality misconduct (namely, passing on the lessons learned to future generations), and to increase a sense of fulfillment as a member of the Group. 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

We are working to instill the Group Corporate Philosophy, prevent us from forgetting the quality misconduct, and increase a sense of fulfillment as a member of the Group, in order to improve the engagement between senior executives and employees, as well as among employees, through the activities listed below. As we approach our 120th anniversary in 2025, we will increase our efforts to promote understanding of our Group and its efforts to live in harmony with the local community, along with our ongoing activities.

Participation and Practice

Declaration of pledges by senior executives and employees
- An initiative in which senior executives and employees declare their pledges.
- Beginning in fiscal 2022, the video of declaration of pledges by all executives has been made available to the entire Group.

Dialogue Platforms
- Has been held every year since fiscal 2018 with the participation of all individuals engaged in the business operations of Kobe Steel and its Group companies for the following purposes:

(1) Instilling the Group Corporate Philosophy
(2) Preventing the quality misconduct from being forgotten
(3) Promoting two-way communication in the organization

- Each year, we conduct group training for about 600 line managers who facilitate the Dialogue Platforms.

Kobelco Core Values Awards
- Launched in fiscal 2019 as an initiative to commend activities that implement the Group Corporate Philosophy and contribute to building a new corporate culture and to promote the practice of the Group Corporate Philosophy.

Recognition and Empathy

Dialogues between senior executives and employees
- An activity to proactively convey senior executives' commitment to transformation through dialogues in which the president and CEO and other senior executives speak directly to employees. It is being implemented in two forms: dialogue through business site visits and Kobelco Gatherings, which are large-scale online dialogues.

→ Former president Yamaguchi had engaged in dialogues with around 1,500 employees on approximately 150 occasions (as of March 31, 2024).
→ Kobelco Gathering: Around 4,000 cumulative participants as of fiscal 2023

Kobelco Core Values Place
- 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. We are promoting visits in a variety of ways, including in-person visits to the facility in Kobe and to satellite facilities, as well as virtual visits to the online Kobelco Core Values Place.

→ About 29,000 employees have visited so far (as of March 31, 2024).

Kobelco Core Values Day
- 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. We share a message from the president and CEO, as part of commemorative events of the day.

The 5th Kobelco Core Values Awards

Of the 86 entries submitted from domestic and overseas business locations of the Group, 12 were awarded, including the Grand Prix and Semi Grand Prix awards. The Grand Prix winner was "Kobelco Barrier-Free Map," which was recognized for the creation of a barrier-free map that helps people with disabilities visit Kobe Steel. The map shows the way from the nearest station to the Kobe Head Office and has been made available on the Kobe Steel corporate website. We hope that the award-winning projects will promote the realization of the Group Corporate Philosophy.

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 shows how we see the the economic environment in these three areas.

Related segments: Steel & Aluminum, Advanced Materials, Welding, Machinery, Engineering, Construction Machinery, Electric Power

Mobility

Automobiles	• The semiconductor shortage that caused supply constraints is easing, resulting in an increase in domestic automobile production. In the long term, while domestic automobile production is expected to decrease due to growing local production, automobile production is anticipated to increase in emerging countries in Asia and other regions. • As part of efforts to achieve carbon neutrality, countries are tightening regulations on greenhouse gas (GHG) emission reduction and fuel efficiency and implementing measures to promote EVs. This is expected to lead to an increase in EVs in the long run, however EV sales are slowing down in some areas. • Due to the rise in demand for new structures and performance-enhancing components, driven by the EV transition, new manufacturing processes and technologies are emerging, resulting in changes in the supply chain.
Aircraft	• Passenger demand has recovered as the COVID-19 pandemic eases. With robust growth projected to continue, aircraft production rates are also expected to recover steadily. • 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 for aircraft parts, centered on titanium, prompting global supply chain restructuring.
Shipbuilding	• Although demand remains strong, rising costs and labor shortages have hampered the shipbuilding industry's recovery. Despite the continued robust demand forecast for the medium to long term, shipbuilding production is expected to remain at current levels with persisting labor shortages. • There are increasing low-carbon fuel and zero-emission vessels compliant with significantly tighter environmental regulations. • The advancement of IoT, AI, and the logistics reforms, among other factors, are driving the transformation of ship concepts and values.

Life

Food containers	• Due to environmental concerns, a shift from plastic bottles to aluminum cans is progressing, particularly in Europe and the United States. However, the demand for can materials is expected to remain flat due to a drop in home drinking trends with the end of the COVID-19 pandemic, as well as declining demand for beverage products along with rising prices. • Domestic demand is expected to remain on a modest downward trend in the medium to long term, as the population declines.
IT and semiconductors	• Semiconductor demand is expected to grow significantly in the medium to long term, with the growing demand for advanced and diversified functionalities of products, as well as accelerating digitalization in the automotive and other sectors. • Construction of new semiconductor foundries is accelerating worldwide, including in Japan. • Hard disk drive (HDD) shipment volumes are expected to recover from fiscal 2024 onward, driven by growing demand for IoT and AI applications. Due to the growing need for increased storage capacity in data centers, the number of disks mounted on a HDD is also increasing.

Energy & Infrastructure

Construction and civil engineering	• Global demand is expected to decrease in Europe and the United States due to a decline in housing construction and the economic slowdown. In China, demand has been shrinking due to a slowdown in infrastructure investment but is expected to gradually recover. • Domestic demand has decreased more than anticipated due primarily to postponements and cancellations of building constructions caused by rising material and labor costs. Robust demand is anticipated in the medium to long term as suspended construction projects are resumed. However, demand is not expected to reach the planned level, with continued labor shortages. • Labor shortages are becoming more serious due to the declining working population, and there is an increasing demand for improvements in the labor environment, including work conditions and safety.

Energy & Infrastructure

Urban transit	• In the AGT sector, while the number of passengers is returning to pre-pandemic levels, rising electricity prices and other factors are anticipated to result in higher costs. • In emerging countries, there is a high demand for transportation systems to alleviate air pollution and traffic congestion caused by population concentration in metropolitan areas.
Industrial machinery	• The world is recovering from the pandemic, and the economy continues to grow. With this upward trend, equipment investment demand is high in various industries. • Economic growth rates are particularly high in India and ASEAN countries, and we expect this to lead to increased demand. Meanwhile, the Chinese economy is slowing down, and we expect demand to decrease in the immediate future. • The emergence of geopolitical risks and other factors may cause fluctuations in the business environment, including the supply chain. The situation warrants close attention.
Energy, petroleum refining, and petrochemical	• Global energy consumption is on the rise, with particularly significant increases in energy consumption in India, ASEAN countries, and the Middle East, driven by economic growth. • As the transition to next-generation energy sources progresses, there is a rise in capital investment demand for environmental applications such as hydrogen, ammonia, and carbon capture and storage (CCS). Meanwhile, capital investment is declining in existing fields such as the petroleum refining and petrochemical sectors. • In the short term, the situation remains unpredictable, primarily due to uncertainty about future development in the business environment, as carbon neutrality efforts progress.
Renewable energy	• In Japan, the cost of renewable energy power generation is steadily decreasing, making it a cost-competitive energy source. However, due to factors such as construction costs and location restrictions, it remains high compared to international standards. • While the applications of renewable energy are expected to grow significantly in the medium to long term, the development of nationwide transmission and distribution networks is essential for the smooth transmission of electricity to areas of demand.
Direct reduced iron (DRI)	• There are high expectations for direct reduction and hydrogen reduction ironmaking processes, which emit less CO_2 than conventional blast furnace ironmaking, as key solutions for achieving carbon neutrality. Companies are actively exploring iron metallics (DRI) supply businesses. • On the other hand, there are concerns that companies may postpone their investment decisions due to uncertainties about the future, such as increasing energy costs, possible inflation and economic downturns, rising geopolitical risks, etc.
Water treatment and waste treatment	• Demand for engineering, procurement, and construction (EPC) of water treatment facilities is expected to remain high until fiscal 2025, driven by Japan's initiatives for building national resilience. In light of the increasing severity and frequency of recent natural disasters, it is important to watch the development of future national policies closely. • Demand for energy efficiency and energy creation solutions is projected to surge, as the Japanese government aims to reduce CO_2 emissions by 50% in the sewerage sector by fiscal 2030 (compared to fiscal 2013). • The market size of general waste is expected to remain flat in the near term. The Ministry of the Environment has made clear its policy of promoting decarbonization in the development of waste treatment facilities, prompting plant manufacturers to advance technology development in areas such as carbon capture and utilization (CCU).
Electric power	• Despite the recovery trend of economic activities in fiscal 2023, domestic electricity demand remained flat year on year, as higher electricity prices have increased energy conservation awareness. From fiscal 2024 onward, demand is anticipated to rise due mainly to the construction and expansion of data centers and semiconductor foundries. • The thermal coal price soared globally, affected by the supply-demand crunch caused by Russia's invasion of Ukraine, but it has fallen sharply to the pre-invasion level since early 2023, due to stagnant demand resulting from a mild winter in the northern hemisphere. This trend has persisted with no significant changes. Meanwhile, wholesale electricity market prices, which rose sharply in 2022, have declined since the beginning of 2023 and have remained low.

Business Overview by Operating Segment

Materials Businesses

ROIC target 6–8%

The materials businesses consist of the three segments of Steel & Aluminum, Advanced Materials, and Welding, with primary customer domains including the automotive, aircraft, shipbuilding, food container, IT and semiconductor, and construction and civil engineering sectors. We aim for enhancing earning power by rebuilding operational bases for the future business environment and improving profitability on a global scale. We will also aim to contribute to the reduction of CO_2 emissions in society as a whole by promoting initiatives aimed at reducing CO_2 emissions in our own production processes as well as contributing to reduction of CO_2 emissions through our technologies, products, and services.

Review of the Previous Medium-Term Management Plan

Establishing a stable earnings base

- **Strengthening the earnings base in the steel business:** Profitability improved significantly by lowering the break-even point, although the product mix remains an issue.
- **Strategic investment leading to earnings contribution:** Earnings contribution has yet to be achieved as planned, with earnings in the aluminum rolled products, extrusions, and suspensions businesses remaining sluggish.
- **Restructuring unprofitable businesses:** Achieved profitability in the previously unprofitable steel castings and forgings and titanium businesses.

Taking on the challenge of realizing carbon neutrality

- **CO_2 reduction in ironmaking process:** Developed a technology to charge an increased amount of hot briquetted iron (HBI) into the blast furnace (BF), while promoting a double-track approach, which include the introduction of a new EAF.
- **Contribution to reduction of CO_2 emissions through technologies, products, and services:** Commercialized the low-CO_2 blast furnace steel product Kobenable® Steel, low-CO_2 aluminum sheets and advanced materials, and fuel cell bipolar plate materials.

Business Strategy

Enhancing earning power and pursuing growth

Rebuilding operational bases for the future business environment

- **Restructuring the aluminum rolled products and aluminum advanced materials businesses**

While demand for both aluminum rolled products and aluminum advanced materials is expected to continue to grow, we need to review our strategy in light of the growing need for local production and local consumption. Aiming to return to profitability in fiscal 2024, we will continue to promote the restructuring of our business by improving base earnings through price improvements, cost reductions, and stable production, and will proceed with the establishment of a joint venture company with Baoshan Iron & Steel Co., Ltd. and Baowu Aluminum Technology Co., Ltd. in China in the aluminum panel business, in order to meet the increasing need for local production and local consumption. In the aluminum advanced materials business, we will promote structural reforms, including examining the optimal business scale and production system, in order to achieve profitability in the extrusions and suspensions businesses in North America.

- **Maintaining global competitiveness**

In order to maintain global competitiveness of the steel and welding businesses, we will continue to restructure the entire business structure without delay, including reviewing target regions and regional production systems, considering megatrends in respective regions. In particular, we will strengthen our production and sales systems in Asia to meet the need for local production and local consumption.

Taking on the challenge of realizing carbon neutrality

- **CO_2 reduction in ironmaking process**

We aim to achieve the 2030 target of a 30–40% reduction (compared to fiscal 2013) by charging an increased amount of HBI into the BF and implementing various energy-saving measures. Along with this, we will accelerate the study of the large-scale innovative EAF capable of producing high-quality steel.

- **Expanding sales of environmental and other products that meet the needs of society**

While expanding sales of the low-CO_2 blast furnace steel product Kobenable® Steel, and low-CO_2 aluminum sheets and advanced materials, we will promote activities to establish international standards for green steel and actively work to increase the Kobenable brand recognition and expand the market in the future. Our materials businesses' key products that contribute to CO_2 reduction are listed below. The list includes products whose contribution to CO_2 reduction is not reasonably calculable.

Products that contribute to reduction of CO_2 emissions through technologies, products, and services

Materials businesses	Low-CO_2 blast furnace steel products	Low-CO_2 aluminum sheets and advanced materials	Lightweight materials
	Magnetic materials	Fuel cell bipolar plate materials	Welding materials for ultra-high-tensile strength steel
	Non-heat-treated wire rods	Blast furnace cement	Aircraft materials

Steel & Aluminum

We will provide solutions to the needs of society, such as the realization of a low-carbon, recycling-oriented society, with the power of distinctive materials products. We will also actively transform our business model and production system to adapt to the drastic changes in the surrounding environment, and become a sustainable business entity that contributes to society in the future.

Shoji Miyazaki
Executive Vice President, Head of the Steel & Aluminum Business

Fiscal 2023 Summary

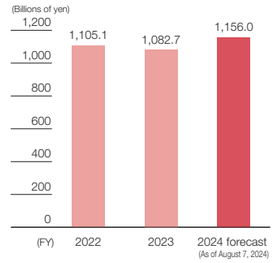
Steel

- Despite an increase in sales volume in the automotive sector along with demand recovery, overall sales volume declined year on year due to the refurbishment of a steel plate finishing rolling mill.
- Selling price increased year on year, primarily due to the progress in selling price improvements.
- Ordinary loss was 39.2 billion yen, down 9.7 billion yen year on year, due to a decrease in sales volume and decrease in inventory valuation gains, despite positive factors such as a decline in coking coal prices and improvements in metal spreads along with the progress in selling price improvements.

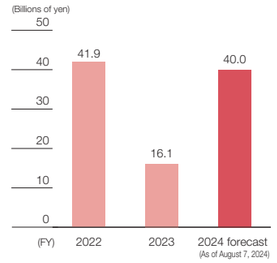
Aluminum

- While sales volume remained at the same level year on year in the automotive sector, overall sales volume decreased year on year due to a sharp decline in the IT and semiconductor sectors that were in a supply-demand adjustment phase.
- Selling prices increased year on year primarily due to the progress in selling price improvements.
- Ordinary loss was 23.1 billion yen, down 16.0 billion yen year on year, due to a decrease in sales volume and in inventory valuation gains, as well as the recording of the share of loss of investments accounted for using equity method resulting from the restructuring of the automotive aluminum panel business.

Net Sales



Ordinary Profit



For details, see Results by Operating Segment. ▶ See pp. 120–121.

Recognition of the Business Environment and Our Business's Strengths

Opportunities	• Growing decarbonization needs in global markets (Growing demand for high-grade steel and low-CO_2 blast furnace steel) • Increased global steel demand, especially in emerging countries • Progress in reducing steel production capacity in Japan	Risks	• Labor shortages and gradual decline in domestic demand due to declining population in Japan • Growing trend of local production and local consumption around the world • Continued increase in labor and equipment costs • Growing need for decarbonization of the blast furnace ironmaking process
Strengths	Overall Steel & Aluminum Business	• Cross-divisional initiatives for steel and aluminum products (multi-material) and one-stop product sales and services for customers • Delivering value throughout the supply chain in close collaboration with customers	
	Steel products	• Distinctive products (ultra-high-tensile steel sheets, special steel wire rods, environmentally friendly corrosion-resistant steel plating) • Global competitiveness in major overseas markets	
	Aluminum rolled products	• Beverage can stock: Strong relationships with customers and lightweight aluminum beverage cans manufacturing technology • Automobiles: New heat treatment lines and solution proposals (analysis and design) • Disks: Approximately 60% of the global market share and high-capacity HDD manufacturing technology	

Business Topics

(1) Restructuring the aluminum panel business

Demand for disc materials and aluminum plates is declining due to lower semiconductor demand as well as sluggish demand for automotive panel materials. Against this backdrop, we are restructuring the automotive panel business while working to improve base earnings. While demand for automotive aluminum panel materials is expected to continue to rise in China due to the transition to electric vehicles (EVs), we will capture demand for automotive aluminum panels in China by establishing a joint venture and promoting cooperation with Baoshan Iron & Steel Co., Ltd. and Baowu Aluminum Technology Co., Ltd., to meet the growing need for local production for local consumption, along with the global trend toward carbon neutrality.

(2) Ironmaking process

We aim to achieve our 2030 target for CO_2 reduction and our 2050 vision for carbon neutrality by charging an increased amount of HBI into the BF and implementing various energy-saving measures. Along with this, we will accelerate the study of the large-scale innovative EAF capable of producing high-grade steel.

Business Overview by Operating Segment

Advanced Materials

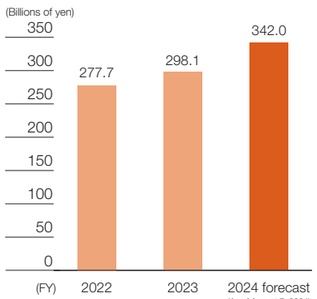
Our distinctive materials and components created from diverse technologies and human resources are highly evaluated by numerous customers. We will continue to provide solutions to the needs of society through continuous improvement and transformation and deliver valuable products and smiles to our customers.

Ryosaku Kadowaki
Executive Officer, Head of the Advanced Materials Business

Fiscal 2023 Summary

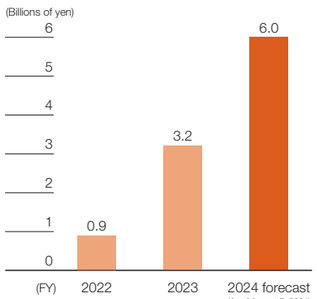
- Sales volume increased year on year in steel castings and forgings, which saw increased demand in the shipbuilding sector, as well as in aluminum extrusions and suspensions, which saw a recovery in demand in the automotive sector. On the other hand, sales volume of copper rolled products and aluminum castings and forgings decreased year on year due to a decline in demand in the IT and semiconductor sectors.
- Ordinary profit was 3.2 billion yen, up 2.2 billion yen year on year, due to an increase in sales volume and progress in selling price improvements, despite an increase in costs centered on fixed costs.

Net Sales



(As of August 7, 2024)

Ordinary Profit



(As of August 7, 2024)

For details, see Results by Operating Segment. ▶See pp. 120–121.

Recognition of the Business Environment and Our Business's Strengths

Opportunities	• Solid needs for weight reduction in the automotive sector, including the transition to EVs • Growing importance of domestic industries in the shipbuilding and aircraft sectors that support critical infrastructure • Medium- to long-term growth expectations in the semiconductor sector	Risks	• Decline in demand for automobiles due to carsharing and growth of Mobility as a Service (MaaS) • Decrease in demand for air travel due to lifestyle changes • Restrictions on the number of vessels built due to labor shortages in the shipbuilding sector • Supply chain disruptions caused by volatility in demand in the semiconductor sector
Strengths	• Diverse technology and business assets in the automotive, aircraft, shipbuilding, rolling stock, semiconductor, and other sectors • Development/manufacturing technologies to produce niche products with a dominant market share, such as aluminum forgings for automotive suspensions, copper alloys for automotive terminals and connectors, semiconductor lead frame materials, and aluminum parts materials for semiconductor manufacturing equipment • Japan's only full-lineup manufacturer of material products for shipbuilding with a wealth of experience and integrated production system from steelmaking to finished goods • Japan's only supplier of large titanium forgings and large aluminum castings for aircraft with extensive track record		

Business Topics

- We deliver products that meet the needs for weight reduction in automobiles, including the transition to EVs, through our aluminum extrusions and suspensions businesses. In addition, we are promoting the use of green aluminum as an initiative to achieve carbon neutrality and will continue to contribute broadly to society and the environment.
- There is an increasing attention for the importance of developing domestic businesses in the sectors of shipbuilding and aircraft, which constitute vital infrastructure. While our steel casting and forging business provide shipbuilding component products, our aluminum castings/forgings and titanium businesses deliver aircraft component products. With a solid business operation base, we support our customers' supply chains.
- Our aluminum casting and forging and copper rolled products businesses contribute to the growth of the semiconductor industry, which has strong growth potential, by providing a stable supply of products that meet customer needs.

Welding

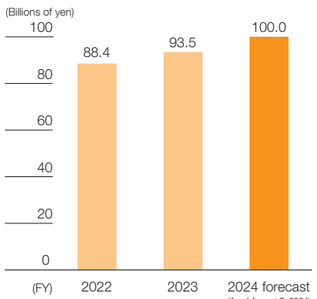
With quality positioned as the pillar of our management, we aim to be the most reliable welding solutions company in the world based on "quality and technology," "trust and security," and "pride and responsibility." We will continue to take on the challenges of providing solutions to the needs of society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

Kazuyuki Suenaga
Executive Officer, Head of the Welding Business

Fiscal 2023 Summary

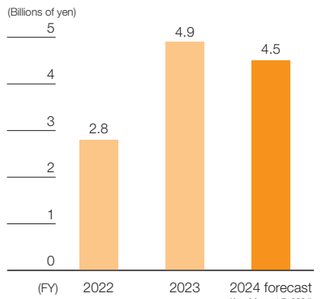
- Sales volume decreased year on year due to slow recovery in demand in China and Southeast Asia, as well as a decline in demand in the Japanese automotive and construction machinery sectors in China, while domestic sales volume remained at the same level year on year.
- Selling prices increased year on year primarily due to the progress in price improvements.
- Ordinary profit was 4.9 billion yen, up 2.0 billion yen year on year, primarily due to the progress in selling price improvements, despite a decrease in sales volume.

Net Sales



(As of August 7, 2024)

Ordinary Profit



(As of August 7, 2024)

For details, see Results by Operating Segment. ▶See pp. 120–121.

Recognition of the Business Environment and Our Business's Strengths

Opportunities	• Growing need for welding automation and efficiency improvement to address labor shortages in the manufacturing industry • Growth of the new materials and welding solutions sectors that contribute to carbon neutrality • Unique value of being a comprehensive welding manufacturer capable of offering one-stop solutions for skill succession problems arising from the declining birthrate and aging population • Growing demand for welding in growth markets such as overseas emerging countries • Shift of the existing welding systems business to customer experience-oriented business and commercialization of peripheral processes	Risks	• Labor shortages and gradual decline in domestic demand due to the declining population in Japan • National security and geopolitical risks in overseas markets, as well as in our business locations and supply chains
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 across all bases • A spirit of Kobelco Welding Way that promotes innovation while embracing tradition		

Business Topics

• Practical application of small welding robot and welding materials for LNG fuel tanks
As demand for LNG grows as a transitional energy source bridging to carbon neutrality, the shipbuilding industry is working on the in-house production of LNG fuel tanks. In order to improve the quality of welding 9% Ni steel, which requires a high level of workmanship, and to address a shortage of welders, we have developed the KI-700, a compact, portable welding robot, and specialized welding consumables. Practical application of these products has already begun, and we will work to promote their widespread use.

• Steel welding robots evolving with DX technology
In the construction industry, Building Information Modeling (BIM) is being promoted to solve the shortage of welders, and we have developed software linked to 3D-CAD data to improve efficiency and simplify robotic beam welding work. In the future, we will further expand the functions and applications of this software.

Business Overview by Operating Segment

Machinery Businesses

ROIC target 8–10%

The machinery businesses consist of the three segments of Machinery, Engineering, and Construction Machinery, with primary customer domains including the automotive, aircraft, shipbuilding, construction and civil engineering, social and industrial infrastructure, and environmental and energy sectors. While seizing business opportunities in the changing business environment, we will pursue further growth by capturing new demand and widening business domains. Our machinery businesses cover a broad range of technologies, products, and services that help reduce CO_2 emissions and environmental impact. Leveraging these, we will provide solutions to the societal challenges faced by our customers and aim to contribute to the environment and society.

Review of the Previous Medium-Term Management Plan

Establishing a stable earnings base

- **Restructuring unprofitable businesses:** Achieved profitability in the previously unprofitable crane business.
- **Stabilizing earnings in the machinery businesses and responding to growing markets:** Orders and earnings increased in the machinery and engineering businesses. Structural reforms are underway in the construction machinery business.

Taking on the challenge of realizing carbon neutrality

- **Contribution to reduction of CO_2 emissions through technologies, products, and services:** Steadily captured growing demand for the MIDREX® Process and environmental machinery products, etc., spurred by worldwide CO_2 reduction efforts. Carried out new projects such as the hybrid-type hydrogen gas supply system and low-CO_2 iron metallics supply project.

Business Strategy

Enhancing earning power and pursuing growth

While enhancing earning power, we will pursue growth by focusing on acquiring new business opportunities, such as energy transition driven by carbon neutrality trends and developing customer experience-oriented business and solution business. Through these efforts, the overall machinery businesses will strive to become a business entity that achieves net sales of 1 trillion yen scale by fiscal 2030.

The machinery segment aims to secure orders in rotating machinery, which is expected to see increased demand for environmental applications, while expanding our business in the semiconductor inspection equipment and isostatic press (IP) sectors. The machinery segment aims to achieve net sales of 300 billion yen scale in fiscal 2030.

The engineering segment aims to steadily capture the increasing demand for direct reduced iron (DRI) spurred by global steelmakers' efforts to achieve carbon neutrality, while moving forward with a feasibility study on the low-CO_2 iron metallics supply project in Oman. In the environmental and energy sector, we will promote initiatives leveraging our strengths of operating both waste and water treatment businesses. The engineering segment aims to achieve net sales of 250 billion yen scale in fiscal 2030.

In addition, we will strengthen our customer experience-oriented business and solution business, by enhancing our welding systems, K-DIVE®, K-D2 PLANNER®, and hybrid-type hydrogen gas supply systems, etc., utilizing the knowledge, technologies, and know-how we have built up through our business activities in combination with digital transformation (DX) technologies. These businesses aim to achieve net sales of 50 billion yen scale in fiscal 2030.

Taking on the challenge of realizing carbon neutrality

The machinery businesses are promoting initiatives to contribute to reduction of CO_2 emission as growth opportunities. Our machinery businesses' key products that contribute to CO_2 reduction are listed below. The list includes products whose contribution to CO_2 reduction is not reasonably calculable.

Products that contribute to reduction of CO_2 emissions through technologies, products, and services

Machinery businesses	MIDREX® Process	Low-CO_2 iron metallics supply	Compressors
	Heat exchangers and vaporizers	Wood biomass power generation	Waste-to-energy (WtE)
	Electric and fuel cell-type construction machinery	HHOG*	Hybrid-type hydrogen gas supply system

* High-purity Hydrogen Oxygen Generator (HHOG)

Machinery

The machinery segment owns a wide array of products and technologies that contribute to the reduction of CO_2 emissions and environmental impacts. We will continue to work together with our customers to reduce environmental impacts and contribute to the realization of a sustainable society, as we aim for further growth as a business entity.

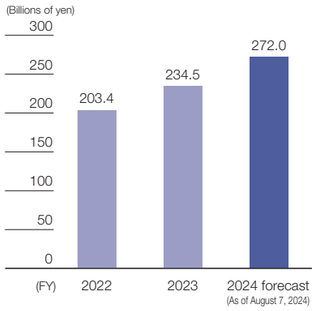
Masamichi Takeuchi

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

Fiscal 2023 Summary

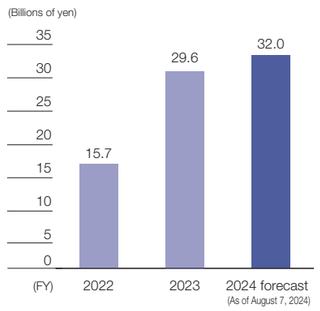
- Orders in the machinery business segment increased year on year, due to strong demand mainly in the petrochemical and energy sectors.
- Ordinary profit was 29.6 billion yen, up 13.8 billion yen year on year due to improved order profitability along with increasing orders.

Net Sales



(As of August 7, 2024)

Ordinary Profit



(As of August 7, 2024)

For details, see Results by Operating Segment. ▶ See pp. 120–121.

Recognition of the Business Environment and Our Business's Strengths

Opportunities	• Increasing demand for non-fossil energy sources, such as hydrogen and ammonia, as well as for decarbonization applications such as CCUS, spurred by the energy transition trends • Higher demand in the electronics and semiconductor sectors, driven by the advancement of digital transformation and growing demand for EVs • Increased relative competitiveness with European and U.S. companies due to foreign exchange effects	Risks	• Stricter CO_2-related restrictions in various countries • As the future of the energy transition remains uncertain, demand for petrochemical-related capital investments is declining at an accelerating pace • Supply chain disruptions due to geopolitical risks
Strengths	• Over many years, we have developed various technologies for 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		

Business Topics

Machinery business receives gold prize at the 65th Tamiya Awards* for establishing compressor business structure for LNG carriers

In 2014, we developed a high-pressure vertical reciprocating compressor to make inroads into the non-standard compressor market targeted at the LNG carrier sector, and in 2016 we received our first orders for a reciprocating compressor and an oil-injected screw compressor. To date, we have been receiving constant orders, with a delivery record of about 100 units of reciprocating and screw compressors combined and about 80 units in the production line. The non-standard compressor business is becoming a reliable source of profit in the machinery segment. We are the only supplier capable of providing both screw compressors and reciprocating compressors for LNG carriers from a single source, which is our strength that distinguishes us from other companies in this field.

Kobe Steel's machinery business segment received the Gold Prize at the 65th Tamiya Awards in recognition of its contribution to the energy transition and solving environmental issues by playing a part in the stable transportation of large volumes of LNG, thereby contributing to a green society, which is one of the Group's key issues of materiality, as well as its steady growth as a business as a newcomer in a growth market by acquiring new business opportunities such as carbon neutrality.

* Tamiya Awards: An award system that recognizes technologies, products, and activities that have made significant contributions to the Company's success and society in honor of the legacy and accomplishments of Kaemon Tamiya, the fifth President of the Company.

Business Overview by Operating Segment

Engineering

The engineering segment is particularly focused on lower CO_2 emissions (CO_2 reduction), as well as the environmental and energy sectors. By bringing together the unique qualities, wisdom, and skills of each and every employee and maximizing our value, we will strive to achieve carbon neutrality and earnings growth over the medium to long term.

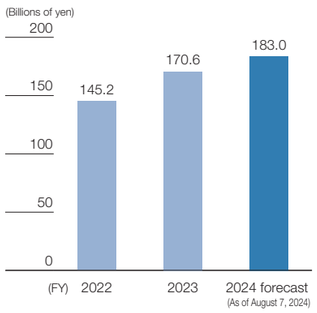
Masahiro Motoyuki

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

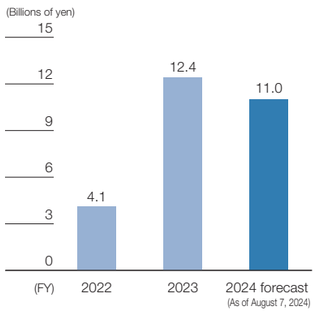
Fiscal 2023 Summary

- Orders increased year on year, driven by favorable factors such as orders for large-scale overseas projects in the DRI-related business and steady orders in the waste treatment-related business
- Ordinary profit was 12.4 billion yen, up 8.2 billion yen year on year.

Net Sales



Ordinary Profit



For details, see Results by Operating Segment. ▶See pp. 120–121.

Recognition of the Business Environment and Our Business's Strengths

Opportunities	• Stricter regulations and increasing government support measures aimed at reducing CO_2 emissions and achieving carbon neutrality, as well as the companies and local governments' ongoing efforts toward the introduction of new technologies and equipment and increased capital investment • Increased need for maintenance and after-sales service, labor-saving solutions, and DX due to labor shortages and the aging of existing equipment • Technological advancements and cost reductions enabling mass production and supply of inexpensive hydrogen	Risks	• Delays or postponement in investment decision due to rising energy costs, inflation, economic recession, and increased geopolitical risks • Price rivalries due to intensifying competition and increased cost burden for the development and verification of technologies • Loss of opportunities for growth and orders due to labor shortages and delays in technical studies
Strengths	• A wide array of environmental solutions for lower CO_2 emissions (CO_2 reduction), as well as for the environmental, energy, and other sectors • Being the MIDREX® Process owner with a large share in the global DRI market • Possessing both water and waste treatment solutions, enabling treatment processes across the sewage and waste sectors		

Business Topics

The MIDREX® Process is garnering attention as a process that contributes to carbon neutrality in the global steel industry.

The process uses hydrogen or hydrogen-rich gas reformed from natural gas as a reducing agent to reduce iron ore pellets processed from powdered ore in a shaft furnace to produce reduced iron, which is a raw material for steelmaking.

Natural gas-based MIDREX® Process (MIDREX NG™) can reduce CO_2 emissions in the ironmaking process by up to 40% compared to the conventional blast furnace route, and over 90 MIDREX NG™ DRI plants are in operation worldwide. Along with this, we have a process called MIDREX Flex™, which can flexibly replace natural gas with hydrogen up to 100%, and MIDREX H2™, which uses 100% hydrogen as a reducing agent. We are also moving forward with the feasibility study of a low-CO_2 iron metallics supply project utilizing the MIDREX® Process in Oman.

Construction Machinery

Based on our user hands-on approach, we will strengthen our DX solutions and parts and maintenance business to provide high-quality products and services that address societal challenges. We will strive to provide on-site safety, comfort, and efficiency at our customers' sites, offering value indispensable to both our customers and society.

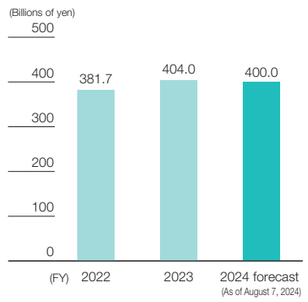
Akira Yamamoto

President and CEO, Kobelco Construction Machinery Co., Ltd.

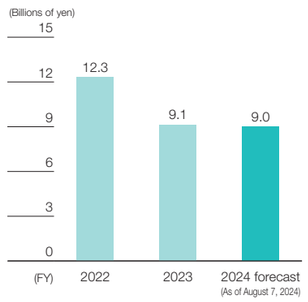
Fiscal 2023 Summary

- Unit sales of hydraulic excavators decreased year on year due to a decline in China where demand was sluggish and in Europe that was affected by the engine certification problem, despite an increase in North America and other regions.
- Unit sales of crawler cranes increased year on year, due to an increase in sales primarily in North America as progress was made in resolving the engine certification problem, despite a decrease in Europe, which was affected by the engine certification problem and production and shipping delays.
- Ordinary profit was 9.1 billion yen, down 3.2 billion yen year on year, mainly due to a decline in compensation income related to the engine certification problem, despite selling price improvements and increased export profitability resulting from a weaker yen.

Net Sales



Ordinary Profit



For details, see Results by Operating Segment. ▶See pp. 120–121.

Recognition of the Business Environment and Our Business's Strengths

Opportunities	• Automation in construction being promoted by the Ministry of Land, Infrastructure, Transport and Tourism • Acceleration of work style transformation in construction sites • Rising momentum in the efforts toward CO_2 reduction in construction sites	Risks	• Slow progress of DX efforts in the construction industry and infrastructure sectors • Delays in the spread of carbon-neutral construction machinery due to a lack of environmental and legal regulations and soaring materials and labor costs
Strengths	• A diverse lineup of construction machinery and sales and service support capabilities that meet market needs, 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, the remote operation system for construction machinery K-DIVE® and the crane construction planning support software K-D2 PLANNER®		

SK135SRD-7 building demolition machine

Mastertech7200G NEO crawler crane

Hydrogen-driven fuel cell electric excavators

K-DIVE®, the heavy machinery remote operation system

Business Topics

While flexibly responding to changes in the business environment, we will strive to increase earnings by promoting region-specific strategies and bolster the parts and maintenance business through the After Sales Division, which was established in April 2024. Based on this stable earnings base, we will work to create new needs for future growth while monitoring changes in our customers and social situations. In particular, we will further promote the use of K-DIVE,® a site improvement solution using heavy machinery remote operation system and operation data, and K-D2 PLANNER®, crane construction planning support software. Along with this, we will offer new value through the development of carbon-neutral construction machinery, such as hydrogen-driven fuel cell electric excavators.

Business Overview by Operating Segment

Electric Power Business

Our Group started its power supply business in fiscal 2002, contributing to the stable supply of electricity in local communities. We currently operate the power plants listed below.

	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: Apr. 2002 No. 2 unit: Apr. 2004	Kansai Electric Power Co., Inc.
Kobe Power Plant No. 3 and No. 4 units			650 MW/unit	No. 3 unit: Feb. 2022 No. 4 unit: Feb. 2023	
Moka Power Plant No. 1 and No. 2 units	Moka, Tochigi Prefecture	Gas fired	624 MW/unit	No. 1 unit: Oct. 2019 No. 2 unit: Mar. 2020	Tokyo Gas Co., Ltd.

Total: Approx. 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

Review of the Previous Medium-Term Management Plan

- **Built Kobe Power Plant No. 3 and No. 4 units → Started commercial operation as planned**
- **Achieved profitability by securing annual earnings of approximately 40 billion yen through the stable operation of all six power plant units → Completed the power plants as planned and achieved profitability**
- **Taking on the challenge of realizing carbon neutrality by 2050 → Advancing studies aligned with the roadmap**

Business Strategy

Enhancing earning power and pursuing growth

Through the stable operation of all six power plant units, we will secure annual earnings of approximately 40 billion yen and support the growth of the entire Group.

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 stable supply of electricity with low environmental impact and high economic efficiency over the long term, while strengthening its efforts to achieve even higher efficiency and lower CO_2 emissions with the aim of realizing carbon neutrality by 2050.

At the Kobe Power Plant, we plan to implement co-firing of sewage sludge-derived fuel for the effective use of regional biomass and hydrogen supply, along with regional heat supply that is already in place. Kobelco Eco-Solutions Co., Ltd. has received several orders for equipment that converts sewage sludge into fuel and is now working to implement co-firing.

We also proceeded with studies on the introduction of ammonia co-firing technology and participated in the Long-Term Decarbonization Power Resource Auction and won the bid. We will continue to study ways to secure clean ammonia and promote initiatives to achieve 20% ammonia co-firing as set out in the roadmap.

At the Moka Power Plant, we will continue stable operation of low-CO_2 power generation using the high-efficiency gas turbine combined cycle (GTCC) system, while seeking ways to maximize the use of carbon-neutral city gas in the future.

Through the stable supply of electricity, we will contribute to local communities and the global environment, as 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.

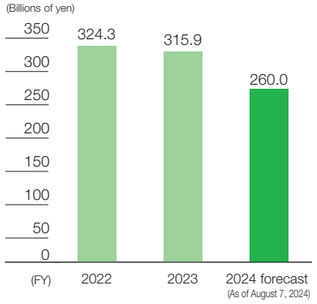
In line with the national energy policy, we will continue to provide a stable supply of electricity, while working to achieve even higher efficiency and lower carbon emissions in order to realize carbon neutrality by 2050, as we strive to contribute to increased safety, security, and prosperity in people's lives.

Kunihiko Yoshitake
Executive Officer, Head of the Electric Power Business

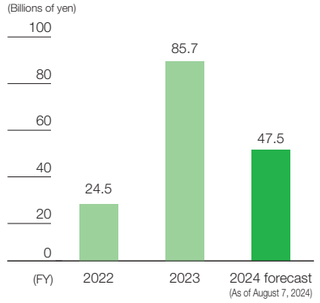
Fiscal 2023 Summary

- Sales volume of electricity increased year on year due to the operation of the Kobe Power Plant No. 4 unit.
- The unit selling price of electricity decreased year on year due to fluctuations in thermal coal prices.
- Ordinary profit was 85.7 billion yen, up 61.2 billion yen year on year, due to the operation of the Kobe Power Plant No. 4 unit, the improved effect of time lags in fuel cost adjustments for the Kobe Power Plant No. 3 and No. 4 units, and the effect of temporary gains from changes in electricity selling prices for the Kobe Power Plant No. 1 to No. 4 units.

Net Sales



Ordinary Profit



For details, see the Results by Operating Segment. ▶ See pp. 120–121.

Recognition of the Business Environment and Our Business's Strengths

Opportunities	• Medium- to long-term increase in the quantity of electricity required, due to the increasing electrification in society and the advancement of IT, which involves an increase of data centers • Improvement of overall regional energy efficiency through heat supply by taking advantage of urban location and effective use of sewage sludge generated in urban areas as biomass fuel	Risks	• Anti-coal trend and investor divestment movement • Phase-out of inefficient coal-fired power plants
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 • 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		

Business Topics

Long-Term Decarbonization Power Resource Auction

The Long-Term Decarbonization Power Resource Auction is a system introduced by the Ministry of Economy, Trade and Industry (METI) to promote investment in the construction and replacement of power sources, aimed at achieving carbon neutrality by 2050. The auction is implemented by the Organization for Cross-regional Coordination of Transmission Operators, Japan (OCCTO)*. The successful bidders will receive a fixed annual revenue equivalent to their bid price for 20 years, enabling them to recoup fixed cost for capital investment and other purposes. In April 2024, Kobe Steel won the bid to renovate the existing facilities for the 20% ammonia co-firing at the Kobe Power Plant No. 1 and No. 2 units.

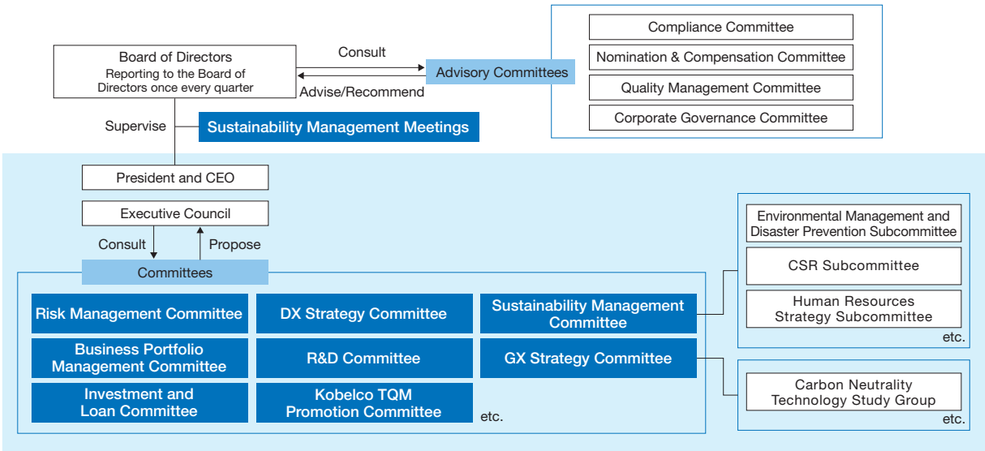
* OCCTO: An organization established for the purpose of promoting cross-regional operation of the electric power business.

Promotion of Sustainability Management

Promotion of Kobelco Group's Sustainability Management

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

Organization and structure for promoting sustainability management



Materiality-Oriented Sustainability Management Initiatives

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

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

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

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

Five Items of Materiality

Contributing to a green society

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

Ensuring safety and security in community development and manufacturing

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

Providing solutions for the future connecting people and technology

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

Promoting active participation of diverse human resources

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

Pursuing governance that supports sustainable growth

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

Contributing to a Green Society

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

■ Main Monitoring Indicators

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

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

Basic Environmental Management Policy

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

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

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

Basic Environmental Management Policy

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

VISION 1 — Pursuing environmentally friendly manufacturing

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

VISION 3 — Coexisting and cooperating with society

Response to Resource Recycling (Appropriate Management of Water Resources)

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

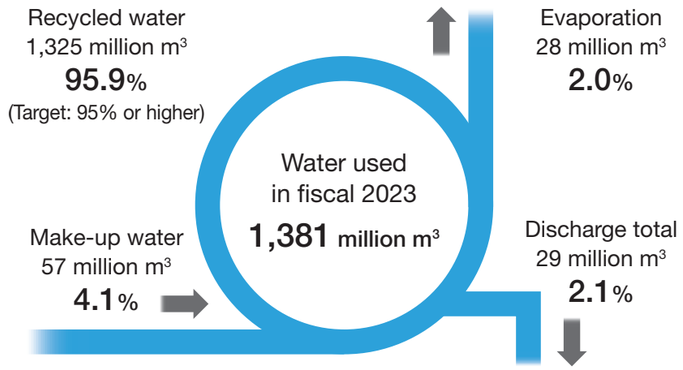
Additionally, we recognize that the environment and living organisms in public waters may be impacted by the violation of environmental laws and regulations, ordinances, and agreements pertaining to wastewater. To address wastewater risks, we not only comply with regulations but also strive to reduce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

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

Pollutant Load in Wastewater (t/year)

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

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



Contributing to a Green Society

Biodiversity Conservation Initiatives

● Kobelco Biodiversity Guidelines

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

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

● LEAP Approach Based on the TNFD Recommendations

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

* Locate, Evaluate, Assess, and Prepare

• Scoping

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

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

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

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

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

● Nature-Related Contributions

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

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

Climate-Related Disclosures Based on TCFD Recommendations

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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

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

Basic Concept

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

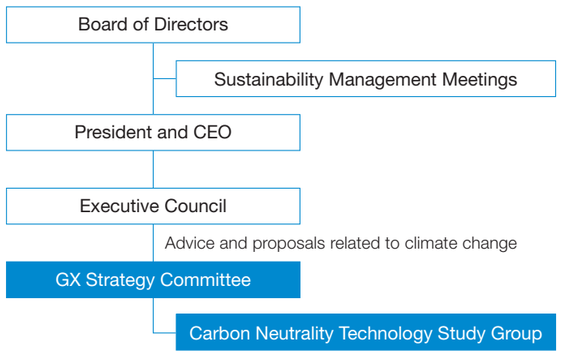
Going forward, the Kobelco Group will continue to pursue reduction of CO_2 emissions in order to contribute to the realization of a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as envisioned in KOBELCO's View of the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

Governance and Risk Management

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

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

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



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

Contributing to a Green Society

Strategy

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

Climate-Related Risks

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

Climate-Related Opportunities

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

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

High risk | Low risk | Large opportunity | Small opportunity

	Risks		Opportunities	
	Short to medium term (Until FY2030)	Long term (Until FY2050)	Short to medium term (Until FY2030)	Long term (Until FY2050)
Policy and legal systems	Higher costs due to regulatory tightening		Increased demand for technologies, products, and services that contribute to CO_2 reduction (automotive weight reduction, MIDREX® Process, etc.)	
Market and technology transitions	Rising capital investments, R&D expenses, and operating costs associated with low-carbon technologies			
Reputation	Deterioration of corporate reputation due to insufficient or delayed information disclosure		Differentiation from other companies by establishing a reputation as a front-runner in combating climate change	
Physical risks (disasters, etc.)	Reduction of production volumes and disruptions of supply chains due to increases in floods, typhoons, and other natural disasters		Increase in demand for products due to increased public and capital investments for disaster prevention	
		Rising sea levels and high tides, leading to higher restoration expenses and lower production rates at coastal factories		

Response to Risks and Opportunities (R&D)

Reduction of CO_2 Emissions in Production Processes

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

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

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

Scenario Analysis

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

Impact on Business

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

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

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

Risks and Opportunities

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

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

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

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

Contributing to a Green Society

Metrics and Targets

Metric A Reduction of CO_2 Emissions in Production Processes

Target

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

2050 Vision
Taking on the challenge of realizing carbon neutrality

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

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

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

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

Trends in CO_2 Emissions

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

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

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

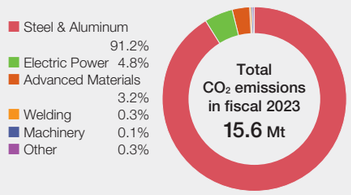
In the ironmaking process, we have completed a technical test and verified that CO_2 emissions in the blast furnace process can be reduced by approximately 25% by charging a large quantity of direct reduced iron (DRI) in the form of hot briquetted iron (HBI) manufactured with the MIDREX® Process into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

Energy-Derived CO_2 Emissions

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

Energy-Derived CO_2 Emissions

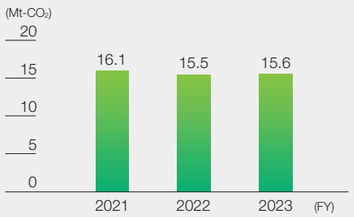
Total of Scope 1 and Scope 2, excluding some areas* (including domestic and overseas Group companies)



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

Energy-Derived CO_2 Emissions by Year*

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



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

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

Target

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

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

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

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

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

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

Accreditation Flow

Business divisions → Accreditation office → GX Strategy Committee

Business divisions: Apply

Accreditation office: Check ← Third party

Third party: Provide advice on formula for calculating contribution to reduction of CO_2 emissions

Contribution to Reduction of CO_2 Emissions

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

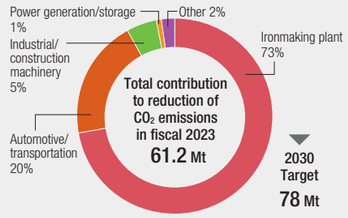
Technologies, products, and services		Contribution to reduction (10,000 tons/year)	CO_2 reduction concept
Ironmaking plant	MIDREX® Process	4,464	DRI making process with low CO_2 emissions
Automotive/ transportation	Ultra-high-tensile strength steel for automobiles, welding consables for ultra-high-tensile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

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

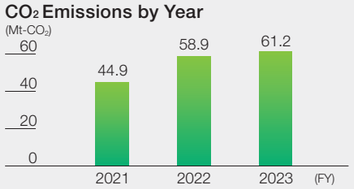
Other Major Technologies, Products, and Services That Contribute to CO_2 Reductions

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

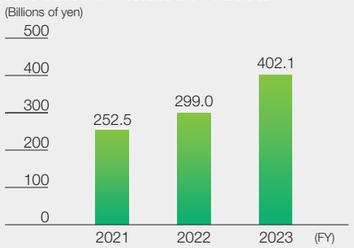
Total Contribution to Reduction of CO_2 Emissions



Contribution to Reduction of CO_2 Emissions by Year



Net Sales of Related Products



Ensuring Safety and Security in Community Development and Manufacturing

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

■ Materiality Monitoring Indicators

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

Stable Supply of Electricity

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

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

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

Kobe Power Plant

Moka Power Plant

Providing Materials and Machinery That Meet Needs

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

Materials Products

1 Low-CO_2 materials

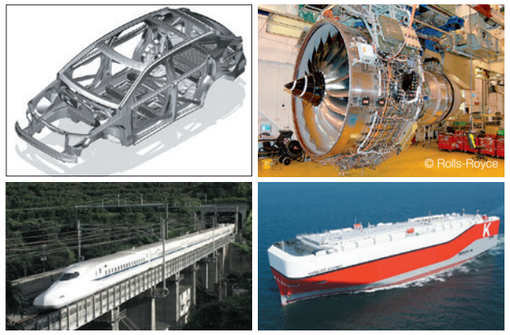
Our Group is working to provide low-CO_2 materials to meet the social demand for carbon neutrality. In May 2022, we commercialized Kobenable® Steel, Japan's first low-CO_2 blast furnace steel product (according to Kobe Steel's survey). Kobenable® Steel is currently being used in various applications,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

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

Aluminum cans made of green aluminum

2 Eco-friendly products

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



3 Welding materials and welding systems

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

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

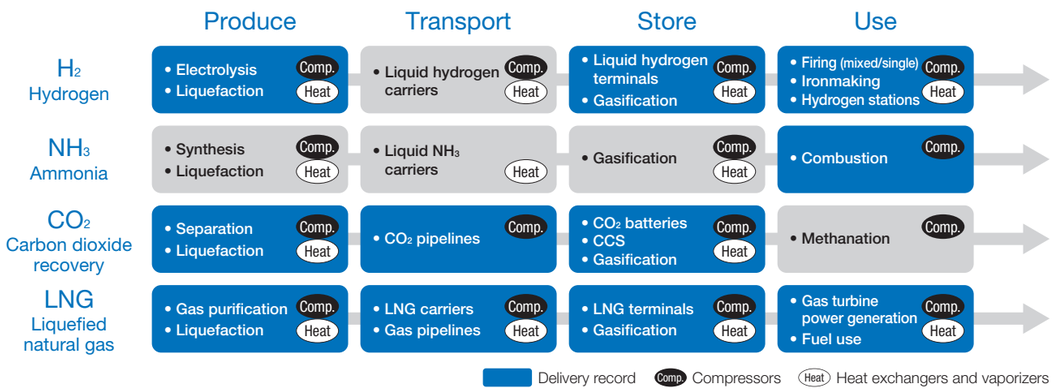
Robotic welding systems for steel frames

Ensuring Safety and Security in Community Development and Manufacturing

Machinery Products

1 Machinery Business

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



Heat exchangers and vaporizers

Non-standard compressors

Standard compressors

2 Engineering Business

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

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

3 Construction Machinery Business

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

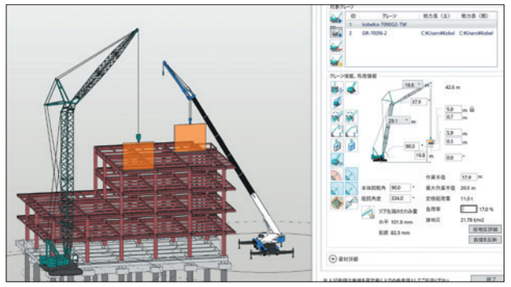
One example is K-DIVE®, a site improvement solution that uses a heavy machinery remote operation system and operation data. K-DIVE® addresses difficulties that our customers face, such as the hazardous working conditions in the construction industry, work and construction management that requires the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

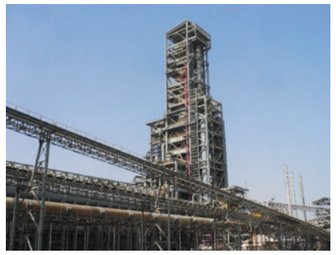
Another example is K-D2 PLANNER®, a Revit add-in simulation software that supports the formulation of optimal crane construction plans. This is a solution that assists crane construction planning using 4D information with time series, serving as the starting point of "a world of digital twins where construction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

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

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

K-D2 PLANNER®, crane construction planning support software




MIDREX® Process

Waste treatment-related businesses

Water treatment-related businesses

Providing Solutions for the Future Connecting People and Technology

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

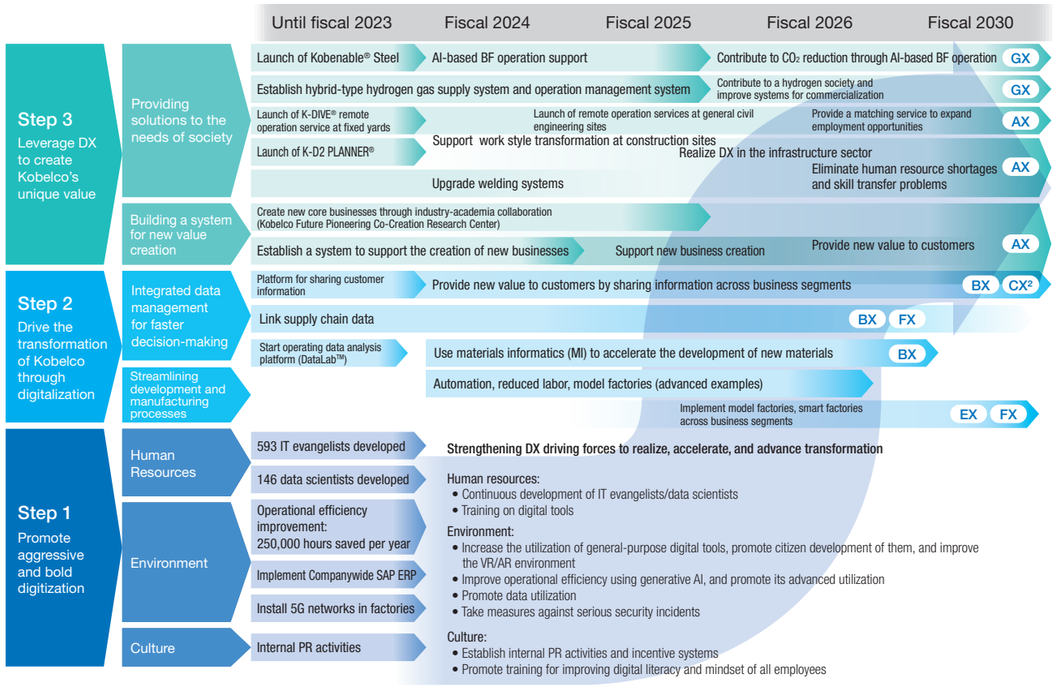
Main Monitoring Indicators

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

Kobelco Group's Basic Policy on DX Strategy

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

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



DX Initiatives

STEP 3

Leverage DX to create Kobelco's unique value

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

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

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

K-DIVE®, heavy machinery remote operation system

STEP 2

Drive the transformation of Kobelco through digitalization

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

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

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

STEP 1

Promote aggressive and bold digitization

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

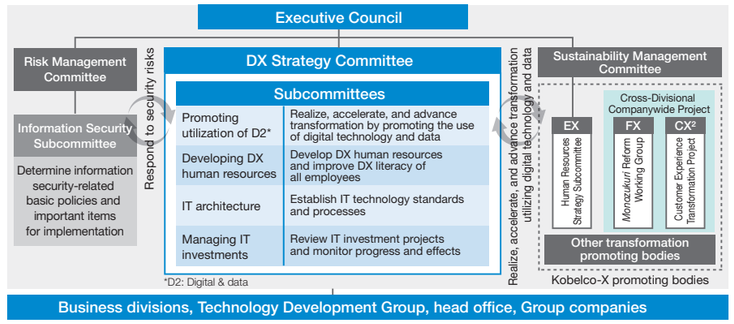
In terms of human resources development, as of the end of fiscal 2023, we have trained 593 IT evangelists who drive digitalization to improve operational efficiencies and 146 data scientists who are experts in data analysis.

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

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

Companywide DX Promotion Structure

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



Providing Solutions for the Future Connecting People and Technology

Integration and Innovation of Diverse Intellectual Assets

Shinji Miyaoka
Director, Executive Officer
Oversees the Business Development Department

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

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

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

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

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

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

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

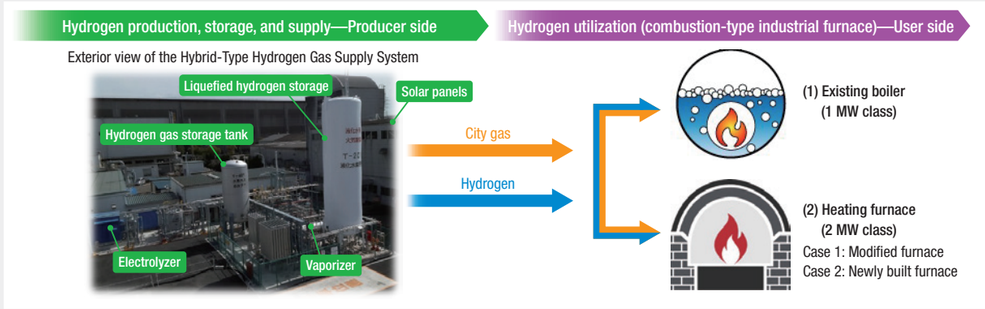
Hybrid-Type Hydrogen Gas Supply System

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

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

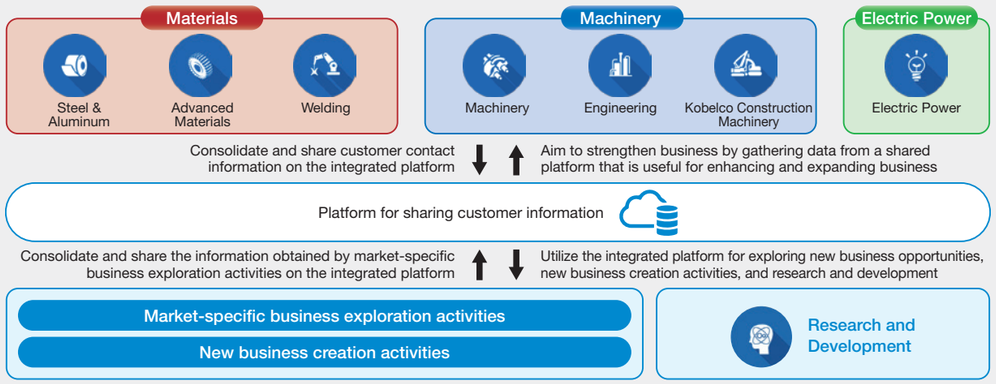
From the standpoint of a "hydrogen user," the Advanced Materials Business, together with the hydrogen producing team, jointly started a demonstration test to promote decarbonization in stages while considering economic efficiency, using a boiler and heating furnace (modified or newly built) on a scale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

Configuration of hydrogen utilization demonstration facilities in operation at Takasago Works



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

Customer Experience Transformation Project (CX^2)



Promoting Active Participation of Diverse Human Resources

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

Main Monitoring Indicators

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

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

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

Enhancing Organizational Diversity

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

Vision for the Future

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

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

Basic Policy

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

Stimulating Cross-Organization Communication

Lunchtime Sessions

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

President and CEO Katsukawa talked at a lunchtime session.

Kobelco Group D&I Forum

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

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

Wheelchair experience session

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

Diversity Network

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

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

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

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

Themes Addressed by DNW

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

Grand Prix

Kobelco Barrier-Free Map

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

Special Award

Invigorate the Organization by Improving Internal D&I Awareness

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

Promoting Women's Participation in the Workplace

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

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

Participants from each company actively shared their views.

Panelists from each company discussed careers on stage.

Promoting Active Participation of Diverse Human Resources

Support for Employees with Disabilities

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

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

Promoting Understanding for the LGBT Community

Rainbow Flag Distribution Event

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

Handing out rainbow flags at a rugby match

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

Encouraging the Growth and Initiative of Every Employee

Self-Directed, Self-Driven Human Resources Development

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

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

Self-Directed, Self-Driven Training

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udemy business™

Frequently Viewed Courses in Fiscal 2023

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

Onboarding Initiative for Mid-Career Hires

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

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

Training Programs for Executives of Overseas Group Companies

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

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

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

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

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

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

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

Career Self-Development System (Internal Recruitment System)

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

Voice of Employee who Has Used the System

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

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

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

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

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

Promoting Active Participation of Diverse Human Resources

Creating a Work Environment Where Employees Can Play Active Roles

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

Promoting Flexible Work Styles

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

Establishing a Healthy Work Environment

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

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

Rearranged layout of the Kobe Head Office

Addressing diversifying work values

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

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

Pursuing Governance That Supports Sustainable Growth

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

Main Monitoring Indicators

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

Risk Management

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

Basic Policy

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

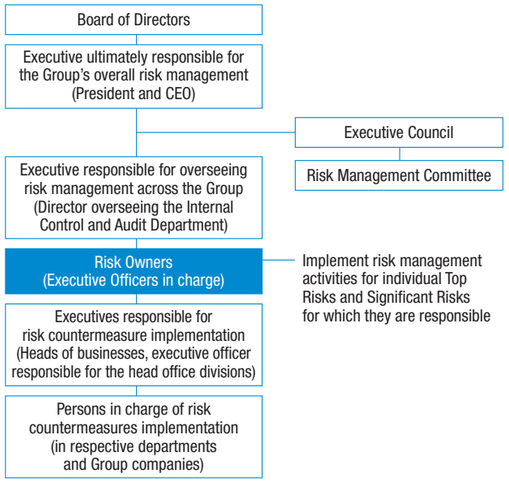
Classification and Definition of Risks

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

Management Structure

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

Management Structure

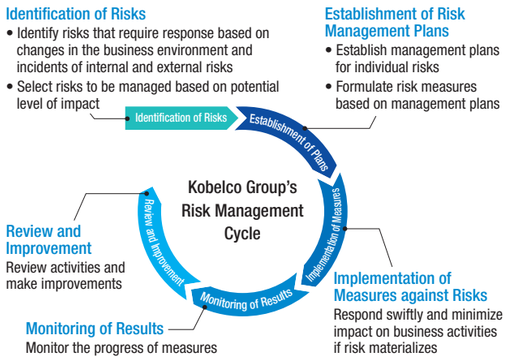


Pursuing Governance That Supports Sustainable Growth

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

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

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



Compliance

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

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

Compliance Code and Standards

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

Compliance Structure

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

(1) Compliance Committee

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

(2) Kobelco Group's Compliance Program

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

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

Kobelco Group's Compliance Program

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

Compliance Initiatives

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

Message from Independent Director (Compliance Committee Chair)

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

Kunio Miura
Independent Director

Human Rights

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

Human Rights Initiatives
(Promoting Human Rights Awareness)

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

Revision of Basic Policy on Human Rights

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

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

Human Rights Due Diligence

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

Kobelco Group Basic Policy on Human Rights (Contents)

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

Appendix (Human Rights Issues)

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

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

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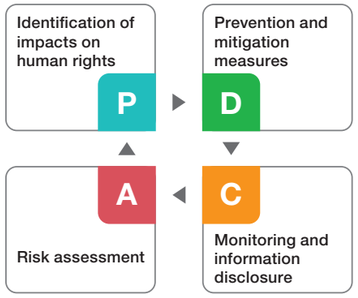
Human Rights Due Diligence



Human Rights Risk Assessment Results

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

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

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

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

Safety and Health

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

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

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

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

Safety Code of Conduct Based on the Core Values of KOBELCO

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

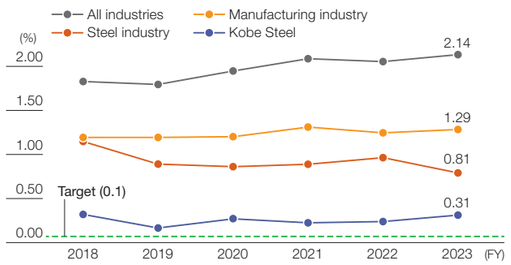
Key Objectives (Fiscal 2024)

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

Key Activities in Fiscal 2024

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

Lost Time Injury Frequency Rate



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

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

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

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

Safety and health audit at an overseas Group company

Work Support System Using Biometric Information Detection

(Enhanced measures to prevent heatstroke)

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

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

Worker monitoring system

Heatstroke prevention watch

Health and Productivity Management Initiatives

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

Mental Health Initiatives

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

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

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

Activities to Help Employees Maintain and Improve Their Health

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

Pursuing Governance That Supports Sustainable Growth

Quality

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

Basic Policy

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

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

Quality Charter

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

Companywide Policy on Quality Improvement

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

Implementation Structure

Quality Management Committee

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

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

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

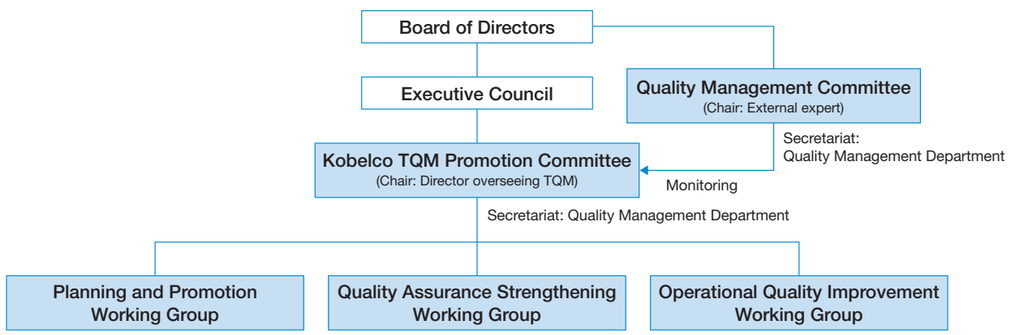
Kobelco TQM Promotion Committee

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

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

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

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



Building Responsible Supply Chains

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

Basic Policy

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

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

Basic CSR Procurement Policy

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

● Approach/Basic Procurement Policy

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

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

● Approach and Requests to Our Business Partners

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

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

● Steering System

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

● Action Agenda

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

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

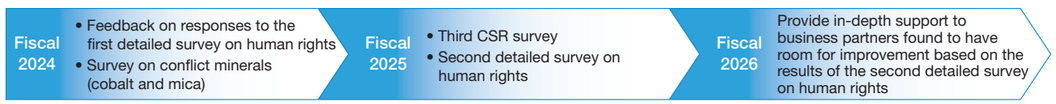
Initiatives for Fiscal 2023

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

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

Initiatives for Fiscal 2024 and Beyond

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



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

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

Yoshihiko Katsukawa
President, CEO and
Representative Director

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

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

About New Management Structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Groupwide, Global Risk Management

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

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

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

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

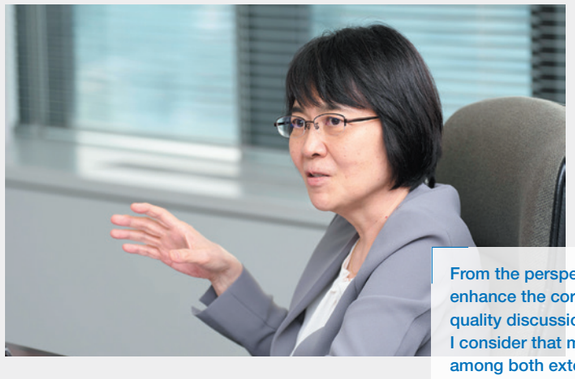
Aiming to Enhance Corporate Value through Kobelco-X, a Transformation Initiative with the Participation of All Group Members

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

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

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

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



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

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

Kazuhiko Kimoto
Director, Executive Officer

Shinji Miyaoka
Director, Executive Officer

Koichi Sakamoto
Director, Executive Officer

Yoshie Tsukamoto
Independent Director

Shinsuke Kitagawa
Independent Director

Hajime Nagara
Executive Vice President and Representative Director

Yoshihiko Katsukawa
President, CEO and Representative Director

Masaaki Kono
Independent Director, Audit & Supervisory Committee Member

Yumiko Ito
Independent Director

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

Nobuko Sekiguchi
Independent Director, Audit & Supervisory Committee Member

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

Kunio Miura
Independent Director, Audit & Supervisory Committee Member

Directors

Yoshihiko Katsukawa

President, CEO and Representative Director

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

Number of Company shares owned: 43,600

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

Hajime Nagara

Executive Vice President and Representative Director

Compliance Committee Member
Corporate Governance Committee Member

Number of Company shares owned: 42,400

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

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

Koichi Sakamoto

Director, Executive Officer

Quality Management Committee Member

Number of Company shares owned: 17,200

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

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

Shinji Miyaoka

Director, Executive Officer

Number of Company shares owned: 2,400

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

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

Kazuhiko Kimoto

Director, Executive Officer

Corporate Governance Committee Member

Number of Company shares owned: 27,700

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

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

Yumiko Ito

Independent Director

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

Number of Company shares owned: 8,400

Apr. 1984 Legislation Staff (Sanji), The Legislative Bureau of the House of Representatives of Japan
Apr. 1989 Admitted to the bar in Japan, Sakawa Law Office
Jul. 1991 Joined Tanabe & Partners
Apr. 2001 General Counsel, Legal & Patent Operation, GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)
May 2004 Staff Counsel, Legal & Intellectual Property, IBM Japan, Ltd.
Mar. 2007 Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)
Apr. 2013 Executive Officer and General Counsel, Sharp Corporation
Jun. 2013 Director, Executive Officer and General Counsel, Sharp Corporation
Apr. 2014 Director, Executive Managing Officer and General Counsel of Sharp Corporation
Jun. 2016 Executive Managing Officer and General Counsel of Sharp Corporation
Apr. 2019 Established Ito Law Office; appointed as Representative (incumbent)
Jun. 2019 Director of the Company (incumbent)
Outside Corporate Auditor of Santen Pharmaceutical Co., Ltd. (incumbent)
Mar. 2023 Outside Director of NIPPON EXPRESS HOLDINGS, INC. (incumbent)

Shinsuke Kitagawa

Independent Director

Corporate Governance Committee Member (Chair)

Number of Company shares owned: 2,500

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

Yoshie Tsukamoto

Independent Director

Corporate Governance Committee Member

Number of Company shares owned: 0

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

Director, Audit & Supervisory Committee Members

Gunyu Matsumoto

Director (Audit & Supervisory Committee Member, full time)

Number of Company shares owned: 1,300

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

Yuichiro Goto

Director (Audit & Supervisory Committee Member, full time)

Number of Company shares owned: 24,503

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

Masaaki Kono

Independent Director, Audit & Supervisory Committee Member

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

Number of Company shares owned: 5,800

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

Kunio Miura

Independent Director, Audit & Supervisory Committee Member

Compliance Committee Member (Chair)

Number of Company shares owned: 5,800

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

Nobuko Sekiguchi

Independent Director, Audit & Supervisory Committee Member

Number of Company shares owned: 1,800

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

Corporate Governance

Basic Stance on Corporate Governance

The Kobelco Group recognizes that corporate value encompasses not only business results and technological capabilities but also the stance on social responsibility to all stakeholders, including shareholders and investors, customers, business partners, members of local communities, and Group employees. We believe that working earnestly to improve all of these factors leads to the enhancement of corporate value.

Therefore, corporate governance is not merely a form of the organization, but it is a framework for realizing all the efforts the Group is undertaking. In the development of the framework, we place importance on the following: establishing a system that contributes to improving corporate value through appropriate risk-taking, collaborating with stakeholders, promoting appropriate dialogue with investors in the capital market, ensuring the rights of and fairness for shareholders, and ensuring transparency.

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

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

Initiatives to Strengthen Corporate Governance

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

Philosophy and Policies

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

Organizational Structure

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

Directors and Executive Officers

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

Effectiveness Evaluation

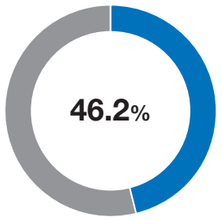
- 2016 Introduces evaluation system for the Board of Directors

Remuneration

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

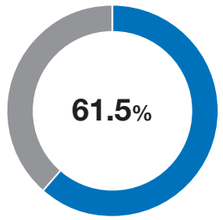
Corporate Governance Highlights

Percentage of independent directors:



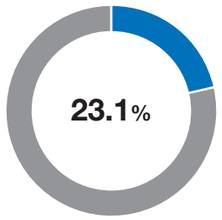
6 of 13, including directors who are Audit & Supervisory Committee members

Percentage of non-executive directors

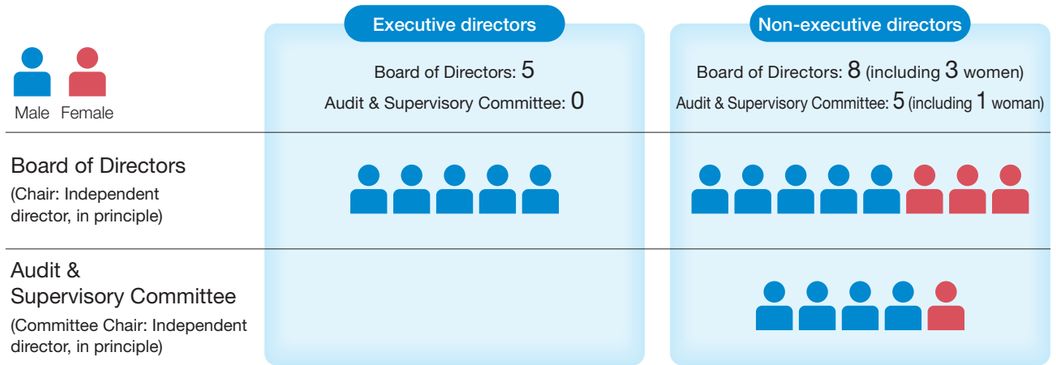


8 of 13, including directors who are Audit & Supervisory Committee members

Percentage of female directors



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



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

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

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

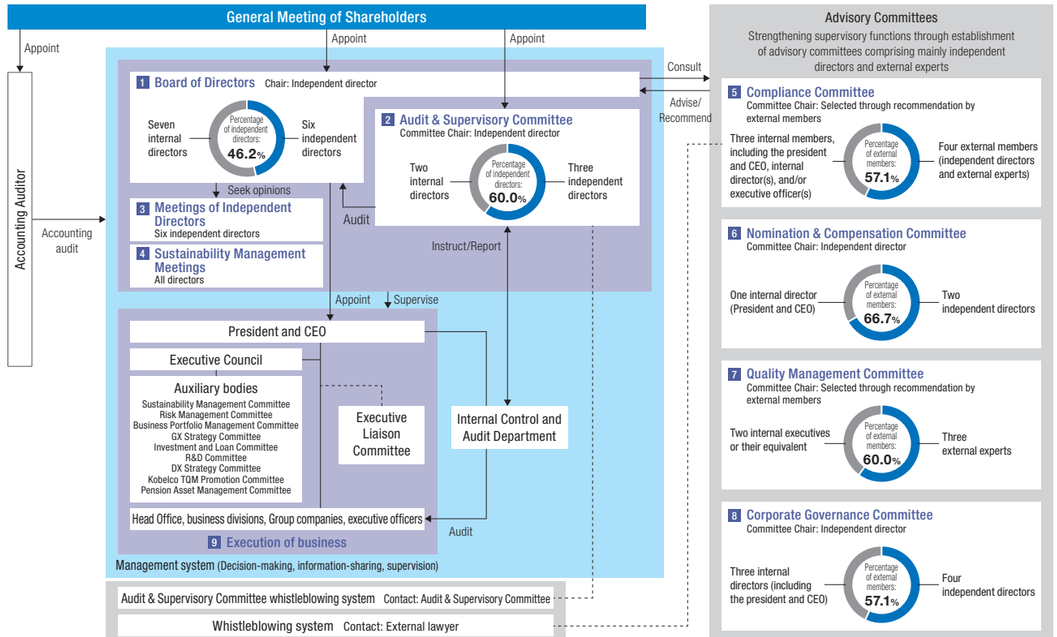
Furthermore, the Company believes it is necessary for the Board of Directors to hold active discussions and make appropriate decisions regarding the risk management and the distribution of management resources for a wide range of businesses, and at the same time, to flexibly supervise business execution.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

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

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

Corporate Governance

Our Corporate Governance System



1 Board of Directors

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

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

2 Audit & Supervisory Committee

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

Internal directors who are full-time Audit & Supervisory Committee members are mainly responsible for acting as liaisons between the management team and the Audit & Supervisory Committee and for coordinating with the internal audit departments. Independent directors who are Audit & Supervisory Committee members are responsible for providing expert knowledge with respect to auditing and for maintaining fairness. To ensure these roles are fulfilled, the Company appoints independent Audit & Supervisory Committee members from diverse fields, including legal, financial, and industrial circles. In addition, at least one of the Audit & Supervisory Committee members shall have a considerable degree of knowledge on finance and accounting in order to improve the effectiveness of audits.

3 Meetings of Independent Directors

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

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

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

4 Sustainability Management Meetings

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

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

5 Compliance Committee

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

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

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

6 Nomination & Compensation Committee

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

7 Quality Management Committee

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

8 Corporate Governance Committee

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

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

9 Execution of business

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

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

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

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

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

Corporate Governance

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

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

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

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

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

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

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

Corporate Governance

Initiatives to Ensure the Effectiveness of the Board of Directors

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

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

Evaluation Results for Fiscal 2023

Overview of the Effectiveness Evaluation of the Board of Directors

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

Summary of Analysis and Evaluation Results

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

Future Initiatives for Improving Effectiveness

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

Training and Succession Plan for Directors and Executive Officers

Training for Directors and Executive Officers

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

Views on the Development of Successors to the CEO

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

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

Remuneration for Directors and Executive Officers

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

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

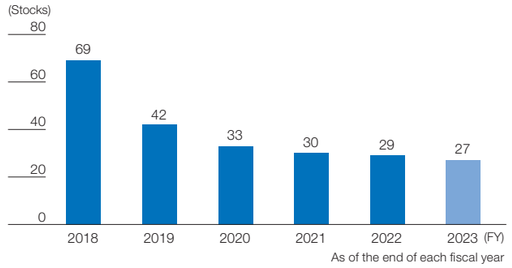
For more details, please see Corporate Governance on pp. 82–84 of ESG Data Book 2024.

Strategic Holdings of Shares

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

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

Changes in the Company's Strategic Holdings of Shares



Approach to Listed Group Companies

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

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

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

Yoshie Tsukamoto
Independent Director

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

Achieving carbon neutrality is a global issue.

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

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

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

Communication with Stakeholders

The Kobelco Group is committed to proactive communication with its stakeholders. We are earnestly listening to our stakeholders through dialogues with shareholders and other investors and through surveys of our customers and business partners. Recognizing that improving management transparency is a top priority, we are promoting timely, appropriate, and extensive information disclosure. We also carry out various activities that contribute to local communities.

Our efforts range from contribution to society through sports to initiatives undertaken by respective business locations, which include environmental activities, regional development, and community interaction, with a focus on supporting the young people of the next generation.

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

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

Participation in Sustainability Initiatives and External Evaluations

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

TCFD

SDGs

White Logistics Movement

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

United Nations Global Compact

Kobe Steel, Ltd. signed the United Nations Global Compact (UNGC) and was registered as a participant company in March 2021.
The companies and organizations that sign the UNGC are committed to the ten principles for the protection of human rights, elimination of unfair labor, conservation of the environment and prevention of corruption.

Male Leaders Coalition for Empowerment of Women

Declaration of Partnership Building

GX League

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

FTSE4Good Index Series

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

MSCI Japan ESG Select Leaders

2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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

MSCI Japan Empowering Women (WIN) Select Index

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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CDP

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

Platinum Kurumin

PRIDE Index

Gold Award for three years running

2024 Health and Productivity Management Organization (White 500)

Fifth selection

2023 Award for Excellence in Corporate Disclosure

Ranked first in the steel and non-ferrous metal category

10-Year Financial and Non-Financial Data

Fiscal year		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
For the fiscal year (Millions of yen)	Net sales	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	2,543,142
	Operating profit	119,460	68,445	9,749	88,913	48,282	9,863	30,398	87,622	86,365	186,628
	Ordinary profit (loss)	101,688	28,927	(19,103)	71,149	34,629	(8,079)	16,188	93,233	106,837	160,923
	Profit (loss) attributable to owners of parent	86,549	(21,556)	(23,045)	63,188	35,940	(68,008)	23,234	60,083	72,566	109,552
	Cash flows from operating activities	153,078	97,933	141,716	190,832	67,136	27,040	194,798	168,809	119,692	205,284
	Cash flows from investing activities	(73,674)	(104,618)	(137,833)	(161,598)	(28,603)	(218,986)	(141,853)	(161,510)	(97,267)	(53,724)
	Cash flows from financing activities	(156,027)	93,883	16,545	(66,598)	(9,561)	140,589	118,444	(69,143)	(85,564)	(81,213)
	Capital expenditures	103,522	109,941	160,297	128,653	133,471	239,816	185,091	108,139	97,302	105,214
	Depreciation	89,881	94,812	96,281	102,032	102,589	105,346	100,856	105,147	112,505	119,084
	Research and development expenses	29,920	29,843	30,102	32,014	34,495	35,890	31,008	33,244	36,702	40,416
At fiscal year-end (Millions of yen)	Total assets	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	2,919,774
	Net assets	851,785	745,492	729,404	790,984	803,312	716,369	769,375	872,346	977,653	1,127,346
	Interest-bearing debt	650,991	776,073	789,632	726,013	724,221	784,478	785,761	655,154	590,526	580,530
	Interest-bearing debt including IPP project financing	709,857	820,535	825,452	763,174	785,665	930,527	1,057,168	973,843	917,263	873,504
Per share data[1] (Yen)	Net profit (loss)	238.1	(59.3)	(63.5)	174.4	99.2	(187.5)	64.0	160.2	183.8	277.3
	Net assets	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	2,675.13
	Cash dividends	40.00	20.00	—	30.00	20.00	0.00	10.00	40.00	40.00	90.00
Financial indicators	Return on assets (ROA) (%)	4.4	1.3	(0.8)	3.1	1.5	(0.3)	0.6	3.5	3.8	5.6
	Return on equity (ROE) (%)	12.0	(2.9)	(3.4)	8.9	4.8	(9.7)	3.4	7.9	8.4	11.1
	Return on invested capital (ROIC) (%)			0.8	4.5	2.8	0.9	1.1	4.7	4.9	6.7
	Net asset ratio (%)	37.0	33.0	31.6	33.6	33.7	29.7	29.8	32.0	34.0	38.6
	Equity ratio (%)	33.8	30.6	29.2	31.6	31.0	27.2	27.5	29.9	31.8	36.2
	Debt/equity (D/E) ratio (times) (excluding project financing)	0.88	1.10	1.17	0.98	0.98	1.19	1.11	0.80	0.65	0.55
	Gross debt/equity (D/E) ratio (times)	0.91	1.19	1.22	1.03	1.06	1.42	1.49	1.19	1.00	0.83
	Dividend payout ratio (%)	16.8	—	—	17.2	20.2	—	15.6	25.0	21.8	32.4
Number of shares issued (in thousands)		3,643,642	3,643,642	364,364	364,364	364,364	364,364	364,364	396,346	396,346	396,346
Non-financial data											
Environment	Reduction of CO_2 emissions in production processes (compared to fiscal 2013) (%) (Note)							21	16	20	20
	Contribution to reduction of CO_2 emissions through technologies, products, and services (in million tons) (Note)					3,674	4,214	4,077	4,491	5,891[2]	6,118[2]
	Water recycling rate (%) (Note)					96.0	95.9	95.9	95.7	96.2	96.3
	By-product recycling rate (%) (Note)					99.3	98.5	98.9	99.3	99.2	99.1
Social	Number of employees										
	Consolidated	36,420	36,338	36,951	37,436	39,341	40,831	40,517	38,106	38,488	38,050
	Non-consolidated	10,609	10,833	11,034	11,191	11,401	11,560	11,837	11,296	11,368	11,534
	Male	9,881	10,090	10,241	10,304	10,422	10,528	10,750	10,231	10,284	10,428
	Female	728	743	793	887	979	1,032	1,087	1,065	1,084	1,106
	Non-Japanese (Note)	40	57	60	70	69	85	87	76	74	87
	Percentage of female managers (non-consolidated)[3] (%) (Note)	1.2 (26)	1.4 (29)	1.5 (32)	1.6 (34)	1.9 (42)	2.3 (52)	2.3 (54)	2.6 (61)	2.8 (65)	3.1 (74)
	Employment rate of people with disabilities (non-consolidated)[4] (%) (Note)	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)	2.62 (2.3)
	Number of new graduates hires (non-consolidated)										
	Male	294	362	344	421	350	315	349	254	224	234
	Female	14	26	50	64	50	52	38	39	25	37
	Number of employees taking childcare leave (non-consolidated)[5]										
	Male	1	5	7	8	13	35	48	82	142	183
	Female	48	38	54	40	40	58	63	49	31	73
	Percentage of employees returning from childcare leave (non-consolidated) (%)	100.0	94.7	96.0	96.7	98.2	100.0	99.1	99.0	99.4	99.6
	Turnover of employees with less than 3 years of service (non-consolidated)[6] (%) (Note)	5.2	12.1	12.8	10.7	15.3	16.6	11.9	17.7	10.4	4.1
	Turnover of employees with less than 10 years of service (non-consolidated)[7] (%) (Note)	13.2	14.5	13.1	13.4	18.9	19.1	15.8	19.5	20.0	21.1
	Overtime (non-consolidated) (hours per month/employee) (Note)	22.9	22.7	16.5	18.4	18.4	17.7	16.6	17.2	16.5	16.1
	Number of annual paid leave days taken (non-consolidated) (days per year/person) (Note)	9.1	11.8	14.9	15.5	16.3	17.0	11.0	13.9	17.0	18.0
	Total hours worked (non-consolidated) (Note)						2,080.0	1,978.0	2,057.0	2,050.1	2,050.4
	Employee training[8]										
	Total hours of training (across all employees) (Note)							364,545	349,585	408,216	380,056
	Average hours of training per employee (Note)							30.8	30.9	35.9	33.0
	Safety and health										
	Lost time injury frequency rate[9] (Note)	0.36	0.32	0.26	0.31	0.26	0.19	0.28	0.22	0.24	0.31
Governance	Compliance										
	Number of whistleblowing cases (Note)						119	112	113	111	117

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 2014.
2 The latest coefficients have been used in the calculation of contributions to reduction of CO_2 emissions through technologies, products, and services.
3 The number of female managers from fiscal 2014–2022 has been revised to include seconded employees and those on leave as a result of a change in the calculation method. 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 during these fiscal years through the regular hiring process. The figures for fiscal 2021 and fiscal 2022 shows the percentage of those who left the Company as of the end of fiscal 2023.
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 during these fiscal years through the regular hiring process. The figures for fiscal 2014 or later show the percentage of those who left the Company as of the end of fiscal 2023.
8 The time required for an e-learning lesson is estimated at 15 minutes per person.

Results by Operating Segment (Fiscal 2019–2023)

Steel & Aluminum

(Billions of yen)

Fiscal year	2019	2020	2021	2022	2023
Net sales	780.2	696.3	914.9	1,105.1	1,082.7
Ordinary profit (loss)	(16.5)	(22.6)	37.5	41.9	16.1
Total assets	1,022.4	1,000.3	1,089.0	1,185.4	1,126.5
Depreciation	56.0	57.2	57.4	57.6	58.4
Research and development expenses	7.5	6.4	6.2	6.3	6.2
Capital expenditures	62.4	69.2	27.1	33.4	52.9
Number of employees (consolidated)	—	12,424	11,828	12,268	12,145
Crude steel production, incl. Takasago Works (Mt)	6.50	5.81	6.59	6.19	5.97
Sales volume of steel products (Mt)	5.30	4.73	5.27	4.98	4.69
Average steel selling price (yen per ton)	86,900	82,300	105,600	140,100	142,700
Sales volume of aluminum rolled products (Kt)	299	305	343	337	314

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.

Advanced Materials

(Billions of yen)

Fiscal year	2019	2020	2021	2022	2023
Net sales	297.1	238.1	333.2	277.7	298.1
Ordinary profit (loss)	(25.2)	(12.1)	5.1	0.9	3.2
Total assets	277.1	256.0	244.4	270.4	241.5
Depreciation	15.7	10.2	11.3	10.5	10.7
Research and development expenses	3.5	2.6	2.5	1.6	2.3
Capital expenditures	27.0	14.2	8.2	8.0	13.1
Number of employees (consolidated)	—	6,080	4,469	4,489	4,595
Sales volume of aluminum extrusions (Kt)	34	31	36	34	37
Sales volume of copper rolled products (Kt)	53	48	60	54	52

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.

Welding

(Billions of yen)

Fiscal year	2019	2020	2021	2022	2023
Net sales	83.7	70.0	76.9	88.4	93.5
Ordinary profit	2.9	1.7	2.7	2.8	4.9
Total assets	79.6	77.6	79.4	86.4	90.2
Depreciation	2.4	2.4	2.5	2.3	2.3
Research and development expenses	4.0	2.9	3.1	3.8	3.4
Capital expenditures	2.6	2.1	1.3	1.6	1.8
Number of employees (consolidated)	2,587	2,514	2,445	2,384	2,390
Sales volume of welding materials (Kt)	288	242	258	248	242

Machinery

(Billions of yen)

Fiscal year	2019	2020	2021	2022	2023
Net sales	165.9	175.3	166.8	203.4	234.5
Ordinary profit	9.6	11.4	12.5	15.7	29.6
Total assets	184.7	181.3	190.9	225.9	245.1
Depreciation	5.6	5.2	5.2	5.9	6.3
Research and development expenses	3.5	3.8	3.6	6.0	6.2
Capital expenditures	4.8	4.1	4.0	6.8	10.2
Number of employees (consolidated)	4,278	4,661	4,716	5,996	6,113
Orders	151.6	133.1	206.6	265.9	273.7

Notes: 1. Orders in fiscal 2019 are calculated including Kobe Steel and its major consolidated subsidiaries. Orders for fiscal 2020 or later are calculated including Kobe Steel and all of its consolidated subsidiaries.
2. Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. Accordingly, the figures for fiscal 2022 or later have been adjusted in accordance with the new segments.

Engineering

(Billions of yen)

Fiscal year	2019	2020	2021	2022	2023
Net sales	141.5	136.1	135.6	145.2	170.6
Ordinary profit	5.7	4.4	7.7	4.1	12.4
Total assets	139.0	123.8	132.5	144.9	158.5
Depreciation	1.8	1.6	1.6	1.5	1.8
Research and development expenses	2.4	2.1	2.3	3.5	4.6
Capital expenditures	1.8	1.6	1.4	2.8	3.4
Number of employees (consolidated)	3,584	3,524	3,553	3,772	3,920
Orders	134.5	113.4	208.5	157.5	214.3

Construction Machinery

(Billions of yen)

Fiscal year	2019	2020	2021	2022	2023
Net sales	360.8	333.1	371.6	381.7	404.0
Ordinary profit	7.5	12.7	12.0	12.3	9.1
Total assets	341.0	334.6	361.9	408.5	417.7
Depreciation	12.9	12.8	13.8	12.5	12.2
Research and development expenses	6.9	6.4	8.4	9.1	10.4
Capital expenditures	13.5	10.4	9.8	13.8	17.9
Number of employees (consolidated)	7,765	7,917	7,829	7,550	6,849
Unit sales of hydraulic excavators (units)	26.6	26.6	28.1	24.6	24.1
Unit sales of crawler cranes (units)	399	320	321	289	315

Electric Power

(Billions of yen)

Fiscal year	2019	2020	2021	2022	2023
Net sales	75.6	80.4	109.8	324.3	315.9
Ordinary profit	8.9	20.6	13.2	24.5	85.7
Total assets	251.6	321.3	397.8	470.2	450.0
Depreciation	7.6	8.4	10.3	19.5	24.7
Research and development expenses	0.1	0.1	0.1	0.2	0.1
Capital expenditures	123.5	81.1	52.9	27.8	2.1
Number of employees (consolidated)	255	263	272	287	303

Other Businesses

(Billions of yen)

Fiscal year	2019	2020	2021	2022	2023
Net sales	33.6	27.8	28.8	10.9	10.8
Ordinary profit	3.3	4.2	7.0	4.8	4.8
Total assets	54.8	56.1	59.8	45.5	49.7
Depreciation	1.2	0.5	0.5	0.2	0.2
Research and development expenses	0.7	0.6	0.7	0.1	0.1
Capital expenditures	1.4	0.8	0.5	0.3	0.3
Number of employees (consolidated)	1,651	1,637	1,542	317	304

Note: Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. Accordingly, the figures for fiscal 2022 or later have been adjusted in accordance with the new segments.

Corporate Profile and Stock Information (As of March 31, 2024)

Corporate Profile

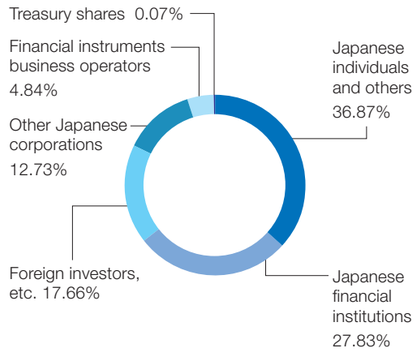
Company name:	Kobe Steel, Ltd. (Japanese Name: Kabushiki Gaisha Kobe Seikosho)
Group brand:	KOBELCO
Founded:	September 1, 1905
Incorporated:	June 28, 1911
Capital:	¥250.9 billion
Total assets:	¥2,919.7 billion
Employees:	38,050 (consolidated) 11,534 (non-consolidated)

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:	243,379
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

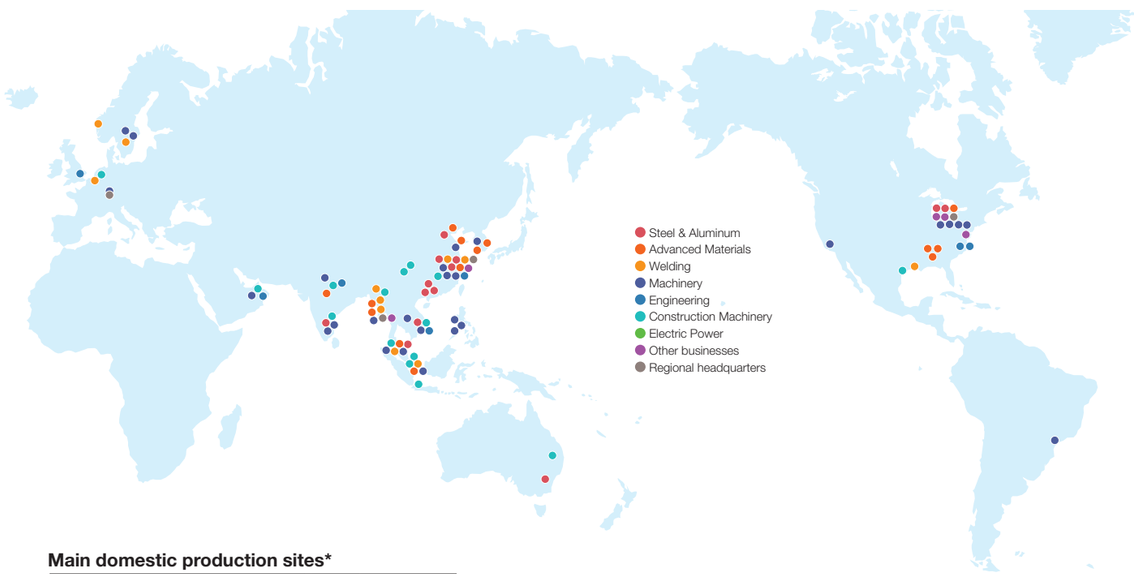


Major Shareholders

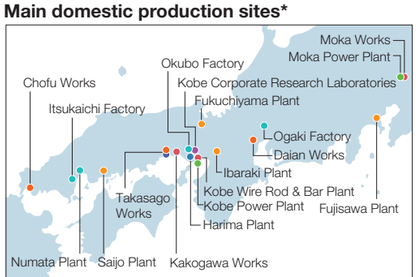
Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	61,384	15.50
Custody Bank of Japan, Ltd. (Trust Account)	15,291	3.86
Nippon Steel Corporation	10,735	2.71
JPMorgan Securities Japan Co., Ltd.	5,308	1.34
Nippon Life Insurance Company	5,059	1.28
The Nomura Trust and Banking Co., Ltd. (Trust Account)	4,834	1.22
STATE STREET BANK WEST CLIENT—TREATY 505234	4,648	1.17
SHIMABUN Corporation	4,420	1.12
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SETT ACCT	4,392	1.11
Kobe Steel Employee Stock Ownership Plan	4,322	1.09

Note: Shareholding ratio is calculated excluding treasury shares (274,087 shares).

Global Locations (As of March 2024)



Main domestic production sites*



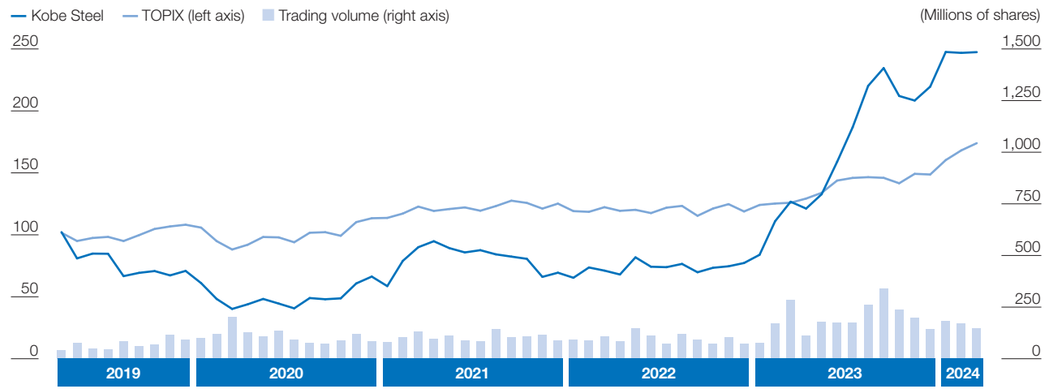
Note: Includes the production sites of Kobelco Eco-Solutions Co., Ltd., and Kobelco Construction Machinery Co., Ltd.

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 2019 equal to 100.

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 affect these uncertainties and changes. This includes but is not limited to:

- Changes in economic conditions, demand, and prices in major markets
- Political situations and trade and other regulations in major markets
- 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

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

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

KOBELCO

Non-VOC INK

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