ESG Data Book 2026

KOBELCO



Editorial Policy

The Kobelco Group has published Kobelco Group ESG Data Book 2026 to share our basic policy regarding the environment, society, and governance (ESG) and foster understanding of our initiatives and related data. This data book was designed to improve searchability and convenience, and contains all necessary information, based upon the GRI Standards, a set of international reporting guidelines, and the evaluation items of major ESG rating agencies.

Kobelco Group Integrated Report 2026 contains information on our medium- to long-term growth strategy (value creation story) and specific initiatives we employ to achieve this strategy. Please use our integrated report for a point of reference alongside this data book.

Period covered	Covers fiscal 2025 (from April 1, 2025 to March 31, 2026). Please note that this data book may refer to fiscal years before and after the period when necessary.
Scope of reporting	In principle, this data book covers the activities of Kobe Steel, Ltd. and its Group companies in Japan and overseas.
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)

Kobelco Group's Information Scheme

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

(A blue dot (●) means relevant information provided)

Information Tools	Type of Information Provided	
	Financial information	Non-financial information
Integrated Report https://www.kobelco.co.jp/english/ir/integrated-reports/	●	●
ESG Data Book https://www.kobelco.co.jp/english/sustainability/esg.html		●
Annual Securities Report (in Japanese only) https://www.kobelco.co.jp/ir/securities-report/	●	●
Financial Results https://www.kobelco.co.jp/english/ir/results/	●	
Business Reports, Consolidated Financial Statements, and Non-Consolidated Financial Statements https://www.kobelco.co.jp/english/ir/meeting/	●	●
Corporate Governance Report https://www.kobelco.co.jp/english/sustainability/governance.html		●
Kobe Steel corporate website https://www.kobelco.co.jp/english/	●	●

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Group Corporate Philosophy

Group Corporate Philosophy Created by Group Employees Working Together

The Kobelco Group Corporate Philosophy was established in 2020. Following the quality-related 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 importance on taking a bottom-up approach. Through Dialogue Platforms and other forms of discussions at each workplace, we created opportunities for not only management and selected members but also for all members of the Group to give considerable thought about our mission. Integrating the thoughts of all, the Group Corporate Philosophy was completed over a period of about one year.

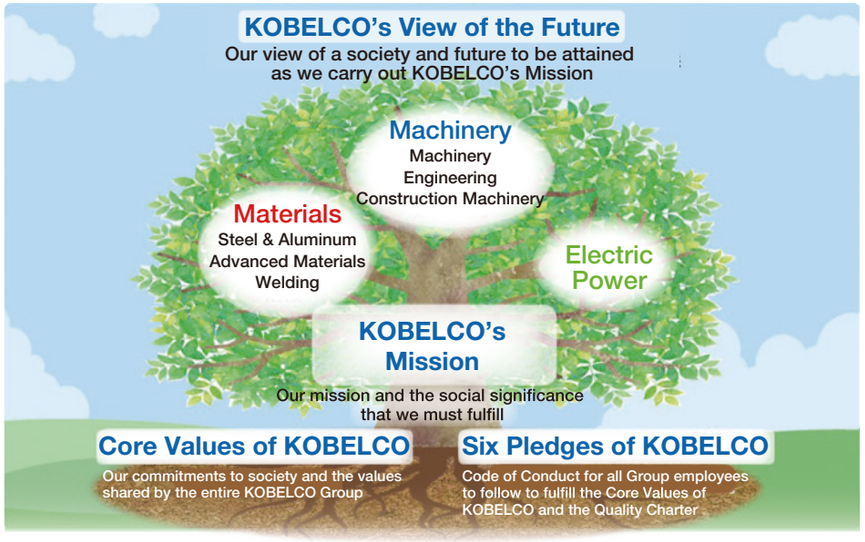
The Group Corporate Philosophy comprises four elements: KOBELCO's View of the Future and KOBELCO's Mission, along with the Core Values of KOBELCO and the Six Pledges of KOBELCO, which present our values to be shared and code of conduct.

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

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

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

KOBELCO's View of the Future	Our view of a society and future to be attained as we carry out KOBELCO's Mission We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.
KOBELCO's Mission	Our mission and the social significance of the KOBELCO Group that we must fulfill Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.
Core Values of KOBELCO	The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group 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



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Framework for Sustainability Management

Promotion of Sustainability Management Based on the Group Corporate Philosophy

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

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

Group Corporate Philosophy

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

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

Core Values of KOBELCO

Six Pledges of KOBELCO

KOBELCO's View of the Future

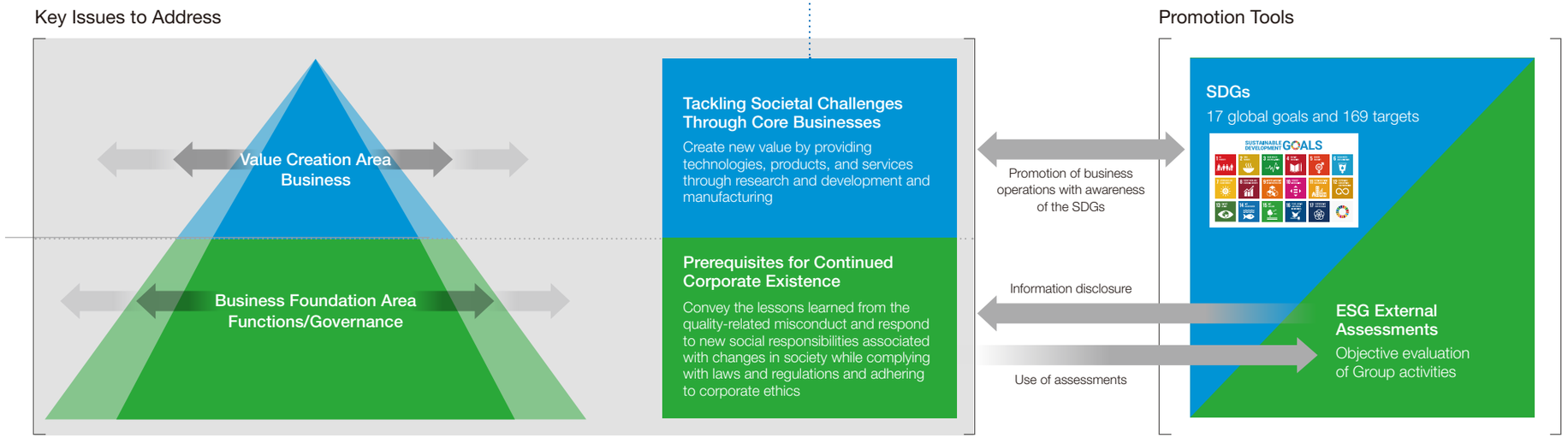
We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

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

KOBELCO's Mission

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

KOBELCO's assets and strengths lie in the various talents of each employee as well as in its diverse technologies that support our broad range of businesses. We have cultivated these advantages in an effort to meet the needs of the times.
We continue to take on the challenge of transcending organizational boundaries and conventional thinking to solve increasingly complex issues, while supporting the foundations of society.



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Message from the Chair of the Sustainability Management Committee



Promotion of Sustainability Management in the Kobelco Group

As the importance of corporate sustainability activities continues to rise, it has become increasingly vital for organizations to align these efforts with their management strategies. Addressing societal concerns through business operations has become a key pathway for companies seeking sustainable growth. In a world facing a range of challenges, enhancing corporate sustainability not only benefits individual companies but also contributes to the sustainability of society as a whole.

Our Group's approach is grounded in a clearly defined sustainability management framework. Under this framework, we are working to further enhance corporate value by fulfilling our corporate social responsibilities and providing solutions to the needs of society through the provision of enhanced technologies, products, and services.

In promoting sustainability management within our Group, the Sustainability Management Committee—an auxiliary body of the Executive Council—plays a central role by operating a management cycle for key issues. To address these issues, the committee has set up subcommittees dedicated to specific areas of importance, ensuring the effective implementation of activities.

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

Materiality of the Kobelco Group (Key Issues)

In 2021, based on the Group Corporate Philosophy, we identified five items of materiality (key issues) that our Group should address to achieve sustainable growth and become a corporate group that is indispensable to society by providing solutions to the needs of society and promoting value creation over the medium to long term. Through this, we have reaffirmed the Group's view of the future and mission. Additionally, we have set specific indicators and targets for each materiality item, and the Sustainability Management Committee monitors the progress. We regularly assess these indicators and targets in light of changes in the environment surrounding our business activities. In fiscal 2024, we reviewed them as part of developing the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026).

Growing Demand for Disclosure of Non-Financial Information

Following the establishment of non-financial information disclosure standards by the ISSB (International Sustainability Standards Board), Japan has also begun its own standardization process through the Sustainability Standards Board of Japan (SSBJ). In response to these growing regulatory disclosure requirements, our Group is proactively working to disclose non-financial information.

To help our stakeholders better understand our Group's ESG initiatives, we have created an ESG data book. We hope that this data book will enhance stakeholders' understanding of our Group.

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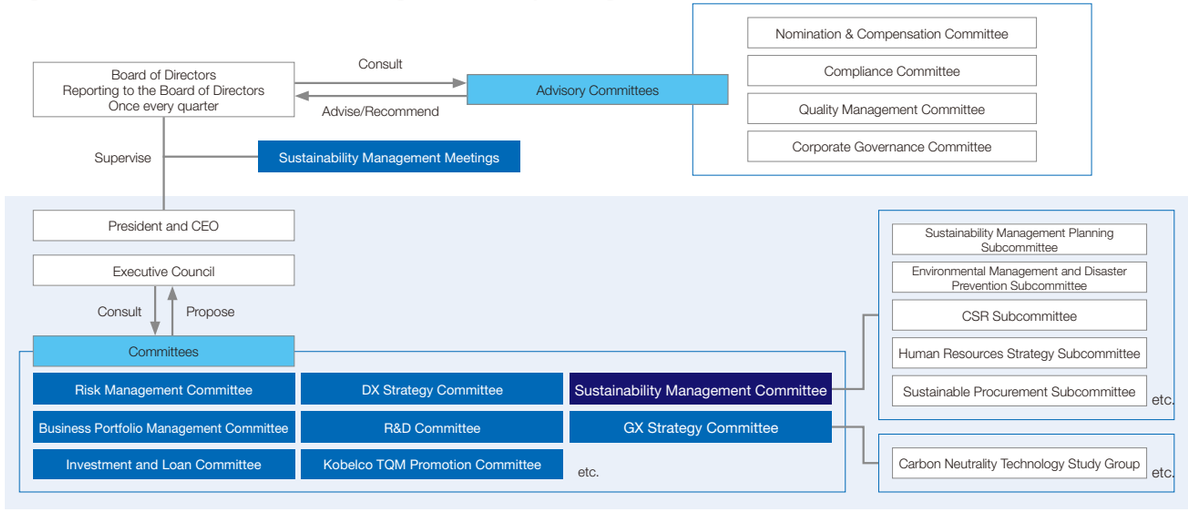
Framework for Promoting Sustainability Management

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

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

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

Organization and Structure for Promoting Sustainability Management



Materiality-Oriented Sustainability Management Initiatives

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

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

Sustainability Management Committee

Chair (responsible officer): Hajime Nagara, Executive Vice President and Representative Director

Reporting to the Board of Directors: Once every quarter

Meetings: Once every quarter

Functions:

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

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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 within a medium- to long-term timeline. 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 are managing their progress.

Process of Identifying Materiality

Step 1

Make a comprehensive list of significant societal challenges[1]

Step 2

(1) Prioritized issues from the perspective of management intentions and compatibility with business operations [Value creation area]

(2) Prioritized issues based on their impact on business sustainability [Business foundation area]

Step 3

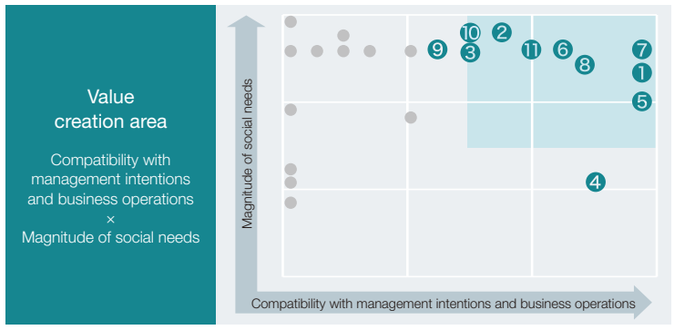
Identified five items of materiality after integrating common issues and consolidating similar issues

1 Frameworks, guidelines, etc., used as references

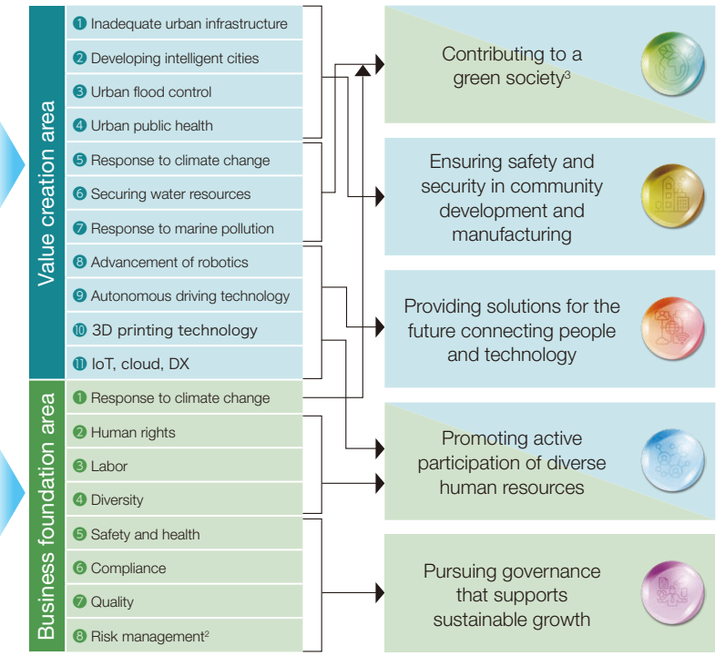
- Ten Principles of the UN Global Compact
- Sustainable Development Goals (SDGs)
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- GRI Standards
- SASB Standards
- ISO 26000

Specific Outcomes of Discussions in Step 2 to Step 3

Societal challenges identified based on their importance to the Group, the magnitude of social needs, and their importance to stakeholders



Identified Materiality



2 Including top risks relating to environmental laws and regulations, disaster prevention

3 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.

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Materiality-Related Non-Financial KPIs

Kobelco Group's Materiality		Indicators and Targets		Actual (FY2023)	Actual (FY2024)	Actual (FY2025)
		Indicator	Targets			
Contributing to a green society	Response to climate change	(1) Reduction of CO_2 emissions in production processes	2030: 30% reduction (compared to FY2013) 2050: Taking on the challenge of realizing carbon neutrality	20% reduction	20% reduction[2]	23% reduction
		(2) Contribution to reduction of CO_2 emissions and net sales of related products	Contribution to CO_2 reduction: 78.0 million tons in 2030 and 100 million tons or more in 2050 Net sales of related products: 550 billion yen in FY2030	61.18 million tons 402.1 billion yen	62.35 million tons 394.5 billion yen	67.42 million tons 389.2 billion yen
		(3) Reduction of CO_2 emissions in the electric power business	2030: Increasing efficiency of coal-fired power plants to the USC level or higher 2050: Taking on the challenge of realizing carbon neutrality	—	—	—
	Response to resource recycling	(4) Water recycling rate	Water recycling rate: 95% or higher	95.9%	96.0%	96.2%
		(5) Discharges of pollutants (COD, total phosphorus) in restricted areas	Discharges of pollutants (COD, total phosphorus) • COD: 474 tons/year or less • Total phosphorus: 23 tons/year or less	COD: 227 tons Total phosphorus: 7 tons	COD: 220 tons Total phosphorus: 7 tons	COD: 220 tons Total phosphorus: 5 tons
		(6) Disclosure based on the TNFD recommendations	—	—	Scoping and disclosure of L (Locate) and E (Evaluate) of the LEAP approach	Scoping and disclosure of all four phases of the LEAP approach
Ensuring safety and security in community development and manufacturing	Supplying energy focused on S+3E[1]	(7) Continuous stable supply of electricity	Continuous stable supply of electricity	Ongoing	Ongoing	Ongoing[3]
	Providing materials and machinery that meet needs	(8) Percentage of eco-friendly products in steel products	FY2024: 22% FY2026: 22% → FY2030: 25%	19%	23%	24%
		(9) Percentage of low-CO_2 raw materials in aluminum rolled products	FY2024: 86% FY2026: 90% → FY2030: 100%	76%	85%	84%
		(10) Advanced materials: Percentage of environmental products in net sales	FY2024: 29%, FY2025: 29%, FY2026: 32%	30%	31%	32%
		(11) Percentage of orders for environment-related machinery products (decarbonization, LNG, etc.)	FY2024: 23% FY2030: 25%	31%	16%	27%
		(12) Total domestic unit sales of ICT construction machinery	FY2024: 400 units or more FY2026: 1,000 units or more	400 units or more	400 units or more	500 units or more
		(13) Percentage of welding solution products in sales	FY2024: 23% FY2026: 25%	22%	24%	23%
Providing solutions for the future connecting people and technology	Manufacturing and operational transformation through digitalization (DX)	(14) Employee awareness survey results on DX	FY2024: Begin survey/set targets FY2026: 72%	— (Before activities)	68%[4]	76%[4]
	Integration and innovation of diverse intellectual assets	(15) Number of ideas for new businesses	Every year: 10 cases/year	— (Before activities)	7 cases	8 cases

1 S+3E = Safety + Energy Security, Economic Efficiency, and Environment
2 We revised the calculation method for energy activity data at certain sites to improve calculation accuracy, starting in fiscal 2025. This change has been applied retroactively to previous years.
3 Despite the extended inspection of the Kobe Power Plant unit No.3, there was no impact on the stable supply of electricity.
4 The materiality indicator shows the percentage of employees who responded that they are ready to promote DX.

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Materiality-Related Non-Financial KPIs

Kobelco Group's Materiality		Indicators and Targets		Actual (FY2023)	Actual (FY2024)	Actual (FY2025)
		Indicator	Targets			
Promoting active participation of diverse human resources	Enhancing organizational diversity	(16) Percentage of women in new graduate hires for career-track positions	Every year: Career-track administrative positions: 50% or more Career-track technical positions: 15% or more	Administrative: 44% Technical: 13%	Administrative: 42% Technical: 8%	Administrative: 46% Technical: 14%
		(17) Percentage of women in new graduate hires for general technical positions and their turnover	Every year: Percentage of women in new graduate hires: 10% or more; Turnover rate within five years: 15% or less	Percentage of women in new hires: 9% Turnover rate: 25.8%[5]	Percentage of women in new hires: 6% Turnover rate: 19.2%[5]	Percentage of women in new hires: 9% Turnover rate: 17.6%
		(18) Number of female managers[6]	FY2026: 100 female managers	74 people	86 people	93 people
	Creating a work environment where employees can play active roles	(19) Percentage of male employees taking paternity leave or special leave for childcare	Every year: 100% or higher	167.8%	157.4%	155.0%
		(20) Number of annual paid leave days taken	15 days (per year/employee)	18.0 days	16.8 days	17.3 days
	Encouraging the growth and initiative of every employee	(21) Instilling the Group Corporate Philosophy	Every year: 80% or higher positive response rate for related questions in the employee awareness survey	77–79%	79–80%	82%
		(22) Improving and expanding employee training	FY2026: 40 hours or more average hours of training per employee	33.0 hours	44.2 hours	50.4 hours
Pursuing governance that supports sustainable growth	Compliance and risk management	(23) Whistleblowing system usability	Positive response rate for related questions in the employee awareness survey FY2026: 85% or higher	76.1%	77.7%	86.7%
	Human rights	(24) Companies implementing human rights due diligence	Supply chain (SC): Approx. 330 companies[7] Group companies: Domestic: 83 companies, Overseas: 41 companies[7]	SC: Completed Domestic: 3 companies Overseas: 18 companies	SC: Completed Domestic: 34 companies Overseas: 29 companies	SC: Completed Domestic: 64 companies Overseas: 46 companies
	Safety and health	(25) Lost time injury frequency rate	Every year: 0.10 or less	0.31	0.27	0.21
	Quality assurance	(26) Percentage of business sites certified under the Quality Guidelines	FY2025: 100%	67%	84%	100%
	TQM	(27) Kobelco TQM practical management program completion rate	FY2025: 100% of line managers FY2027: 100% of managers and eligible employees of Group companies	—	Line managers: 78% (Kobe Steel) Managers: Program commenced in FY2025	Line managers: 93% (Kobe Steel) Managers: 76% (Kobe Steel)

5 Due to a change in the calculation method (calculated using employees who joined the Company in the most recent five years as the population), the figures for fiscal 2023 and fiscal 2024 have been revised.
6 At Kobe Steel, managers or higher positions are defined as managerial positions.
7 The number of companies that implement human rights due diligence by fiscal 2026.

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Basic Environmental Management Policy and Structure

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.

Policies

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

Initiatives for the Environment

Policies Strategies and Targets

Initiatives for Implementation			Long-Term Policies	Targets in the Medium-Term Environmental Management Plan (Fiscal 2024–2026)
VISION 1	Environmentally friendly manufacturing	Measures against global warming	Contribute to preventing global warming by promoting energy conservation and CO_2 reduction in all business activities 2030 Target: Reducing CO_2 emissions in production processes by 30% (compared to fiscal 2013) 2050 Vision: Taking on the challenge of realizing carbon neutrality	• Promote medium- to long-term technological development based on the roadmap and continue working on energy conservation initiatives, in order to achieve 2030 target and 2050 vision
		Promoting resource recycling	Continue activities aimed at zero landfill waste Target: Recycling rate of 99% (fiscal 2030) (Major by-products: Slag, sludge, and dust)	• Promote recycling by reducing the amount of waste disposed of to contribute to the achievement of the industry's recycling targets • Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products • Strive to recycle waste plastics as much as possible (Upper target: Recycling rate of 80%)
		Appropriate management of chemical substances	Reduce hazardous substances in accordance with the Kobelco Group Policy on Controlling Hazardous Chemical Substances	• Properly manage and reduce or replace chemical substances, and properly comply with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, the Act on Rational Use and Appropriate Management of Fluorocarbons, and new regulations on chemical substances
		Reducing environmental impact	Ensure thorough voluntary controls and make continuous efforts toward reducing environmental impact	• Continue thorough operational management and facility management in an effort to reduce environmental impact from soot/smoke and water pollution Targets: Water recycling rate: Maintain 95% or higher Groupwide Water pollution load: COD: 474 tons/year and total phosphorus: 23 tons/year or less
	Thorough risk management		Pursue systematic and deliberate efforts to reduce risks	• Enhance the autonomous environmental management system (EMS) that includes domestic and overseas business sites, subsidiaries, and subsubsidiaries
	Promoting environmental initiatives with full employee participation		Constantly improve the environmental awareness of all Kobelco Group employees	• Continue initiatives such as stratified training, e-learning, and environmental training for Group companies • Encourage the use of the Kobelco Eco-Life Notebook (household eco-account book), in an effort to increase environmental awareness
VISION 2	Contributing to the environment through technologies, products, and services		Create environmentally sustainable products and new businesses with due consideration of the environment in all technological and product development 2030 Target: Contribution to CO_2 reduction: 78.0 million tons Net sales of products that contribute to CO_2 reduction: 550 billion yen 2050 Vision: Contribution to CO_2 reduction: 100 million tons or more	• Contribute to the creation of a low-carbon society through the efforts of the entire Kobelco Group by working on issues related to the environment and energy fields, such as weight reduction of transportation vehicles, the creation of a hydrogen-based society, and the diversification of power sources
VISION 3	Coexisting and cooperating with society		Promote coexistence and cooperation with local communities from an environmental perspective	• Promote the Kobelco Green Project, centered on the three key activities of the Kobelco Forest Fairy Tale Prize, forest development, and environmental education outreach at children's centers, in an effort to cooperate and coexist in harmony with local communities
	Disclosure of environmental information		Take active steps to disclose environmental information and improve communication with all stakeholders	• Continue disclosing information and enhance communication with all stakeholders

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Structure

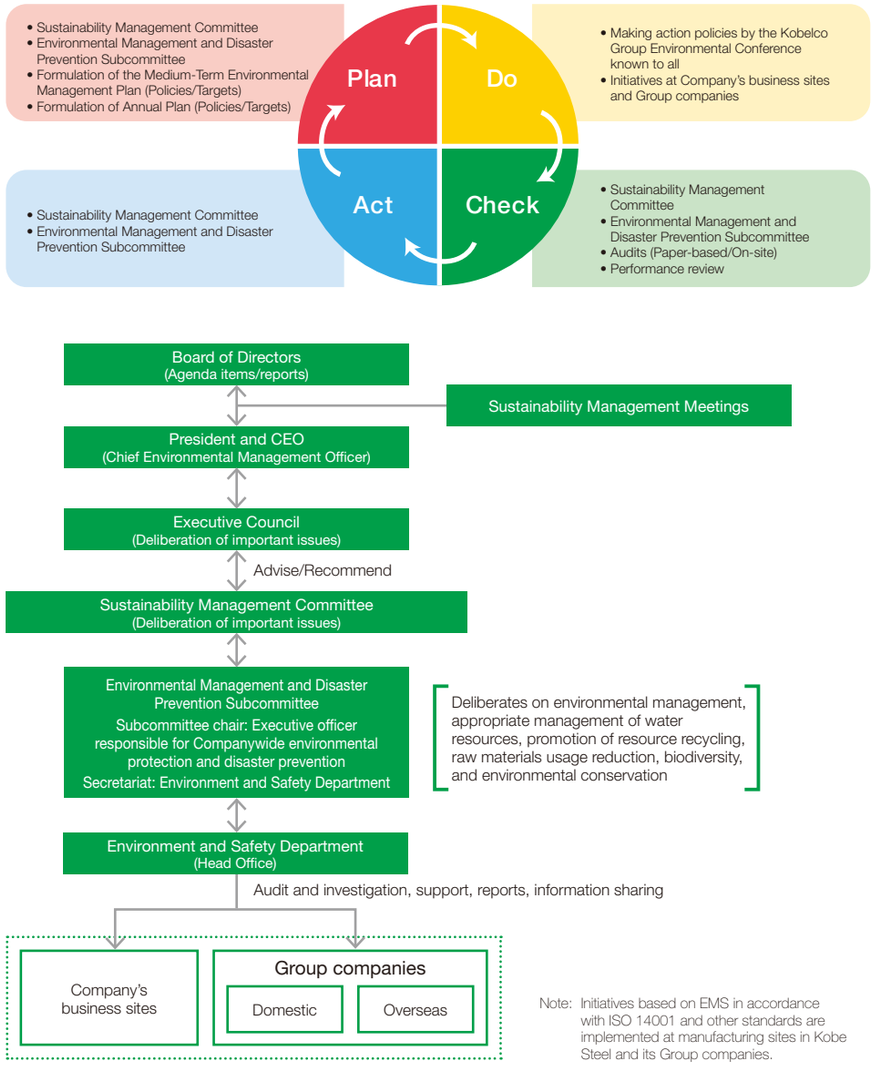
The Kobelco Group's environmental management policies, targets, initiatives, and progress are deliberated at the Environmental Management and Disaster Prevention Subcommittee, which is chaired by the executive officer responsible for Companywide environmental protection and disaster prevention, and whose members consist of managers of the Head Office's administrative departments and the respective business divisions' environmental management departments. At meetings held at least once a year, the subcommittee deliberates, reports, and evaluates policies, execution plans, and the results of efforts concerning initiatives for implementation for each of the three Visions regarding environmental management. Important matters are reported and submitted to the Executive Council after the Sustainability Management Committee, to which the subcommittee reports. The management cycle is implemented with the Sustainability Management Committee at its center, and individual issues related to environmental management are further discussed by the Environmental Management and Disaster Prevention Subcommittee under this committee. Furthermore, the GX Strategy Committee, an auxiliary body to the Executive Council, examines our climate change-related initiatives.

Climate-Related Governance Structure

Long-term environmental policies and execution plans for achieving medium-term targets are incorporated into the Medium-Term Environmental Management Plan and annual budgets of each business division.

In order to raise environmental awareness among all employees, we provide a range of environmental education programs, including those aimed at sharing action policies. For example, in Japan, in addition to holding the Kobelco Group Environmental Conference once a year, which is also attended by Group companies, the Company offers e-learning and stratified training programs. In the United States and China, where many of our Group companies are located, we have assigned environmental managers to regional headquarters, in order to thoroughly ensure the promotion of environmental activities in each country and the sharing of the latest information on environmental regulations. For overseas countries other than the above two, the Head Office's Environment and Safety Department provides information and conducts on-site environmental audits to promote environmental management throughout the Group.

Environmental Management Cycle (Yearly)



Note: Initiatives based on EMS in accordance with ISO 14001 and other standards are implemented at manufacturing sites in Kobe Steel and its Group companies.

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Basic Environmental Management Policy and Structure

Medium- to Long-Term Environmental Targets and Initiatives

Strategies and Targets | Results

The Kobelco Group is committed to environmentally friendly business practices. We established the Medium-Term Environmental Management Plan for fiscal 2024–2026, which also covers the six initiatives for implementation following the Basic Environmental Management Policy.

Self-assessment ○: Progressing as planned △: Issues remain ×: Plan not achieved

	Initiatives for Implementation		Long-Term Policies	Fiscal 2025 Results	Evaluation	Targets in the Medium-Term Environmental Management Plan (Fiscal 2024–2026)	Initiatives for Fiscal 2026	
VISION 1	Environmentally friendly manufacturing	Measures against global warming	Contribute to preventing global warming by promoting energy conservation and CO_2 reduction in all business activities 2030 Target Reducing CO_2 emissions in production processes by 30% (compared to fiscal 2013) 2050 Vision Taking on the challenge of achieving carbon neutrality	▸ Promote energy-saving activities ▸ We updated the Roadmap for Carbon Neutrality in the Ironmaking Process and the Roadmap for Carbon Neutrality in the Electric Power Business based on the latest developments internally and externally. In our steel business, we have begun considering the introduction of scrap melting furnaces as part of our phased decarbonization efforts. ▸ CO_2 emissions in fiscal 2025 were reduced by 23% compared to fiscal 2013.	○	▸ Promote medium- to long-term technological development based on the roadmap and continue working on energy conservation initiatives, in order to achieve 2030 target and 2050 vision	▸ Promote energy-saving activities ▸ We are promoting initiatives in line with the Roadmap for Carbon Neutrality in the Ironmaking Process and the Roadmap for Carbon Neutrality in the Electric Power Business.	See pages 14–26
		Promoting resource recycling	Continue activities aimed at zero landfill waste Target: Recycling rate of 99% (fiscal 2030) (Major by-products: Slag, sludge, and dust)	▸ The waste treatment plans formulated by each business division are making steady progress. The recycling rate in fiscal 2025 was 95.0%, and 98.4% (-1% year on year) for major by-products (slag, dust, and sludge) due to the temporary disposal of slag caused by equipment malfunctions. ▸ Implemented proper operations in accordance with the guidelines at Kakogawa Works and Takasago Works; conducted internal audits at all business locations regarding proper treatment of slag	△	▸ Promote recycling by reducing the amount of waste disposed of to contribute to the achievement of the industry's recycling targets ▸ Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products ▸ Strive to recycle waste plastics as much as possible (Upper target: Recycling rate of 80%)	▸ Work on the 3Rs (Reduce, Reuse, and Recycle) in an effort to achieve the target recycling rate in fiscal 2030 ▸ Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products ▸ Strive to recycle waste plastics as much as possible	See pages 35–37
		Appropriate management of chemical substances	Reduce hazardous substances in accordance with the Kobelco Group Policy on Controlling Hazardous Chemical Substances	▸ Waste with high concentrations of PCBs was treated appropriately. Completed the disposal of waste with low concentration of PCBs excluding certain transformers awaiting replacement. ▸ Through audits and other means, it was verified that action is being taken under the revised Act on Rational Use and Appropriate Management of Fluorocarbons.	○	▸ Properly manage and reduce or replace chemical substances, and properly comply with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, the Act on Rational Use and Appropriate Management of Fluorocarbons, and new regulations on chemical substances	▸ Complete disposal of low concentration of PCBs following the disposal plan formulated ▸ Fully comply with new regulations on chemical substances	See page 39
		Reducing environmental impact	Ensure thorough voluntary controls and make continuous efforts toward reducing environmental impact	▸ Continued thorough management of soot/smoke and wastewater ▸ Amount of dustfall (steelworks influence value) of Kakogawa Works did not achieve our voluntary target value of 3.0 tons/km² in August 2025 ▸ Achieved a water recycling rate of 96.2% ▸ Achieved water pollution load of COD of 220 tons/year and of total phosphorus of 5 tons/year	△	▸ Continue thorough operational management and facility management in an effort to reduce environmental impact from soot/smoke and water pollution Targets: Water recycling rate: Maintain 95% or higher Groupwide Water pollution load: COD of 474 tons/year or less and total phosphorus of 23 tons/year or less	▸ Continue thorough operational management and facility management in an effort to reduce environmental impacts, such as reducing the amount of soot/smoke and water pollution, and increasing the water recycling rate ▸ Regarding the amount of dustfall at Kakogawa Works, we will increase the dust collection capacity in the BF raw material preprocessing area as a permanent measure so that we can consistently achieve our target even under recent weather conditions.	See pages 32–34 See pages 38–40
	Thorough risk management		Pursue systematic and deliberate efforts to reduce risks	▸ Conducted a paper-based environmental audit for all business sites of Group companies, including non-production sites in Japan. For 12 production sites, the head offices conducted on-site audits and checked the management status. ▸ For overseas Group companies, the Head Office and regional headquarters conducted on-site audits of two business sites in China.	○	▸ Enhance the autonomous EMS that includes domestic and overseas business sites, subsidiaries, and subsubsidiaries	▸ In addition to conducting training on waste management and environmental compliance, promote customized training that can help resolve the individual challenges and concerns of each Group company ▸ Conduct on-site audits of Group companies in Thailand, Vietnam, China, and the United States in accordance with the plan, and continuously monitor the status of implementation of Group standards	See pages 27–28
	Promoting environmental initiatives with full employee participation		Constantly improve the environmental awareness of all Kobelco Group employees	▸ Increased employees' environmental awareness and knowledge through the Kobelco Group Environmental Conference and stratified training ▸ As part of our all-hands-on-deck CO_2 reduction project, the Kobelco Eco-Life Notebook system was updated and participation was encouraged.	○	▸ Continue initiatives such as stratified training, e-learning, and environmental training for Group companies and encourage the use of the Kobelco Eco-Life Notebook (household eco-account book), in an effort to increase environmental awareness	▸ Continue initiatives such as stratified training and environmental training for Group companies to raise awareness of the environment. Additionally, work to enhance the content of the Kobelco Eco-Life Notebook, increase participation, and raise environmental awareness in the home.	See page 29
VISION 2	Contributing to the environment through technologies, products, and services		Create environmentally sustainable products and new businesses with due consideration of the environment in all technological and product development 2030 Target Contribution to CO_2 reduction: 78.0 million tons 2050 Vision Contribution to CO_2 reduction: 100 million tons or more	▸ Contribution to CO_2 reduction in fiscal 2025: 67.42 million tons ▸ The MIDREX™ Flex direct reduced iron (DRI) process, provided by our wholly owned U.S. subsidiary, Midrex Technologies, Inc., has been adopted for a DRI plant in Rudny, Kazakhstan, being constructed by QazIron ERG LLP, a subsidiary of Eurasian Resources Group (ERG)	○	▸ Contribute to the creation of a low-carbon society through the efforts of the entire Kobelco Group by working on issues related to the environment and energy fields, such as weight reduction of transportation vehicles, the creation of a hydrogen-based society, and the diversification of power sources	▸ Promote efforts to achieve our CO_2 reduction contribution target through further sales expansion of technologies, products, and services that contribute to CO_2 reduction and the technological development such as multimaterials	See pages 22–23
VISION 3	Coexisting and cooperating with society		Promote coexistence and cooperation with local communities from an environmental perspective	▸ With backing from all municipalities in which our 11 domestic business sites are located, we solicited stories for the 13th Kobelco Forest Fairy Tale Prize and received 705 submissions. ▸ Carried out forest development activities twice in spring and fall at two locations, and held environmental education outreach classes at three children's centers	○	▸ Promote the Kobelco Green Project, centered on the three key activities of the Kobelco Forest Fairy Tale Prize, forest development, and environmental education outreach at children's centers, in an effort to cooperate and coexist in harmony with local communities	▸ Continue to promote the Kobelco Green Project (consisting of the Kobelco Forest Fairy Tale Prize, forest development activities, and environmental education outreach at children's centers) to better coexist and cooperate with local communities	See page 47
	Disclosure of environmental information		Take active steps to disclose environmental information and improve communication with all stakeholders	▸ Continued to disclose environmental information via our integrated report, ESG data book, corporate website, public monitors, and other measures. Also, we set up booths at various exhibitions and introduced the Kobelco Group's environmental technologies and products.	○	▸ Continue disclosing information and enhance communication with all stakeholders	▸ Continue disclosing information and enhance communication with all stakeholders	See page 30

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Basic Concept

Policies

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% 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.

Climate-Related Governance

We have 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, examines and implements Companywide activities to address the risks and opportunities of climate change.

Addressing climate-related issues requires knowledge from a wide range of perspectives, including business, management, legal affairs, and technological development. Therefore, the GX Strategy Committee is composed of directors and executive officers from the Head Office, as well as executive officers from business divisions, including the head of the Steel & Aluminum Business and the head of the Electric Power Business.

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 consider carbon neutrality to be one of the key themes of discussion. As such, the monitoring of the status is enhanced by regularly sharing a wide range of updates and exchanging opinions with the executive team, including executives from business divisions.

Climate-Related Governance Structure



Board of Directors	Monitors CO_2 reduction measures that may have a major impact on management	Quarterly
Sustainability Management Meetings	Strengthens monitoring by sharing updates 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

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Climate-Related 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 policy of Japan. Based on the analysis results, we evaluate the appropriateness of our Group's activities.

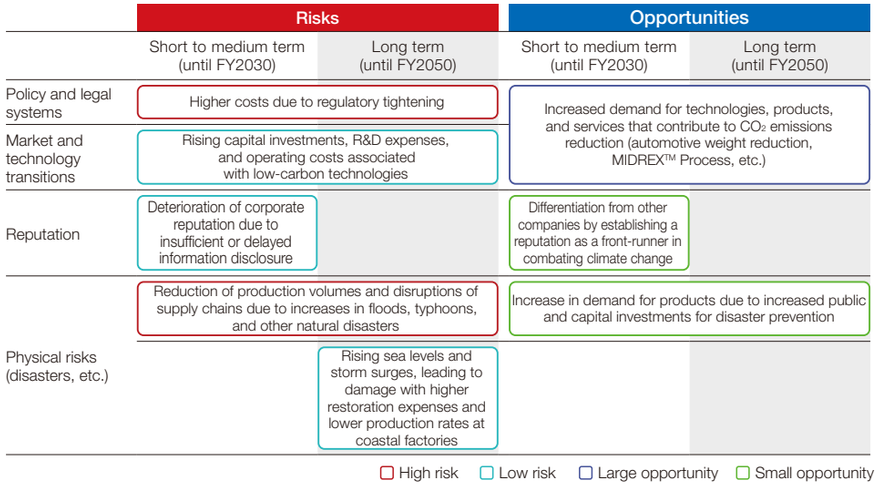
Climate-Related Risks

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 damage 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 products and services with low-CO_2 emissions, 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



Response to Risks and Opportunities in Research and Development

Reduction of CO_2 Emissions in Production Processes

Kobe Steel is collaborating with other steelmakers in the development projects that are promoted by the New Energy and Industrial Technology Development Organization (NEDO) (see below) 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.

Project Name	Participating Companies	Technologies Being Developed
Green Innovation Fund project / Hydrogen Utilization Project in Iron and Steelmaking Processes	Nippon Steel Corporation JFE Steel Corporation Kobe Steel The Japan Research and Development Center for Metals	• Development of hydrogen reduction and low-carbon technologies using blast furnace (BF) • Development of impurity removal technology for electric arc furnaces (EAF) using DRI (technology for controlling the concentration of impurities in a large-scale test EAF at the same level as the BF method)

* This project was supported by the New Energy and Industrial Technology Development Organization (NEDO) under the Green Innovation program (JPNP21019 (GREINS)).

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 development aimed at maintaining and strengthening the competitiveness of MIDREX H2™ (100% hydrogen-based direct reduction) and the demonstration test of hydrogen utilization systems.

- Midrex and SMS group to supply MIDREX™ Flex Plant for TOSYALI SULB in Libya (in Japanese only)
- Midrex and Primetals sign contract to supply MIDREX™ Flex Plant for Eurasian Resources Group in Kazakhstan (in Japanese only)

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Impacts on Business, Strategy, and Finance

According to the Greenhouse Gas Emissions Calculation and Reporting System, Kobe Steel is one of the largest emitters of greenhouse gases in Japan. Our Company pays the carbon tax, Tax for Climate Change Mitigation (289 yen per ton of CO_2 emissions from the use of coal, oil, LPG, and LNG), and in the future, if the carbon tax is increased or new taxes are imposed with the introduction of carbon pricing, it is expected to have a significant impact on our business. Accordingly, we are constantly monitoring these trends. If regulations or taxes are imposed on CO_2 and other emissions in the future, our Group's business activities, particularly those related to steel, will be restricted, which may have an impact on our Group's business performance with a decrease in sales, an increase in costs, etc.

The Kobelco Group has been promoting energy conservation efforts as a measure to mitigate the impact of carbon pricing. The Group invested approximately 1.2 billion yen in energy conservation capital investments in fiscal 2025.

Examples of investments in fiscal 2025 include updating transformers to high-efficiency models at Takasago Works. For other initiatives, please refer to "Examples of Energy-Saving and CO_2 Reduction Initiatives in the Kobelco Group (Fiscal 2025)" on page 25.

In addition, our Group is engaged in the development of various technologies related to the reduction of CO_2 emissions in production processes and contribution to reduction of CO_2 emissions through technologies, products, and services in order to contribute to the reduction of CO_2 emissions by society as a whole. In fiscal 2025, we spent approximately 8.5 billion yen on research and development related to climate change.

Environmental Management: Environmental Accounting

Scenario Analysis

We carried out short- to medium-term (2030) and long-term (2050) scenario analyses in order to identify future climate-related risks and opportunities for the planning and formulation of strategies.

Our scenario analysis is based on the IEA's 2°C scenario (SDS: Sustainable Development Scenario) and 1.5°C scenario (Net Zero by 2050) as well as the 4°C 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 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 business 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 two categories: (1) production with natural resources, such as iron ore that is mainly used in combination with BF and DRI, and (2) production with reused scrap, which is often used in EAF. 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.

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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 2025 totaled 14.9 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.

In May 2021, the Group announced in its Medium-Term Management Plan (Fiscal 2021–2023) that it will take on the challenge of realizing carbon neutrality by 2050 and aim to increase corporate value through this transition. Our Group has set the 2030 target and the 2050 vision from two angles: (1) reducing CO_2 emissions in the Group's own production processes, and (2) contributing to the reduction of CO_2 emissions through the Group's distinctive technologies, products, and services.

Regarding the reduction of CO_2 emissions in our own production processes, we will promote CO_2 reduction initiatives and mitigate risks by formulating roadmaps for carbon neutrality in the ironmaking process and in the electric power business. On the other hand, regarding the contribution to the reduction of CO_2 emissions through the Group's distinctive technologies, products, and services, we will make the most of opportunities.

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.

On the other hand, business opportunities may arise, as demand for products and services with low-CO_2 increase along with growing international interest in climate-related issues. This is expected to lead to an increase in demand for our Group's products that contribute to the reduction of CO_2 emissions, such as automotive weight-reduction materials/parts and the MIDREX™ Process, over the medium to long term.

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Scenario Analysis Results

Scenario/ Important Factors	Social Changes	Impacts (Opportunity/Risk)		Strategies for Opportunities and Measures Against Risks	Financial Impacts	
					Description	Monetary Impacts
1.5°C / 2°C scenario	Shift to low-carbon materials	Decreasing demand for BF steel products	Risk	Development of CO_2 reduction technologies • Obtaining energy savings through AI-powered furnace heat management • Utilizing DRI and biomass • Increase in the volume of scrap use	Increased purchasing cost of cold iron sources	Major
		Increasing demand for EAF steel products	Risk	Study of process transition • Studying the shift of production facilities from carbon-intensive BF to low-CO_2 DRI or EAF without sticking to the conventional two BF unit system	GX-related investment	Major
		Decarbonization of aluminum materials	Risk	Procurement of green aluminum material • Expanding procurement of green aluminum produced using renewable energy	Increased procurement cost of ingot	Moderate
		Increasing demand for low-CO_2 materials	Opportunity	Study of low-CO_2 BF steel products • Low-CO_2 BF steel product Kobenable™ Steel was newly developed with proprietary CO_2 reduction technology Study of low-CO_2 aluminum products • Announcement of the low-CO_2 aluminum product Kobenable™ Aluminum, produced from green aluminum material	Increased sales volume	Major
		Increasing demand for ironmaking processes that contribute to decarbonization	Opportunity	Supply of cold iron source production process • Capturing growing demand for the MIDREX™ Process, etc.	Increased sales volume	Major
	Stricter regulations on fossil fuel use	Higher costs due to carbon pricing	Risk	Utilization of ammonia • Reduction of CO_2 through ammonia co-firing • Successful bidding in the Long-Term Decarbonization Power Resource Auction • Building of ammonia supply chain	GX-related investment	Major
	Transition to non-fossil energy	Increasing demand for hydrogen, etc.	Opportunity	Sales expansion of hydrogen production equipment • Carrying out new projects, such as the hybrid-type hydrogen gas supply system, low-CO_2 iron metallics project, etc. • Promoting sales of compressors and vaporizers Expanding existing businesses • Strengthening sales of environmental options, such as digestion gas power generation using sewage sludge and food waste and chemical recycling of waste plastics	Increased sales volume	Major
	Economic growth and electrification	Increasing electricity demand driven by AI and data centers	Opportunity	Stable power supply • Stable operation of thermal power plants ensures a steady supply of electricity by mitigating the output fluctuations caused by renewable energy sources	Increased sales volume	Moderate
	Advancements in EVs	Increasing need for weight reduction	Opportunity	Development of lightweight materials • Increasing high-tensile strength steel production capacity • Developing lightweight materials (including aluminum)	Increased sales volume	Minor
4°C scenario	Intensifying weather disasters due to rising temperatures	Supply chain disruptions due to flooding	Risk	Increasing the number of suppliers and ensuring a constant stock of raw materials	Decreased sales volume	Major
		Flooding and storm surge damage at production bases	Risk	Implementing physical measures against floods and storm surges, and continued BCP improvement	Decreased sales volume	Minor

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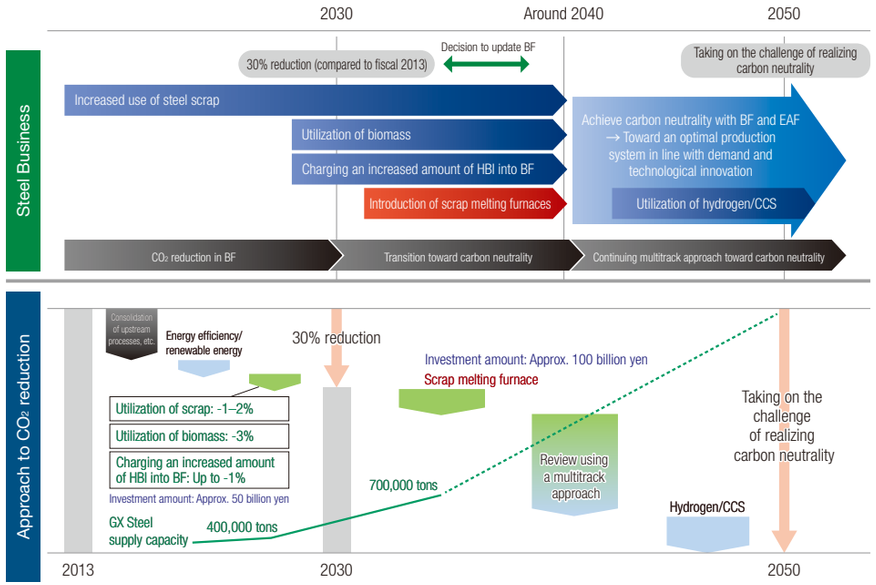
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Kobelco Group's Targets and Vision

	2030 Target	2050 Vision
Reduction of CO_2 emissions in production processes	30% (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	78.0 million tons (Net sales: ¥550 billion)	100 million tons or more

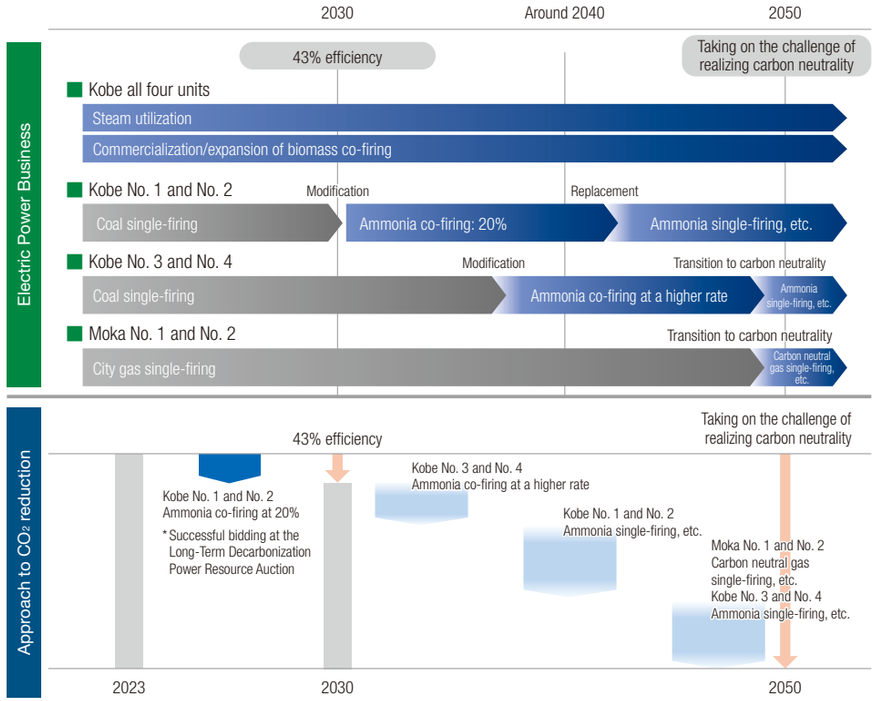
1 Most of the reduction targets are associated with iron and steel making processes.
2 Our Group contributes to the reduction of CO_2 emissions in various areas of society through its distinctive technologies, products, and services.

Roadmap for Reducing CO_2 Emissions in the Ironmaking Process



Note: The scope covers Kobe Steel and its subsidiary, Kansai Coke and Chemicals Company, Limited.

Roadmap for Reducing CO_2 Emissions in the Electric Power Business



Climate-Related Risk Management

In regard to climate-related risks, we have identified (1) transition risks (policies and regulations) and (2) physical risks (preparations for and recovery from natural disasters) as Top Risks, which are risks that may have a material impact on the Group and its stakeholders and require a Groupwide response. We are working to strengthen risk management by appointing Risk Owners to each risk category.

Risk Management: Basic Policy and Management Structure

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Climate-Related Metrics and Targets

Metrics

The Kobelco Group sets specific metrics for CO_2 reduction activities, such as reduction of CO_2 emissions in production processes (Metric A) and contribution to reduction of CO_2 emissions through technologies, products, and services (Metric B), and sets and manages targets for each.

Kobe Steel positions these two metrics as non-financial key performance indicators (KPIs) and manages them. Non-financial KPIs including CO_2 reduction are discussed annually at the Executive Council as important items in the budget, and then they are discussed and approved by the Board of Directors.

Energy Consumption

▶ Energy Consumption

The star (★) symbol indicates items that have received third-party assurance.

	Unit	Fiscal 2023	Fiscal 2024	Fiscal 2025
Energy consumption	PJ	185	183*	178★
Consolidated net sales	Millions of yen	2,543,142	2,550,031	2,436,581
Energy intensity (per consolidated net sales)	GJ / Millions of yen	73	72*	73
Products (crude steel, aluminum rolled products, copper rolled products)	Million t	6.4	6.4	6.2
Energy intensity (per product)	GJ / t-product	28.7*	28.5*	28.6

Calculation method:
- Calculations made based on Keidanren Carbon Neutrality Action Plan. However, figures for Kobelco Power Kobe Inc., Kobelco Power Kobe No. 2 Inc., and Kobelco Power Moka Inc. (the three subsidiaries of the Electric Power Business) are calculated based on the Act on Rationalization of Energy Use and Shift to Non-fossil Energy.
- Energy consumption does not include energy consumption associated with the generation of electricity sold externally by the three subsidiaries of the Electric Power Business and the Steelworks of Kobe Steel (157 PJ).

Boundary
- Kobe Steel, 18 domestic consolidated subsidiaries, and 13 overseas consolidated subsidiaries
- Japan: April 1 to March 31, Overseas: January 1 to December 31

Calorific conversion factors
- Agency for Natural Resources and Energy, "List of Standard Calorific Value and Carbon Emission Factor for Fossil Fuel Energy Sources" (Comprehensive Energy Statistics) (revised on March 14, 2025)
- However, the three subsidiaries of the Electric Power Business apply the Act on Rationalization of Energy Use and Shift to Non-fossil Energy.

* Beginning in fiscal 2025, the methodology for aggregating energy activity data at certain sites was changed to improve calculation accuracy, and this change has been applied retrospectively to prior fiscal years.

▶ Use of Electricity from Renewable Energy

	Unit	Fiscal 2023	Fiscal 2024	Fiscal 2025
Use of electricity from renewable energy	MWh	16,762	27,864	34,319

Greenhouse Gas (GHG) Emissions (Scope 1, 2, and 3)

▶ Energy-Derived CO_2 Emissions (Scope 1 and 2)

The star (★) symbol indicates items that have received third-party assurance.

	Unit	Fiscal 2023	Fiscal 2024	Fiscal 2025
Scope 1 Emissions from the use of our own fuel (direct emissions)	Million t-CO_2	14.7	14.6[1]	14.1★
Scope 2 Emissions associated with the use of electricity, heat, and steam supplied by other companies (indirect emissions)	Million t-CO_2	0.9	0.8	0.8★
Scope 1+2[2]	Million t-CO_2	15.5[1]	15.4[1]	14.9★
Consolidated net sales	Millions of yen	2,543,142	2,555,031	2,436,581
Energy-derived CO_2 emission intensity (per consolidated net sales)	t-CO_2 / Millions of yen	6.1	6.0[1]	6.1
Products (crude steel, aluminum rolled products, copper rolled products)	Million t	6.4	6.4	6.2
Energy-derived CO_2 emission intensity (per product)	t-CO_2 / t-product	2.4	2.4[1]	2.4

Calculation method:
- Calculations made based on Keidanren Carbon Neutrality Action Plan. In addition, figures for Kobelco Power Kobe Inc., Kobelco Power Kobe No. 2 Inc., and Kobelco Power Moka Inc. (the three subsidiaries of the Electric Power Business) are calculated based on the Act on Promotion of Global Warming Countermeasures.
- Scope 1 and Scope 1+2 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 (12.0 million t-CO_2).
- GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials.

Boundary
- Kobe Steel, 18 domestic consolidated subsidiaries, and 13 overseas consolidated subsidiaries
- Japan: April 1 to March 31, Overseas: January 1 to December 31

CO_2 emission factors
- Fuels: Carbon emission factor in National Greenhouse Gas Inventory Report of JAPAN (NID) 2024 x CO_2 conversion factor (44/12)
- Electricity: For Japan, the adjusted emission factors for each electricity supplier based on the Greenhouse Gas Emissions Calculation and Reporting Manual (for calculating the greenhouse gas emissions of specified emitters)—FY2024 results—are applied. For overseas, emission factors based on IEA Emissions Factors 2025 are applied.
- However, the three subsidiaries of the Electric Power Business apply the Greenhouse Gas Emissions Calculation and Reporting Manual for both fuels and electricity. Electricity: The adjusted emission factors for each electricity supplier based on the Greenhouse Gas Emissions Calculation and Reporting Manual (for calculating the greenhouse gas emissions of specified emitters)—FY2024 results—are applied. City gas: The adjusted emission factors for each city gas supplier based on the Greenhouse Gas Emissions Calculation and Reporting Manual (for calculating the greenhouse gas emissions of specified emitters)—FY2024 results—are applied.

1 Beginning in fiscal 2025, the methodology for aggregating energy activity data at certain sites was changed to improve calculation accuracy, and this change has been applied retrospectively to prior fiscal years.

2 The totals may not match as a result of rounding.

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Breakdown of GHG Emissions (Unit: Thousand t-CO_2)

Category	Fiscal 2023	Fiscal 2024	Fiscal 2025
Energy-derived CO_2 emissions (Scope 1)	14,667[1]	14,558[1]	14,076
Non-energy-derived CO_2 emissions	835	859	839
Methane (CH_4)	16	16	15
Nitrous oxide (N_2O)	58	55	50
Hydrofluorocarbons (HFC)	—	—	—
Perfluorocarbons (PFC)	—	—	—
Sulfur hexafluoride (SF_6)	23	22	21
Nitrogen trifluoride (NF_3)	—	—	—
Total[2] for non-energy-derived CO_2 emissions and greenhouse gases other than CO_2	931	953	925

Calculation method for non-energy-derived CO_2 emissions and greenhouse gases other than CO_2:
- Calculated based on the Act on Promotion of Global Warming Countermeasures.
- Boundary is Kobe Steel, 4 consolidated subsidiaries in Japan, which are subject to reporting under the Act on Promotion of Global Warming Countermeasures. April 1 to March 31 of each fiscal year.

1 Beginning in fiscal 2025, the methodology for aggregating energy activity data at certain sites was changed to improve calculation accuracy, and this change has been applied retrospectively to prior fiscal years.
2 The totals may not match as a result of rounding.

Other Indirect Emissions in the Supply Chain (Scope 3) (Unit: Thousand t-CO_2)

The star (★) symbol indicates items that have received third-party assurance.

Category[3]	Fiscal 2023	Fiscal 2024	Fiscal 2025	Calculation Method
1 Purchased goods and services	5,102[1]	5,102[1]	5,026★	The Company's usage of main raw materials (iron ore, coking coal, purchased coke, aluminum, copper, and titanium) multiplied by CO_2 emission factors
2 Capital goods	209	209	243	Capital investment cost multiplied by CO_2 emission factors
3 Fuel- and energy-related activities not included in Scope 1 or Scope 2	389[1]	338[1]	328	Annual consumption of electricity, steam, fuel, etc., multiplied by CO_2 emission factors
4 Upstream transportation and distribution	191	200	191	Calculated using the calculation method for energy-derived CO_2 emissions related to freight transportation by shippers as stipulated in the Act on Rationalization of Energy Use and Shift to Non-fossil Energy
5 Waste generated in operations	29	29	38	The amount of waste for each type multiplied by CO_2 emission factors
6 Business travel	2	2	2	Number of employees multiplied by CO_2 emission factors
7 Employee commuting	5	5	5	Number of employees multiplied by CO_2 emission factors
10 Processing of sold products	2,482	2,461	2,360	Calculated by multiplying the production volume of main steel products by CO_2 emission factors associated with processing each type of steel product
11 Use of sold products	18,480	17,547	15,866	Lifetime emissions for the main machinery products sold by Kobe Steel (energy used during use: electricity) are calculated based on units sold, expected average life, average power consumption, and CO_2 emission factors for electricity.
12 End-of-life treatment of sold products	57	57	56	Calculated by multiplying CO_2 emission factors by the production volume of crude steel, aluminum, and copper products
Total[2]	26,945[1]	25,951[1]	24,116	

Calculation method:
- Calculated based on Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry).
- GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials.

Boundary
Kobe Steel, April 1 to March 31 of each fiscal year
Source of CO_2 emission factors
- Categories 1, 3, and 10: "LCI database AIST-IDEA Ver. 4.0 Standard Edition IPCC2021 without LULUCF AR6" Research Laboratory for IDEA, RISS, AIST
- Categories 2, 5, 6, 7, and 12: "Database of Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc. (Ver. 3.6), by Organizations Throughout the Supply Chain"
- Category 11: National average in Japan for "emission factors by electric utility" (published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry)

1 Beginning in fiscal 2025, the methodology for aggregating energy activity data at certain sites was changed to improve calculation accuracy, and this change has been applied retrospectively to prior fiscal years.
2 The totals may not match as a result of rounding.
3 Category 8 is contained in Scope 1 and 2. Categories 9, 13, 14, and 15 are not applicable.

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Targets and Results on Risk and Opportunity

In May 2021, the Group announced in its Medium-Term Management Plan (Fiscal 2021–2023) that it will take on the challenge of realizing carbon neutrality by 2050 and aim to increase corporate value through this transition. Our Group has set the 2030 target and 2050 vision from two angles: (1) reducing CO_2 emissions in the Group's own production processes, and (2) contributing to the reduction of CO_2 emissions through the Group's distinctive technologies, products, and services.

▶ Metric A: Reduction of CO_2 Emissions in Production Processes

- 2050 Vision: Taking on the challenge of realizing carbon neutrality
- 2030 Target: Reducing CO_2 emissions in production processes by 30%[1, 2] (compared to fiscal 2013) (target initiated in fiscal 2019)

Results: CO_2 emissions in fiscal 2025 were nearly identical to the previous fiscal year. As a result, there was a 23% reduction[1, 2] compared to fiscal 2013.

1 Total for Scope 1 and 2

2 The boundary of the reduction target is Kobe Steel and its major subsidiaries. This covers approximately 96% of the entire Group's CO_2 emissions based on fiscal 2025 results.
CO_2 emissions in covered range: 18.4 million tons in fiscal 2013 and 14.3 million tons in fiscal 2025

Initiative: 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 BF at Kakogawa Works over the period of fiscal 2009–2014, resulting in a substantial reduction of CO_2 emissions. In the ironmaking process, we have completed a technical test and verified that CO_2 emissions in the BF process can be reduced by approximately 25% by charging a large quantity of DRI in the form of hot briquetted iron (HBI), manufactured with the MIDREX™ Process, into the BF. To achieve our 2030 target, we will work to reduce CO_2 emissions through this HBI charging technology, as well as the combined use with biomass. Furthermore, looking toward carbon neutrality in 2050, we will accelerate our efforts to determine the optimal production system, including the introduction of EAF, while simultaneously considering the introduction of scrap melting furnaces as part of a phased transformation of our production system.

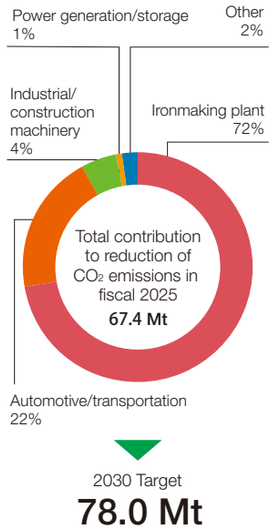
▶ Metric B: Contribution to Reduction of CO_2 Emissions Through Technologies, Products, and Services

The Kobelco Group has a variety of technologies, products, and services that contribute to CO_2 reduction. By expanding sales of these, we will contribute to the reduction of CO_2 during use.

- 2050 Vision: Contribution to CO_2 reduction: 100 million tons or more
- 2030 Target: Contribution to CO_2 reduction: 78.0 million tons, Net sales of related products: 550 billion yen

Results: The Group's contribution to reduction of CO_2 emissions through its technologies, products, and services in fiscal 2025 was 67.4 million tons, as approved by the GX Strategy Committee. Net sales of related products was 389.2 billion yen.

Total Contribution to Reduction of CO_2 Emissions



Technologies, Products, and Services		Contribution to CO_2 reduction (Million t/year)	CO_2 Reduction Concept
Ironmaking plant	MIDREX™ Process	48.51	Direct reduction ironmaking process with low-CO_2 emissions
Automotive/ transportation	Ultra-high-tensile strength steel for automobiles, welding consumables for ultra-high-tensile strength steel	10.96	Improvements in fuel economy by using high-strength, lightweight materials for automobiles and transportation equipment
	Wire rods for suspension springs	0.30	
	Wire rods for automotive valve spring, high-strength steel for connecting rods	0.93	
	High-tensile strength steel for ships	1.82	
	Aluminum materials for automobiles	0.41	
	Aluminum materials for rolling stock	0.08	Benefit of weight reduction in reducing power consumption
Industrial/ construction machinery	Heat pumps, standard compressors, SteamStar, Eco-Centri	2.40	Energy conservation by achieving higher efficiency and utilizing unused energy
	Fuel-efficient construction machinery	0.57	Improvements in fuel economy by using fuel-efficient construction machinery
Power generation/ storage	Wood biomass power generation, waste-to-energy (WtE)	0.23	Reducing fossil resource use through the use of resources that contribute to carbon neutrality
Other	BF cement, wire rods and steel bars with no need for heat treatment process	1.21	Energy-reduction effect in customers' manufacturing process through the use of recycled raw materials and products with no need for heat treatment process
	High-performance steel products for building construction		Energy reduction effects related to steel manufacturing for high-strength and lightweight applications and its transportation

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

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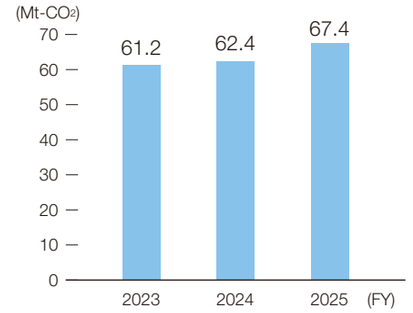
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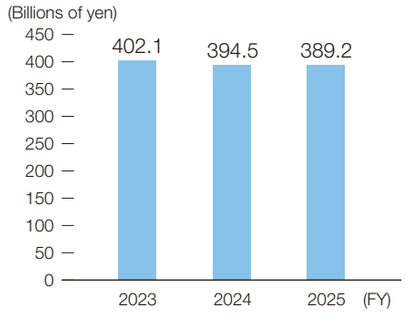
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Contribution to Reduction of CO_2 Emissions by Year



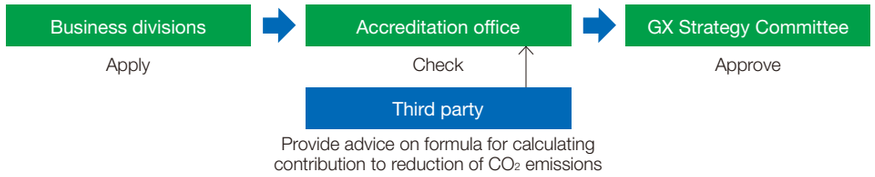
Net Sales of Products that Contribute to CO_2 Reduction



Initiative: Regarding the contributions 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 Technology (AIST).

Calculation method for the MIDREX™ Process' contribution to reduction of emissions:
The calculation was made by comparing the CO_2 emissions from the steel products manufactured with the MIDREX™ Process in the Middle East, where the process is most widely used, with the CO_2 emissions from the steel products manufactured in Asia and exported to the Middle East.

Accreditation Flow



Other Main 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/ storage	Conversion of sludge to fuel and its utilization at coal-fired thermal power plants	Reducing fossil resource use through the use of resources that contribute to carbon neutrality

Progress of Qualitative and Quantitative Targets for Metric A and Metric B (Including 2030 Targets)

Initiatives for Implementation	Long-Term Policies	Fiscal 2025 Results Medium-Term Targets ○: Progressing as planned △: Issues remain ×: Plan not achieved		
Measures against global warming	Contribute to preventing global warming by promoting energy conservation and CO_2 reduction in all business activities 2030 Target Reducing CO_2 emissions in production processes by 30% (compared to fiscal 2013) 2050 Vision Taking on the challenge of achieving carbon neutrality	Promote medium- to long-term technological development based on the roadmap and continue working on energy conservation initiatives, in order to achieve 2030 target and 2050 vision	Implemented initiatives in line with the Roadmap for Carbon Neutrality in the Ironmaking Process Fiscal 2025 Result 23% reduction compared to fiscal 2013	○
Contributing to the environment through technologies, products, and services	Create environmentally sustainable products and new businesses with due consideration of the environment in all technological and product development 2030 Target Contribution to CO_2 reduction: 78.0 million tons Net sales of related products: 550 billion yen 2050 Vision Contribution to CO_2 reduction: 100 million tons or more	Contribute to the creation of a low-carbon society through the efforts of the entire Kobelco Group by working on issues related to the environment and energy fields, such as the weight reduction of transportation vehicles, the creation of a hydrogen-based society, and the diversification of power sources	Fiscal 2025 Result Total contribution to reduction of CO_2 emissions: 67.42 million tons Net sales of related products: 389.2 billion yen	○

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Climate-Related Organizations to Which We Belong

As a member of the Global CCS Institute and the Carbon Recycling Fund Institute, we actively acquire the latest information on Carbon Capture, Utilization, and Storage (CCUS) technology and work on technological development and research on CO_2 separation, capture, recycling, and sequestration for future practical use.

Climate-Related Organizations to Which We Belong	Description
Global CCS Institute	The Global CCS Institute is an international think tank whose mission is to accelerate the deployment of Carbon Capture and Storage (CCS), a vital technology to tackle climate change and deliver climate neutrality. The institute is headquartered in Melbourne, Australia, with offices in Tokyo, Washington, D.C., Brussels, Beijing, and London. Global CCS Institute
Carbon Recycling Fund Institute	The Carbon Recycling Fund Institute aims to address the global warming issue and improve energy access throughout the world. The institute promotes innovation in carbon recycling by public relations and sponsoring research and development in the field. Carbon Recycling Fund Institute

Industry Groups	2030 Industry Targets for Reducing CO_2 Emissions from Production Processes in the Carbon Neutrality Action Plan
The Japan Iron and Steel Federation	30% reduction compared to fiscal 2013
Japan Aluminium Association	31% reduction compared to fiscal 2013
Japan Copper and Brass Association	33% reduction compared to fiscal 2013
The Japan Society of Industrial Machinery Manufacturers	38% reduction compared to fiscal 2013
Japan Construction Equipment Manufacturers Association	8% reduction compared to the three-year average result of fiscal 2020 to fiscal 2022 (energy intensity)

Our Group will contribute to the achievement of the targets set out in the action plans of each industry group to which we belong by pursuing energy savings and CO_2 reduction in production processes.

Policies and Commitments to Ensure Consistency with the Initiatives of Industry Associations

In order to respond to climate change in a consistent manner, the Group has established a governance system centered on the GX Strategy Committee, an auxiliary body to the Executive Council.

The GX Strategy Committee informs and educates employees about our Group Corporate Philosophy, climate change policies, and various initiatives to ensure that employees fully understand our corporate policies concerning these matters.

When the Kobelco Group engages in any activities that may influence the national government, local governments, industry associations, etc., all members of the Group shall report such activities to the GX Strategy Committee in advance. The committee shall confirm whether such activities are consistent with the Group Corporate Philosophy and climate change policies. The committee shall report such activities to the Executive Council and the Board of Directors for oversight in accordance with the importance of such activities.

In addition, if the efforts of industry associations/groups are not in line with the Group Corporate Philosophy or climate change policies, Kobe Steel shall put forward its opinions to industry associations/groups and work to ensure that their initiatives are consistent with its policies.

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Initiatives to Save Energy and Reduce CO_2 Emissions

At each business site, we are promoting energy conservation and reduction of CO_2 emissions.

Examples of Energy-Saving and CO_2 Reduction Initiatives in the Kobelco Group (Fiscal 2025)

Production Facility / Company Name	Location	Examples of Initiatives
Kakogawa Works, Kobe Steel, Ltd.	Kakogawa, Hyogo Prefecture	Updated waste heat recovery boiler coal economizer
		Improved insulation of heating furnace combustion air piping
Kobe Wire Rod & Bar Plant, Kobe Steel, Ltd.	Kobe, Hyogo Prefecture	Energy savings through operational improvements
Moka Works, Kobe Steel, Ltd.	Moka, Tochigi Prefecture	Introduced ambient temperature control in melting furnaces
		Energy savings through fuel adjustment in product furnaces
Chofu Works, Kobe Steel, Ltd.	Shimonoseki, Yamaguchi Prefecture	Consolidated and stopped concentrated melting furnace operations
		Reduction of preheating fuel
Daian Works, Kobe Steel, Ltd.	Inabe, Mie Prefecture	Switched a portion of plant lighting to LED lighting
Fujisawa Plant, Kobe Steel, Ltd.	Fujisawa, Kanagawa Prefecture	Switched a portion of plant lighting to LED lighting
Ibaraki Plant, Kobe Steel, Ltd.	Ibaraki, Osaka Prefecture	Updated HVAC to high-efficiency type
		Switched to electric forklifts
Saijo Plant, Kobe Steel, Ltd.	Higashihiroshima, Hiroshima Prefecture	Updated drying furnace due to aging
Fukuchiyama Plant, Kobe Steel, Ltd.	Fukuchiyama, Kyoto Prefecture	Switched a portion of plant lighting to LED lighting
		Reviewed annealing furnace process
Takasago Works, Kobe Steel, Ltd.	Takasago, Hyogo Prefecture	Switched a portion of plant lighting to LED lighting
		Upgraded to high-efficiency transformers
Kobe Corporate Research Laboratories, Kobe Steel, Ltd.	Kobe, Hyogo Prefecture	Updated HVAC to energy-efficient type
Amagasaki Works, Kobelco Wire Company, Ltd.	Amagasaki, Hyogo Prefecture	Energy savings through the consolidation of dust collectors
		Updated HVAC to energy-efficient type
		Switched pumps to inverters
Rope Plant, Onoe district, Kobelco Wire Company, Ltd.	Kakogawa, Hyogo Prefecture	Switched a portion of plant lighting to LED lighting
		Improved insulation of steam pipes
		Switched electric motors to inverters
Rope Plant, Nishikinohama district, Kobelco Wire Company, Ltd.	Kaizuka, Osaka Prefecture	Switched a portion of ceiling lighting to LED lighting
		Installed motion sensors for the lighting fixtures throughout the building
		Energy savings through review of compressor pressure
Kobelco Wire Company, Ltd.	Amagasaki, Hyogo Prefecture	Replaced two boilers with high-efficiency models
Kobelco CasteX CO., LTD.	Hachinohe, Aomori Prefecture	Reviewed air compressor number control
Hanshin Yosetsu Kizai Co., Ltd.	Okayama, Okayama Prefecture	Reduced power consumption through product specification revisions
		Reduced fuel consumption by reviewing firing temperatures
Shinko Aluminum Wire Co., Ltd.	Sakai, Osaka Prefecture	Switched large blower to inverter type
Kobelco Leadmikk Co., Ltd.	Kitakyushu, Fukuoka Prefecture	Switched a portion of plant lighting to LED lighting
		Updated HVAC to energy-efficient type
Harima Plant, Kobelco Compressors Corporation	Harima Town, Hyogo Prefecture	Upgraded to high-efficiency transformer
Shinko Industrial Co., Ltd.	Kurayoshi, Tottori Prefecture	Reduced steam consumption through operational review
		Reduced pump standby power consumption through operational review
		Upgraded to high-efficiency transformers (two units)
Harima Plant, Kobelco Eco-Solutions Co., Ltd.	Harima Town, Hyogo Prefecture	Energy savings through the consolidation of substations
		Applied heat-shielding paint to furnaces
		Switched a portion of plant lighting to LED lighting
Kobelco Power Kobe Inc.	Kobe, Hyogo Prefecture	Reduced fan power by cleaning the fan, etc.
		Reduced steam used for propulsion through fan maintenance
Kobelco Power Kobe No. 2 Inc.	Kobe, Hyogo Prefecture	Reduced fan power by cleaning the fan, etc.
Hiroshima Factory, Kobelco Construction Machinery Co., Ltd.	Hiroshima, Hiroshima Prefecture	Energy savings through optimizing compressor operation at night
Okubo Factory, Kobelco Construction Machinery Co., Ltd.	Akashi, Hyogo Prefecture	Installed heat-shielding sheets on the warehouse ceiling
Kobelco Spring Wire (Foshan) Co., Ltd. (KSW)	China	Improved energy efficiency of cooling fans
Kobelco Millcon Steel Co., Ltd. (KMS)	Thailand	Energy savings by reducing the number of cooling fans
Kobelco Precision Technology Sdn. Bhd. (KPTEC)	Malaysia	Switched to high-efficiency compressor
Kobelco MIG Wire (Thailand) Co., Ltd. (KMWT)	Thailand	Reduced compressor air leaks
		Installed energy-saving controls for air conditioning
		Power saving and reduced pressure loss through looped compressed air piping
Thai Kobelco Welding Co., Ltd. (TKW)	Thailand	Reduced compressor air leaks
		Energy savings through reviewing the number of transformers in operation
		Power saving and reduced pressure loss through looped compressed air piping
Kobelco Construction Machinery (China) Co., Ltd.	China	Switched a portion of plant lighting to LED lighting
Kobelco Construction Machinery Southeast Asia Co., Ltd.	Thailand	Energy savings by reducing fan operating time
		Switched a portion of lighting to LED lighting
Kobe Special Steel Wire Products (Pinghu) Co., Ltd. (KSP)	China	Improved energy efficiency of transformers

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Kobelco Group Initiatives for Introducing Renewable Energy

Production Facility / Company Name	Location	Type of Renewable Energy
Kobe Head Office, Kobe Steel, Ltd.	Kobe, Hyogo Prefecture	Electricity (company-owned solar)
Takasago Works, Kobe Steel, Ltd.	Takasago, Hyogo Prefecture	Electricity (company-owned solar)
Kobe Corporate Research Laboratories, Kobe Steel, Ltd.	Kobe, Hyogo Prefecture	Electricity (on-site power purchase agreement (PPA))
Hiroshima Factory, Kobelco Construction Machinery Co., Ltd.	Hiroshima, Hiroshima Prefecture	Electricity (100% renewable PPA)
Okubo Factory, Kobelco Construction Machinery Co., Ltd.	Akashi, Hyogo Prefecture	Electricity (company-owned solar)
Kobelco Power Kobe Inc.	Kobe, Hyogo Prefecture	Electricity (company-owned solar)
Kobelco Eco-Solutions Co., Ltd.	Harima Town, Hyogo Prefecture	Electricity (100% renewable PPA)
KOBE HEATING AND COOLING SUPPLY Co., Ltd.	Kobe, Hyogo Prefecture	Electricity (100% renewable PPA) City gas (100% carbon neutral)
Kobelco Millcon Steel Co., Ltd. (KMS)	Thailand	Electricity (on-site PPA)
Singapore Kobelco Pte. Ltd. (SKPL)	Singapore	Electricity (on-site PPA)
Kobe Precision Technology Sdn. Bhd. (KPTEC)	Malaysia	Electricity (on-site PPA)
		Electricity (renewable energy certificate)
Kobe Special Steel Wire Products (Pinghu) Co., Ltd. (KSP)*	China	Electricity (on-site PPA)
		Electricity (renewable energy certificate)
Kobelco Aluminum Automotive Products (Suzhou) Co., Ltd. (KAAPC)*	China	Electricity (renewable energy certificate)
Kobelco Wire Products (Foshan) Co., Ltd. (KWPF)	China	Electricity (on-site PPA)
Kobelco Welding of Europe B.V. (KWE)	The Netherlands	Electricity (100% renewable PPA)
		Gas (100% renewable PPA)
Kobelco Welding of Qingdao Co., Ltd. (KWQ)	China	Electricity (on-site PPA)
Kobelco Industrial Machinery India Pvt. Ltd. (KIMI)	India	Electricity (company-owned solar)
Kobelco Construction Equipment India Pvt. Ltd. (KCEI)	India	Electricity (company-owned solar)

* Business locations that have introduced or expanded renewable energy since fiscal 2025

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Management Structure

Structure

See below for details about our management structure.

Basic Environmental Management Policy and Structure: Environmental Management Structure

Thorough Risk Management

Basic Concept

Policies

The Kobelco Group identifies environmental risks in its business activities and takes steps to reduce these risks, while properly managing risks in accordance with daily operating procedures. Through environmental audits and other activities, the Group continues to ensure thorough compliance with laws and regulations and reinforces environmental management.

Targets

Strategies and Targets

The Kobelco Group set the following two targets in the Medium-Term Environmental Management Plan (Fiscal 2024–2026):

- Enhance the autonomous EMS that includes domestic business sites, subsidiaries, and subsubsidiaries, while continuing to conduct on-site environmental audits by the Head Office
- For overseas Group companies, promote the same level of environmental management as in Japan and improve risk management through activities such as on-site environmental inspections

Results

Results

Environmental Audits at Business Locations of Kobe Steel and Domestic Group Companies

The Kobelco Group conducts audits based on checklists of risks for each business location every year to ensure compliance with laws and regulations at Kobe Steel and all business locations of domestic Group companies.

On-site environmental audits have been conducted regularly at 11 business locations of Kobe Steel and 28 business locations of 20 domestic Group companies with high environmental risks (as of March 31, 2026). These are strict on-site environmental audits to check documents, such as measurement records and various reports, and inspect work sites for waste storage and other conditions. The audits also entail interviews with personnel in charge.

We implement on-site environmental audits regularly once every three to five years at overseas Group companies. During these audits, the environmental manager at the regional headquarters, who is well-versed in local laws and regulations, or a local consultant is appointed to review compliance with environmental laws and regulations as well as to reduce risks.

A total of 27 overseas Group companies are subject to on-site environmental audits: six in the United States, eight in China, 12 in Asia excluding China, and one in Europe (as of March 31, 2026). During on-site environmental audits, we grasp the actual state of environmental management and identify problem areas locally on-site, based on which necessary corrective measures are undertaken.

As for results in fiscal 2025, we conducted paper-based environmental audits of all the Group's business sites, including non-production sites in Japan, and the head offices conducted on-site environmental audits at 12 production sites to confirm the status of environmental management.

Results of Environmental Audits in Fiscal 2025

- Paper-based audits: 20 business locations of Kobe Steel and 292 business locations of 80 domestic Group companies
- On-site environmental audits: Four business locations of Kobe Steel, eight business locations at eight domestic Group companies, and two overseas Group companies



On-site environmental audit (Ibaraki Plant)

Status of Compliance (Fiscal 2025)

At Kobe Steel's business sites and domestic Group companies, there was one case of air quality exceeding the legal limit. In this case, we discovered the problem ourselves, promptly reported it to the relevant authorities, and took action. No fines or punishments were imposed.

In fiscal 2025, there were two instances where certain overseas Group companies exceeded the regulation values for wastewater, but no fines or penalties were levied.

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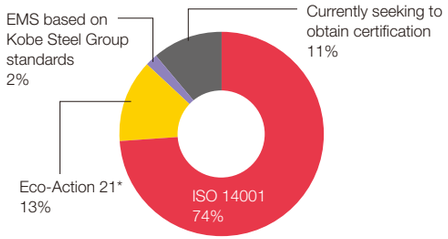
Environmental Management

Major Initiatives

Results

Strengthening Environmental Management (Promoting an EMS)

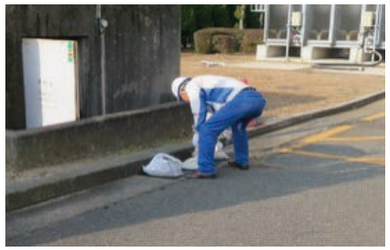
The Kobelco Group employs EMS based on ISO 14001 and reinforces environmental management through a plan-do-check-act (PDCA) cycle. Kobe Steel, Ltd. has obtained certification at all 11 business locations (an integrated certification for Fujisawa Office, Ibaraki Plant, Saijo Plant, and Fukuchiyama Plant) and the Engineering Business. The percentage of locations that have obtained certification for EMS at 46 main production sites is 87%.



* Environmental Activity Evaluation Program (Eco-Action 21): A certification and registration program formulated by the Ministry of the Environment, for more accessible EMS based on ISO 14001.

Environmental Data

Each business location periodically conducts drills for possible emergency situations. Issues are identified in follow-up meetings after the drills and steps are taken to improve responsiveness.



Training to prevent sludge leakage into drainage ditches (Harima Plant, Kobelco Eco-Solutions Co., Ltd.)

Strengthening Environmental Management at Overseas Group Companies

Our overseas business locations also have EMS in place, just like our business locations and Group companies in Japan. Kobe Steel aims to further strengthen environmental management by sharing information among business divisions at Kobe Steel and with overseas business locations.

In the United States and China, where many Group production sites are located, regional headquarters for the respective regions, Kobe Steel USA Inc. and Kobelco (China) Holding Co., Ltd., have environmental managers who are well-versed in local laws and regulations to assist other Group companies and take steps to mitigate risks.

Assessment of Environmental Risks in Investment Projects

The Kobelco Group established systems for each business location to check compliance with applicable environmental laws and regulations as well as environmental risks associated with investment projects. In addition, we employed an environmental checklist system through which the head offices double-check the laws and risks pertaining to projects that entail particularly large investments.

These checks are to confirm that, for example, chemical storage tanks are not installed underground in order to prevent soil contamination and check whether or not effective measures are in place for preventing leaks in cases when storage tanks are located near drainage channels.

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Environmental Management

Promoting Environmental Initiatives with Full Employee Participation

Basic Concept

Policies

We will work to improve environmental awareness through Eco-Office activities to create an energy-efficient and comfortable work environment and to sustain environmental education/learning to enable all employees to take action for the environment.

Targets

Strategies and Targets

The Kobelco Group's targets in the Medium-Term Environmental Management Plan (Fiscal 2024–2026) involve raising environmental awareness by continuing measures such as stratified training, e-learning, and environmental training for Group companies, as well as encouraging the use of the Kobelco Eco-Life Notebook.

Results

Results

In fiscal 2025, we increased employees' environmental awareness and knowledge through the Kobelco Group Environmental Conference and stratified training. Also, we promoted environmental awareness among employees in their home lives through the Kobelco Eco-Life Notebook.

▶ Kobelco Group Environmental Conference

The Kobelco Group Environmental Conference is held every year for the purposes of sharing environmental information and promoting cross-divisional environmental initiatives. In fiscal 2025, participants disclosed information on sustainability, reviewed examples of beneficial activities at each business site to reduce environmental impact and risks, and confirmed the details of revisions to laws and regulations.



Kobelco Group Environmental Conference (Held in a hybrid format, with in-person venue and online participation)

▶ Environmental Training and Study

Since fiscal 2006, we have continually incorporated environmental training and study into our stratified training program for employees in specific positions at respective business locations. Additionally, we provide e-learning programs regularly via the intranet.

In fiscal 2025, we provided stratified education on compliance with environmental laws and regulations, environmental management, and "Taking on the Challenge of Realizing Carbon Neutrality by 2050."

▶ Environmental Training and Study at Overseas Business Locations

In the United States and China, we hold environmental seminars and networking events for employees in charge of environmental management at Group companies in order to advance their skills and share information on the latest developments in environment-related laws and regulations. Employees who will be transferred to overseas business locations are given environmental training prior to their departure with the aim of heightening the consciousness of environmental risks, ensuring compliance with local laws and regulations, and preventing environmental problems.



Environmental networking event (held in China) in May 2025

▶ Promoting Environmental Qualifications

In order to strengthen environmental management and raise environmental awareness, we are encouraging employees to acquire environmental qualifications (such as for pollution control managers or qualified persons for energy management).

Employees Acquiring Environmental Qualifications in Fiscal 2025 (Kobe Steel, Ltd.)

Qualification	Number of Qualified Personnel	Qualification	Number of Qualified Personnel
Pollution Control Manager (Air)	308	Pollution Control Manager (Dioxins related)	64
Pollution Control Manager (Water)	255		
Pollution Control Manager (Noise and vibration related)	144	Pollution Control Chief Manager	2
		Qualified Person for Energy Management	276
Pollution Control Manager (Dust)	47	Certified Environmental Measurer	19

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Environmental Management

Disclosure of Environmental Information

Basic Concept

Policies

The Kobelco Group actively discloses environmental information to communicate its environmental management initiatives to stakeholders. At our business locations, we work on environmental communication, including regularly holding dialogues with community members.

Targets

Strategies and Targets

The Kobelco Group set targets in the Medium-Term Environmental Management Plan (Fiscal 2024–2026) to continue initiatives such as the disclosure of information in an effort to communicate with all stakeholders.

Results

Results

In fiscal 2025, we disclosed environmental information via our integrated report, corporate website, public monitors, and other measures. Also, we set up booths at various exhibitions and introduced our Group's environmental technologies and products.

▶ Issuing the Integrated Report

We disclose environmental information as important non-financial information.

Kobelco Group Integrated Report

▶ Communication with Local Communities

In order to help people understand our efforts to reduce environmental impacts, we regularly hold briefings for local residents at the Kakogawa Works, Kobe Wire Rod & Bar Plant, and Kobe Power Plant.

Toll-free phone numbers (only available in Japan) have also been set up at Kakogawa Works and the Kobe Wire Rod & Bar Plant to answer environment-related inquiries. We will continue to value the opinions of local community members.

Toll-free phone numbers for environment-related inquiries (in Japanese only)

▶ Disclosing Environmental Information via Public Monitors

Kakogawa Works and Kobe Power Plant provide real-time information on the environment, including soot and smoke emissions from the steelworks, through monitors set up in various locations.

Locations of Public Monitors

Kakogawa Works' environmental information	Kakogawa City Hall, Harima Town Office Beppu Community Center, Onoe Community Center
Kobe Power Plant's environmental information	Nadahama Science Square Nadahama Garden Baden

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Environmental Management

Environmental Accounting

Basic Concept

Policies

The Kobelco Group is making efforts to reduce its environmental impacts.

We disclose information to better grasp the costs and benefits associated with our environmental conservation activities, and to deepen stakeholder understanding of our efforts.

Environment-Related Investments and Results

Strategies and Targets

We invest in the installation and continual maintenance of environmental equipment and pursue environmental measures on a variety of fronts in order to mitigate environmental impacts.

In fiscal 2025, we invested approximately 1.28 billion yen in facilities to reduce CO_2 emissions and prevent air and water pollution.

In fiscal 2025, we spent a total of approximately 44.8 billion yen.

Moreover, we invested about 29% of total expenses, or roughly 13.1 billion yen, in research and development for technology development, including working to reduce the weight of materials, utilize recycled materials, and develop CO_2 reduction and carbon neutral-compliant products, demonstrating our strengths as a company that operates steel, aluminum, and welding businesses. Of these, we invested approximately 8.5 billion yen as R&D expenses related to climate change.

We will continue to implement measures to reduce environmental impacts.

Breakdown of Capital Investment and Expenses (Kobe Steel, Ltd.)

Results

(Millions of yen)

Category			Fiscal 2023		Fiscal 2024		Fiscal 2025	
			Capital Investment	Expense	Capital Investment	Expense	Capital Investment	Expense
Expenses in business areas	Environmental expenses	Air pollution prevention	120	11,800	210	11,470	190	10,390
		Water pollution prevention	200	5,990	330	5,600	170	5,420
	Resource Recycling	Waste recycling/ processing, yield improvement	0	10,170	0	11,390	0	13,300
	Climate-related expenses	Energy-saving investment	190	—	610	—	920	—
Management activities expenses	EMS registration/renewal		—	70	—	80	—	80
	Environmental impact monitoring/ measuring		—	320	—	350	—	430
	Personnel expenses for environmental measures/ organization		—	1,790	—	2,010	—	1,700
R&D expenses	Development of eco products and reduction of environmental impact of manufacturing processes		—	11,970	—	12,880	—	13,140
		Of which, R&D related to climate change	—	7,140	—	8,080	—	8,500
Social activities expenses	Environmental organization support, advertising		—	20	—	20	—	20
Other	Pollution levy		—	330	—	270	—	280
Total			510	42,500	1,150	44,100	1,280	44,800

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Appropriate Management of Water Resources

Basic Concept

Policies

The Kobelco 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.

Management Structure

Structure

The Environmental Management and Disaster Prevention Subcommittee deliberates, reports, and evaluates policies, action plans, and results of initiatives concerning the appropriate management of our Group's water resources at least once a year. This management cycle is properly implemented. Important matters are reported and submitted to the Executive Council through the Sustainability Management Committee (chaired by the executive vice president and representative director), to which the subcommittee reports.

Basic Environmental Management Policy and Structure: Environmental Management Structure

Targets

Strategies and Targets

We have set the following targets for water shortage and wastewater risks and are working to address issues for each.

Initiatives to Address Water Shortage Risk

Water recycling rate target: Maintain 95% or higher

The Kobelco Group is working to conserve water through such measures as efficient use of water in manufacturing processes and more extensive use of wastewater recycling.

Initiatives to Address Wastewater Risk

Targets for pollutant discharges COD of 474 tons/year or less and total phosphorus of 23 tons/year or less.

For pollution load, which is an indicator of wastewater pollution, we have set targets for chemical oxygen demand (COD) and total phosphorus for business sites in Japan located in areas with water pollution risk, and are working to prevent such contamination.

Results

Results

Improvement of Water Recycling Rate and Reduction of Water Pollution Load

At each business location, we are recycling water to use again at the site after purifying wastewater from each production process through coagulation sedimentation, sand filtering, and other means. Additionally, by purifying water with a treatment system suitable for wastewater from the manufacturing process, we are working to promote the use of recycled water and reduce the pollution load of wastewater discharged into public water areas.

The water recycling rate in fiscal 2025: 96.2%, achieving the target
Discharges of pollutants in fiscal 2025: COD 220 tons/year, total phosphorus 5 tons/year, achieving the targets

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Appropriate Management of Water Resources

Water Intake, Discharge, and Recycling Rate Data for the Past Three Years[1] (10,000 m³)

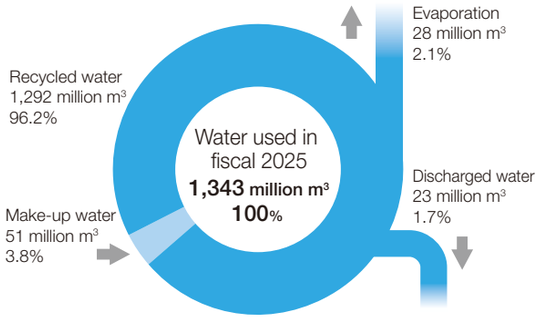
Category		Fiscal 2023	Fiscal 2024	Fiscal 2025
Water withdrawal by source				
	Freshwater (tap water and industrial water provided by the waterworks bureau in each area)	5,086	4,978	4,612
	Groundwater	573	514	481
	Seawater for cooling	396,960	374,300	351,449
	Water withdrawal total	402,620	379,792	356,542
Water discharge total by discharge destination				
	Rivers	214	200	211
	Seawater	399,542	376,798	353,452
	Sewage	59	55	57
	Discharge total	399,815	377,053	353,720
Discharge by each treatment method				
	No treatment (including discharge to sewage)	436	389	175
	Simple treatment	878	862	603
	Standard treatment	18	20	18
	Advanced treatment	1,522	1,479	1,473
Freshwater withdrawal and discharge				
	Water withdrawal total	5,086	5,492	5,093
	Water discharge total	2,855	2,753	2,271
Consumption		2,805	2,739	2,822
Total recycled water		132,468	131,668	129,151
Recycling rate		95.9%	96.0%	96.2%

1 Aggregates the boundary of 100% of Kobe Steel's production sites. It also includes domestic Group companies of a certain scale or larger (water use of 1,000 thousand m³/year or more).
The amount of wastewater at the target business sites covers more than 99% of the Kobelco Group in Japan.
2 The water withdrawal sources for tap water and industrial water are mainly rivers.
3 The sum of the breakdown figures and the total might not match due to rounding of each item.
4 Simple treatment: Removes pollutants and floating particles by physical process (e.g., precipitation)
Standard treatment: Decomposes organic matter by biologic treatment
Advanced treatment: Treats suspended particles, colloids and dissolved matter (nutrients, heavy metals, inorganic pollutants, and other pollutants) after simple and standard treatment
5 The recycling rate is calculated as: (Total recycled freshwater) / (Total recycled freshwater + Total freshwater withdrawal).
The calculation of total recycled freshwater includes some estimates based on equipment specifications.

Data on Water Pollution Load*

Category	Targets	Fiscal 2023	Fiscal 2024	Fiscal 2025
Water discharge total	—	3,998.15 million m³	3,770.53 million m³	3,537.20 million m³
COD	474 t	227 t	220 t	220 t
Total phosphorus	23 t	7 t	7 t	5 t

* All 10 business sites in areas with risks related to total volume regulations are aggregated, and their wastewater accounts for more than 99% of the Group's total (Japan).



Each Kobelco Group business site remains aware of regulatory water quality requirements and evaluates their compliance with these levels. Please see below for water discharge data for each business site, including the results of water quality measurements.

Environmental Data

▶ Development of Water Management Plans in the Group

Of the Group's 31 major production sites in Japan, 20 that account for 65% have formulated water management plans, monitor water intake, discharge, and recycling; and are working to properly manage water resources and reduce environmental impact.

▶ Initiatives to Reduce Water Usage at Business Sites

At Kakogawa Works, we are promoting the effective use of water resources, such as by monitoring withdrawal and discharge through continuous measurement of flow rates at drains, and by recycling water to use again at the site after purifying wastewater from each production process through coagulation sedimentation, sand filtering, etc. In this way, the water recycling rate reaches approximately 97%.

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Appropriate Management of Water Resources

▶ Contributing to a More Vibrant Ocean

While water quality has improved in the Seto Inland Sea (Harima Sea) due to wastewater regulations, the discoloration of seaweed and the decrease in fish catch due to lack of nutrients have become serious issues.

In response to this situation, the Act on Special Measures concerning Conservation of the Environment of the Seto Inland Sea was revised, and in 2022, Hyogo Prefecture formulated its Nutrient Management Plan. Kakogawa Works has been selected as a "nutrient increase action implementer (nitrogen)," and contributes to the creation of a vibrant ocean by operating in accordance with the plan.

▶ Prevention for Flood Damage and Other Natural Disasters

As the type and severity of a natural disaster can vary by site, each site regularly checks the latest hazard maps provided by local authorities and preventions for the risk accordingly.

▶ Evaluation of Water Shortage and Water Stress

Every year, each business site estimates the amount of water it expects to use in the subsequent fiscal year and determines whether the amount of contracted industrial water meets its needs. When a water shortage is anticipated, each business site secures substitute water resources and evaluates how this will affect production.

The Head Office evaluates water stress of the region where the business sites are located with WRI Aqueduct and reports problems (if any) to the necessary directors and officers.

In the WRI Aqueduct assessment for fiscal 2025, none of the Group's business sites or Group companies in Japan are located in regions of high water stress or above and no production sites posed issues. In addition, we have secured a certain volume of water from the supply sources, and believe that the risk of water withdrawal affecting production is low.

At Kakogawa Works, for example, the risk of water intake affecting production is thought to be low because upstream from the water used is the Gongen Dam (total storage capacity: 11.12 million m^3), constructed to ensure a stable supply of industrial water from the Kakogawa River as well as the Kakogawa Weir (total storage capacity: 1.96 million m^3) and Heiso Dam (total storage capacity: 9.40 million m^3), which were constructed to ensure the flow rate of industrial water.

Assessment of Supply Chain Water Shortages and Water Stress

As well as identifying risks from past cases of flood damage in areas from which we procure raw materials, we analyze water risk in those areas using WRI Aqueduct, and are working to diversify raw materials suppliers based on the results of this risk analysis.

Expenses Associated with Water-Related Risks and Investment to Mitigate Water-Related Risks

Expenses for water pollution prevention projects used for the prevention of abnormal water discharge or inspection/maintenance of water treatment facilities are presented below.

(Millions of yen)

Item	Fiscal 2023		Fiscal 2024		Fiscal 2025	
	Capital Investment	Expense	Capital Investment	Expense	Capital Investment	Expense
Expenses for water pollution prevention	200	5,990	320	5,600	170	5,420

Compliance with Laws and Regulations

In order to comply not only with the regulatory limits stipulated by laws and regulations but also with stricter regulatory limits stipulated by agreements with local governments, we continue to develop management standards and make necessary capital investments. In preparation for emergencies, we have established emergency response procedures and conduct drills regularly.

At Kobe Steel's business sites and domestic Group companies, there were no cases of water quality exceeding the legal limit. In fiscal 2025, there were two instances where certain overseas Group companies exceeded the regulation values for wastewater and had leaks of acid from pipes, but no fines or penalties were levied.

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Resource Recycling

Promotion of Resource Recycling (Waste Reduction)

Basic Policy

Policies

To make effective use of limited resources, the Kobelco Group implements measures to control waste. We add value to by-products created during manufacturing processes, develop and introduce new applications for materials, and actively pursue recycling. The Group also reduces paper consumption by reviewing packaging specifications for products to be shipped for the reuse of packaging/shipping supplies, and by actively promoting digitization and IT adoption in documents used for office work across the entire Group. Additionally, we have set recycling targets for the main forms of waste, and are seeking to improve the recycling rate in order to reduce the final disposal amount.

Management Structure

Structure

See below for details about our management structure.

Basic Environmental Management Policy and Structure: Environmental Management Structure

Targets

Strategies and Targets

We actively promote yield improvement and reduction of auxiliary material consumption. We have set the fiscal 2025 target of achieving a recycling rate of 99% for three main by-products (slag, dust, and sludge).

Results

Results

We are working to improve our recycling rate by controlling the amount of by-products produced, promoting recycling, developing new recycling technologies, and increasing added value.

▶ Recycling Rate of Three Main By-Products

The recycling rate of major by-products (slag, dust, and sludge) in fiscal 2025 was 98.4%.

The target was not met due to the temporary disposal of slag resulting from equipment malfunction at Kakogawa Works.

We will continue to work on raising the recycling rate of by-products and reducing landfill disposal amounts in order to achieve these targets.

Recycling Rate of Major By-Products: Slag, Dust, and Sludge (Kobe Steel, Ltd.) (%)

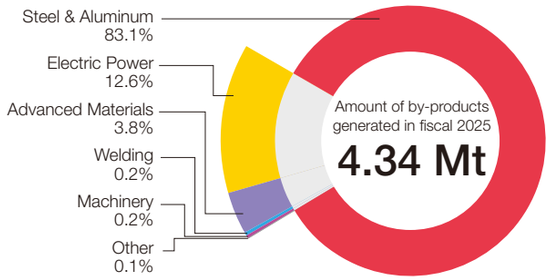
	Target for Fiscal 2025	Fiscal 2023	Fiscal 2024	Fiscal 2025
Recycling rate of three main items*	99	99.1	99.4	98.4

* Recycling rate of three main items = (Amount subject to treatment - Amount of landfill disposal) / Amount subject to treatment

▶ The Group's Recycling of By-Products

In fiscal 2025, 4.34 million tons of by-product materials were generated by the entire Kobelco Group and the recycling rate was 95.0%.

By-Products Generated (Including Domestic Group Companies in Japan)



Recycling rate*: 95.0%

* Recycling rate = Amount of recycled resources / Amount subject to treatment

▶ Initiatives to Control and Recycle Industrial Waste Containing Plastic Products

Based on the Act on Promotion of Resource Circulation for Plastics, we have set a goal of "strive to recycle target waste as much as possible (upper target: recycling rate of 80%)." In addition to controlling the generation of industrial waste from plastic products, we also outsourced disposal to treatment companies that perform recycling and heat recovery. The recycling rate in fiscal 2025 was 83.9%. We will continue with our initiatives to control waste generation and recycling.

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Resource Recycling

Amount of By-Products, Recycled Resources, and Landfill Disposal over the Past Three Years (Including Domestic Group Companies)[1]

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Amount of by-products generated (t)	4,667,668	4,567,831	4,342,626
Amount of recycled resources (t)	4,336,499	4,400,036	4,126,163
Amount of landfill disposal (t)	137,448	138,440	189,464
Other (volume reduction, t)	193,721	29,365	26,999
By-product recycling rate[2]	93%	96%	95%
Amount of specially controlled industrial waste generated (t)	18,414	18,889	17,358
Amount (rate) of specially controlled industrial waste generated[3]	0.39%	0.41%	0.40%

1 The information above covers more than 99% of the waste generated by the Kobelco Group in Japan.
2 By-products (total) recycling rate = Amount of recycled resources / Amount subject to treatment
3 Rate = Amount of specially controlled industrial waste generated / Amount of by-products generated

Transportation Amount* of Specially Controlled Industrial Waste Disposed of over the Past Three Years (Including Domestic Group Companies)

(t)

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Transportation amount of specially controlled industrial waste	14,023	14,615	13,424

* Amount of specially controlled industrial waste outsourced for treatment

Data on Main Resources Used at Kobe Steel, Ltd. over the Past Three Years

(Million t)

Main Raw Materials	Fiscal 2023	Fiscal 2024	Fiscal 2025
Iron ore	8.97	8.98	8.66
Coking coal/coke	4.69	4.76	4.60
Aluminum ingots, copper ingots, etc.	0.42	0.40	0.40
Total*	14.08	14.15	13.66

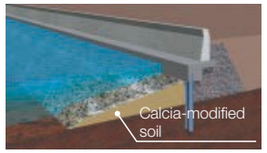
* The totals may not match as a result of rounding.

Major Initiatives

Results

▶ Promoting the Recycling of Steel Slag

Of the by-products produced, steel slag, which is produced in large amounts, is recycled approximately 99% into construction and other materials, thereby contributing to a recycling-oriented society. Most steel slag products are designated as specified procurement items under the Act on Promoting Green Procurement for public work projects as materials that benefit environmental conservation. Going forward, we will continue to expand the applications of steel slag products that contribute to carbon neutrality and biodiversity.

Application	Details
Cement materials 	Granulated BF slag is pulverized into a fine powder and used as a raw material for cement. This reduces CO_2 emissions generated in the cement manufacturing process because the firing process of clinker is no longer required. The use of BF cement mixed with 45% fine BF slag powder reduces CO_2 emissions per ton of cement by approximately 320 kg.
Roadbed material 	Roadbed material is made by pulverizing/granulating steel slag and ash stone. It has hydraulic properties and provides strong support. The roadbed material can contribute to conservation of the natural environment by being utilized as a substitute for natural resources.
Ground improvement material 	By using steel slag to improve soft soil, it is possible to build stronger ground and contribute to national resilience. In addition, replacing cement solidifiers with steel slag will also lead to a reduction in CO_2 during material manufacturing.
Steel slag artificial stone 	Steel slag artificial stone is a form of artificial stone made by solidifying steel slag with cement. Steel slag is expected to make a contribution to absorb and hold CO_2 by helping to restore marine resources by providing nutrients in the form of iron and other substances contained within the slag to encourage luxuriant seaweed growth. Steel slag is already being used in submerged bank construction work contracted by the City of Kobe.
Calcia-modified soil (schematic diagram) 	Calcia-modified soil is a material with physical and chemical properties that have been modified by mixing dredged soil and basic oxygen furnace (BOF) steel slag. It can be used for various purposes in marine areas. In the reconstruction of Wajima Port, which was uplifted by the Noto Peninsula Earthquake in 2024, our steel slag-mixed calcia-modified soil was used as a base material for creating seaweed beds. Furthermore, there are plans to obtain J-Blue Credits® for this seaweed bed.

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Resource Recycling

Major Initiatives in the Business Divisions (Japan)

Business Divisions	Examples of Initiatives to Reduce the Generation of By-Products/ Waste and Decrease Landfill Disposal
Steel & Aluminum	Reduction of steel slag generation and development of new applications Development of recycling technologies for dust Recycling of arc furnace ash Reuse of aluminum scrap generated in the plant and at customer locations
Advanced Materials	Reduction of steel slag generation and development of new applications Reuse of aluminum scrap generated in the plant Reuse of wooden pallets Conversion of coreless furnace dust and soot into recyclable materials
Welding	Recycling of sorted waste flux into roadbed material Reuse of product packaging materials
Machinery	Reduction of waste wood and waste plastics by reducing the weight of reusable shipping cartons and shock-absorbing materials
Construction Machinery	Reducing and recycling waste through the collection, repair, and sale of refurbished parts from construction machinery
Electric Power	Recycling of coal ash and gypsum, which is a by-product of flue gas desulfurization equipment Completed construction of facilities for utilizing wastewater sludge fuel and operation started

Initiatives at Overseas Group Companies

Company Name	Examples of Initiatives to Reduce the Generation of Waste and Decrease Landfill Disposal
Kobe Special Steel Wire Products (Pinghu) Co., Ltd. (KSP)	Reuse of sulfuric acid
Kobelco Spring Wire (Foshan) Co., Ltd. (KSW)	Reuse of lubricants
Kobelco Precision Technology Sdn. Bhd. (KPTEC)	Recycling of oil drums
Kobelco Aluminum Products and Extrusions, Inc. (KPEX)	Reuse of waste caustic soda and aluminum scraps, etc.
Thai Kobelco Welding Co., Ltd. (TKW)	Reuse of packaging materials
Kobelco MIG Wire (Thailand) Co., Ltd. (KMWT)	Reuse of packaging materials
Kobelco Aluminum Automotive Products (Suzhou) Co., Ltd. (KAAP-C)	Reuse of aluminum scraps, etc.
Kobelco Aluminum Automotive Products, LLC (KAAP)	Reuse of aluminum balls for shot blasting

Initiatives to Control Waste Generation and Recycling in Collaboration with Outside Entities

Initiative	Details
Initiatives to effectively use underutilized energy in local communities: From conversion of sewage sludge to fuel to hydrogen production and supply	• As an initiative made possible by the collaboration between Kobelco Eco-Solutions Co., Ltd., which has wastewater sludge treatment technology, and the Kobe Power Plant, wastewater sludge is converted into biomass fuel and utilized as wastewater sludge fuel at the Kobe Power Plant. • We plan to use wastewater fuel as a portion of the fuel for generating electric power to produce hydrogen from the electricity generated using the wastewater sludge fuel, which will be supplied to fuel-cell vehicles (FCVs). This initiative will contribute to the spread of FCVs, reduction of CO_2 emissions in local communities, and improvement in air quality.
Study group for expanding usage of steel slag	• In a study group established by Hyogo Prefecture (Hyogo Eco-Town Promotion Council), we are conducting research to expand the use of steel slag in industry-government-academia collaboration/cooperation. The Kobelco Group participates as a member of the following research working group. • The Construction Method for Disaster Risk Reduction Working Group aims for the practical utilization of a low-cost and effective reinforcement method for old road fill, whose aseismatic performance is decreased. Working toward actual use of fill mixed with steel slag, we are conducting aseismatic reinforcement tests using it. For more information, please see the following: Hyogo Eco-Town Promotion Council (in Japanese only)
Demonstration project on gasification and methanolization of waste plastics	• Developing Japan's first chemical recycling technology for a wide variety of waste plastics that have traditionally been incinerated or landfilled. This technology will contribute to the recycling of plastic resources, a global issue, and will utilize Kobelco Eco-Solutions Co., Ltd.'s proprietary fluidized bed gasification technology to gasify (thermally decompose) waste plastics and produce methanol from the resulting synthetic gas. • Initiative was selected for funding by the Ministry of the Environment's "FY2022 Subsidy for Carbon Dioxide Emission Control Measures Project Costs: Demonstration Project for Construction of Resource Circulation Systems for Plastics and Other Technologies to Support a Decarbonized Society." Together with Daiei Kankyo Co., Ltd., DINS Kansai Co., Ltd., MITSUBISHI GAS CHEMICAL COMPANY, INC., and Mitsubishi Kakoki Kaisha, Ltd., we conducted a demonstration project at Eco-Town in Osaka Prefecture, and have now completed the Ministry of the Environment's demonstration project. Going forward, we will continue to develop this technology to further improve it.
Recycling in the aluminum rolled products business	At the Moka Plant and Kobelco Baosteel Automotive Aluminum Rolled Products Co., Ltd., we are working with our customers to collect and utilize scrap generated during the manufacturing process and from used products. Furthermore, we are participating in the Development of Upgrade Recycling Technology of Aluminum for the Resource Circular Society Project, administered by NEDO to build an advanced resource recycling system for aluminum materials. As part of this project, we are working on technical development in collaboration with industry, academia, and government.
Hydrogenation of waste cooking oil for use as aviation fuel	As part of our efforts to mitigate climate change, we are participating in the FRY to FLY Project, which promotes the decarbonization of the aviation industry through domestic resource recycling. This project, with JGC Holdings Corporation acting as the secretariat, collects and reuses waste cooking oil and utilizes it as a raw material for SAF*. We are contributing to the decarbonization of the aviation sector by providing waste cooking oil from the employee cafeterias at our Kobe and Tokyo head offices. * SAF is an acronym for sustainable aviation fuel, a next-generation fuel that replaces conventional fossil fuel-derived aviation fuel.

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Reduction of Environmental Impacts

Reduction of Environmental Impacts

Basic Concept

Policies

As part of its environmental management policies, the Kobelco Group is committed to environmentally friendly manufacturing. We pursue this commitment on a variety of fronts—including improvements to sustainable manufacturing processes, updates to equipment, introduction of efficient state-of-the-art equipment, and introduction of pollution control equipment—to reduce environmental impact from soot and other sources. We will continue to implement these initiatives.

Management Structure

Structure

See below for details about our management structure.

Basic Environmental Management Policy and Structure: Environmental Management Structure

Air Pollution Measures

Policies

The Kobelco Group is working to control air pollutant emissions by introducing low-NOx combustion facilities along with enforcing appropriate management of exhaust gas treatment facilities and dust collectors.

Targets

Strategies and Targets

The Kobelco Group set the target in the Medium-Term Environmental Management Plan (Fiscal 2024–2026) of reducing environmental impact from soot and smoke, through meticulous operational management and facility management.

Results

Results

We have taken measures to limit sulfur oxide (SOx) emissions during manufacturing processes, such as conserving energy to reduce fuel consumption, using low-sulfur fuels, and switching to city gas, while also implementing exhaust-related measures, such as desulfurization. Likewise, to reduce nitrogen oxide (NOx) emissions, we have implemented low-NOx combustion technology and energy-saving measures.

As for results in fiscal 2025, we continued to control emissions by thoroughly managing soot and smoke. In addition, SOx and NOx emissions since fiscal 2024 decreased because maintenance of the desulfurization and denitrification equipment at the sinter plant at Kakogawa Works, which was carried out from fiscal 2022 to 2023, has been completed.

▶ Data on Soot and Smoke Load*

Item	Fiscal 2023	Fiscal 2024	Fiscal 2025
SOx emissions	1,568 kNm³	1,025 kNm³	1,089 kNm³
NOx emissions	4,307 kNm³	4,109 kNm³	3,990 kNm³

* Aggregates the boundary of 100% of Kobe Steel's production sites. It also includes major domestic Group companies whose energy consumption is 1,500 kL/year of heavy oil equivalent.
* For business locations that have paid the current portion of the pollution load levy, the aggregation period for SOx emissions is January to December.

Major Initiatives

Results

▶ Measures to Counter Dust at Kakogawa Works

At Kakogawa Works, voluntary targets for dustfall in three neighboring locations have had the steelworks influence value set at 3.0 tons/km²/month or less, and the site has continued to implement countermeasures. In fiscal 2025, however, a reading of 3.78 tons/km²/month was recorded at the Kakogawa Shinko Building in August. As a result, the voluntary target was not achieved.

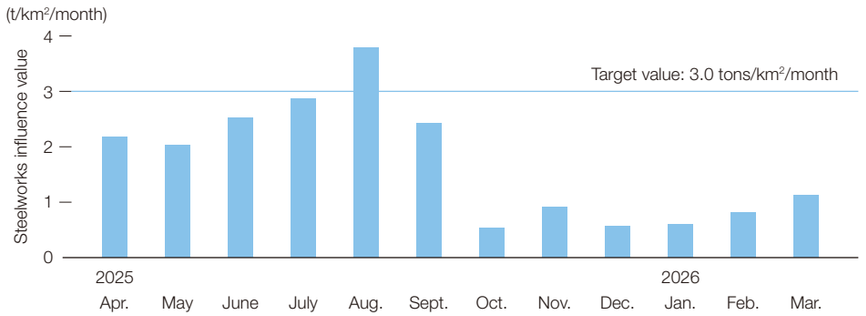
After reviewing the operational status and equipment condition, no abnormal operations or equipment malfunctions that would directly lead to a reading this high were found. On the other hand, it was confirmed that the frequency of southerly winds during August 2025 created weather conditions that made it easy for dust from the steelworks to be dispersed to surrounding vicinities.

As a result of big data analysis conducted using measuring equipment installed in recent years, a tendency for high dust concentrations in the air above the steelworks was confirmed in the preprocessing area and the coke production area.

In the coke production area, we have determined that there was a decrease in dust collection capacity around the dust collection equipment and periods when the coal storage area was not sufficiently wetted, which may have caused dust to be dispersed during strong winds.

Currently, in the southern area of the sintering plant, we are systematically reviewing the dust collection piping route and increasing dust collection capacity by adding more dust collectors as a permanent measure, aiming for completion of this work by March 31, 2028. In the coke production area, we are implementing and stepping up measures such as maintenance of dust collection equipment, improvements to the sealing of areas around the equipment, and reviews of wetting practices in the coal storage area.

Steelworks Influence Value Related to Dustfall (Kakogawa Shinko Building)



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Reduction of Environmental Impacts

Appropriate Management of Chemical Substances

Policies

We established the Kobelco Group Policy on Controlling Hazardous Chemical Substances to ensure the appropriate handling of chemical substances from procurement to manufacturing and quality control.

Kobelco Group Policy on Controlling Hazardous Chemical Substances

We will comply with all domestic laws and regulations related to the handling of chemical substances and implement the following actions:

- Request suppliers to handle chemical substances properly at the time of procurement of raw materials;
- Identify the risks to employees' health caused by chemical substances and ensure a safe working environment;
- Properly manage chemical substances used in processes and reduce their use in order to mitigate environmental impacts; and
- Comply with the laws and regulations of the countries and regions to which products are shipped, and respond appropriately and promptly to customer requests regarding chemical substances contained in products.

In addition to accurately assessing the use, disposal, and transfer of chemical substances covered under the PRTR Law[1] and Chemical Substance Control Law[2], we engage in activities to limit the use and output of such substances. In addition, waste electrical equipment containing PCB and equipment using fluorocarbons are appropriately stored and managed in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and the Act on Rational Use and Appropriate Management of Fluorocarbons, respectively.

1 Law Concerning Pollutant Release and Transfer Register (PRTR): Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof
2 Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

Targets

Strategies and Targets

The targets of the Kobelco Group's Medium-Term Environmental Management Plan (Fiscal 2024–2026) are to engage in appropriate management, reduction, and substitution activities for chemical substances, as well as to take appropriate measures in compliance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

Results

Results

Since the deadline for the disposal of low-concentration PCB waste required by law is the end of fiscal 2026, the Group is systematically proceeding with the outsourcing of disposal to ensure that disposal is completed prior to the deadline with ample time to spare. In fiscal 2025, the disposal of most low-concentration PCB waste was completed, excluding certain transformers awaiting replacement.

Regarding specified fluorocarbons, we confirmed they are managed appropriately through audits and other means.

With regard to Class 1 Designated Chemical Substances stipulated in the PRTR Law, we are taking appropriate measures such as disseminating information within the Group in light of the fact that these substances have significantly changed due to the revision of laws and regulations.

The annual transfer and release of substances subject to PRTR reporting over the past three years is presented in the table below.

Annual Transfer and Release of Substances Subject to PRTR Reporting over the Past Three Years

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Substances subject to reporting	59	59	55
Air emissions	398 t	410 t	351 t
Releases to public water areas	65 t	65 t	61 t
Drainage	0.6 t	0.6 t	0.5 t
Transfers outside the premises (waste)	3,008 t	3,272 t	2,678 t

Note: This figure represents chemical substances handled in quantities exceeding 1 ton at the Group's (domestic) business sites, accounting for 99% or more of all chemical substances handled at all our business sites.

Air Emissions of Volatile Organic Compounds (VOCs) and Other Hazardous Substances over the Past Three Years (Including Emissions by Domestic Group Companies) (Unit: t/year)

		Fiscal 2023	Fiscal 2024	Fiscal 2025
VOCs		374	379	346
Other hazardous substances	Lead	0	0	0
	Manganese and its compounds	0.3	0.2	0.2

Notes: 1. Calculated for VOCs relevant to the Kobelco Group, out of those specified as Class 1 Designated Chemical Substances in Appended Table 1 of the Ordinance for Enforcement of the Law Concerning Pollutant Release and Transfer Register.
2. This figure represents chemical substances handled in quantities exceeding 1 ton at the Group's (domestic) business sites, accounting for 99% or more of all chemical substances handled at all our business sites.

Major Initiatives

Results

Examples of Initiatives to Reduce Chemical Substance Use and Output

Production Facility / Company Name	Location	Activities
Kobelco Wire Company, Ltd.	Izumisano, Osaka Prefecture	Use of degreasing solvent recovery equipment

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Reduction of Environmental Impacts

Kobelco Group Annual Transfer and Release of Hazardous Substances Subject to PRTR Reporting (Aggregation Results for Fiscal 2025)

Unit: kg (mg-TEQ for dioxins)

Control Number[1]	Substance	Release[2]	Transfer[3]
1	Zinc compounds (water soluble)	530	0
20	2-aminoethanol	0	51
44	Indium and its compounds	0	0
53	Ethylbenzene	43,000	13,000
57	Ethylene glycol monoethyl ether	35	10
74	Para-alkylphenols (limited to those with eight carbon atoms of the alkyl group)	0	0
80	Xylene	53,000	18,000
85	Glutaraldehyde	0	0
87	Chromium and chromium (III) compounds	53	36,000
88	Chromium (VI) compounds	0	990
104	Chlorodifluoromethane	4,900	0
144	Inorganic cyanide compounds (except complex salts and cyanates)	31	1,400
186	Dichloromethane; methylene dichloride	18,000	740
207	2, 6-Di-tert-butyl-4-cresol	0	0
240	Styrene	80	0
243	Dioxins	100	0
262	Tetrachloroethylene	41,000	8,400
270	Terephthalic acid	0	0
272	Copper salts (water soluble, except complex salts)	360	3,200
273	1-dodecanol	0	0
277	Triethylamine	5,400	200
281	Trichloroethylene	2,000	1,700
300	Toluene	110,000	17,000
302	Naphthalene	220	0
308	Nickel	5	3,500
309	Nickel compounds	180	24,000
321	Vanadium compounds	0	0
333	Hydrazine	17	0
349	Phenol	2	910
374	Hydrogen fluoride and its water-soluble salts	36,000	2,800
389	Hexadecyltrimethylammonium chloride	0	0
392	Hexane	120	110
400	Benzene	6,600	0
405	Boron compounds	2,100	4,800
407	Poly (oxyethylene) alkyl ether (alkyl C=12-15)	3,400	21,000
408	Poly (oxyethylene) alkyl phenyl ether (limited to those with eight carbon atoms of the alkyl group)	30	3,000
410	Poly (oxyethylene) alkyl phenyl ether (limited to those with nine carbon atoms of the alkyl group)	940	0.87
412	Manganese and its compounds	4,200	88,000
448	Methylenebis (4,1-phenylene) diisocyanate	0	0
453	Molybdenum and its compounds	880	14,000
460	Tritolyl phosphate	0	0
581	Salts of alkyl (benzyl) (dimethyl) ammonium (limited to those with 12 to 16 carbon atoms of the alkyl group and mixtures thereof)	2,700	0
594	Ethylene glycol monobutyl ether (also known as Butyl CELLOSOLVE™)	12,000	1,100
595	Ethylenediaminetetraacetic acid and its potassium and sodium salts	0	0
626	Diethanolamine	0	180
627	Diethylene glycol monobutyl ether	7,300	550
667	Silicon carbide	0	2,400,000
668	Lithium carbonate	0	0
691	Trimethylbenzene	49,000	8,300
693	Trimethoxy (3-[oxiran-2-ylmethoxy] propyl) silane	0	260
697	Lead and its compounds	8.3	6,200
708	(1-hydroxyethane-1,1-diyl) diphosphonic acid and its potassium and sodium salts	2,800	0
731	Heptane	4,800	1,500
737	Methyl isobutyl ketone	640	200
746	N-Methyl-2-pyrrolidone	3,700	0

1 The control number is a unique serial number given to each designated chemical substance. As a general rule, it will not be changed even if the Cabinet Order is amended.
2 Total releases to air, public water areas, and soil
3 Total transfers outside the premises and to sewage

Water Pollution Measures

For our water pollution measures, please see here. Appropriate Management of Water Resources

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Biodiversity

In recent years, the need to protect nature has become increasingly important based on the recognition that the destruction of natural environment around the world greatly damages our economic activities.

The Kobelco Group, long recognizing the importance of conserving biodiversity for the continuity of its business activities, carries out business activities linked with nature conservation. As part of our assessment of nature-related risks, we are also disclosing information in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), a framework for the disclosure of nature-related information.

Governance

Management Structure

Structure

The TNFD recommendations call for companies to disclose the governance of the nature-related dependencies, impacts, risks, and opportunities associated with their business activities.

To promote internal management of risks and opportunities related to biodiversity, we have established the Biodiversity Response Team within the Environmental Management and Disaster Prevention Subcommittee under the Sustainability Management Committee (chaired by the executive vice president and representative director).

Since the Kobelco Group engages in a wide range of businesses, including materials, machinery, and electric power, team members are recruited from each business division. The team investigates the relationship between business activities and natural capital, and extensively examines risks and opportunities related to biodiversity. The results of the reviews and activities of the Biodiversity Response Team are reported to the Executive Council through the Sustainability Management Committee. If, as a result of detailed analysis, some significant nature-related risks are found that will impact the business activities of the Kobelco Group, we will take necessary measures to reduce those risks with the guidance of the executive management team.

In order to secure incentives for the supervisory performance of these executives, we revised our directors' remuneration system in April 2024 and introduced a system in which a portion of remuneration is linked to external evaluations based on our ESG initiatives.

Basic Environmental Management Policy and Structure: Environmental Management Structure

Kobelco Biodiversity Guidelines

Policies

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.

Alliances and Participation in Initiatives

Results

As a member of Keidanren (Japan Business Federation), we endorse the Keidanren Declaration for Biodiversity and Guideline, which were revised in December 2023, and participate in the Keidanren Initiative for Biodiversity Conservation.

We also support the Ministry of the Environment's target of effectively conserving at least 30% of both land and marine areas as healthy ecosystems by 2030 (30by30), and are participating in the 30by30 Alliance for Biodiversity, which promotes efforts to certify areas that have been conserved by the private sector and others.

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Strategy

Strategies and Targets

The TNFD recommendations include identifying nature-related dependencies, impacts, risks, and opportunities and disclosing their impact on the Company's operations, strategy, and financial planning. For this reason, TNFD recommends that companies describe the business activities and priority regions in supply chains. This section summarizes the Kobelco Group's business activities, including supply chains, and their dependencies and impacts on natural capital.

The TNFD recommendations encourage the use of the LEAP approach, including scoping, to advance assessment of nature-related risks. Scoping is the process of narrowing down the key business areas in which the risk assessment will be conducted. LEAP is an acronym for Locate, Evaluate, Assess, and Prepare, indicating the stages of risk assessment.

Overview of Dependencies and Impacts Related to Business Fields and Nature (Scoping)

Since the Kobelco Group's business activities are wide ranging, we used Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE[1]), a database recommended by the TNFD, to provide an overview of the impact on nature and the magnitude of dependencies on nature at each stage of raw materials procurement, production, and use in each business field, such as steel, aluminum, and materials, which allowed us to confirm the extent of dependencies and impacts of the industry. However, this ENCORE-based assessment is general and applies to all defined sectors and subindustry groups, and does not reflect the characteristics of the Group. Therefore, we analyzed the impact on the environment of the Group's direct operations, GHG emissions, water consumption, waste, and non-GHG air pollution, as well as in the supply chain (raw materials procurement) of the steel business, which is highly dependent on water resources and has a large business scale.

1 A tool that assesses the magnitude of impacts on nature and the extent of dependencies on nature of production processes for 271 economic areas based on the International Standard Industrial Classification of All Economic Activities (ISIC) jointly developed by the Natural Capital Finance Alliance (NCFA), a network of financial institutions in the field of natural capital, and the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC).

High-Level Analysis of the Natural Impacts of Our Operations and Key Supply Chain Locations

Under the TNFD recommendations, we will carry out risk assessments on areas that are important for business activities (material locations) and places that pose a high risk to nature (sensitive locations).

Therefore, we are investigating the presence or absence of nature-related risks at directly operated business locations and mines that are major steel-related supply chains, by using existing tools.

▶ Directly Operated Business Locations

Results

We used IBAT[2] to evaluate the potential impacts that operations of the Kobelco Group's production sites have on regions important to preserving the biodiversity of the surrounding area.

The results confirmed that there are no protected natural areas (including wetlands registered under the Ramsar Convention, UNESCO natural world heritage sites, or sites under IUCN[3] protected area categories 1 [protected areas] to 3 [natural monument or feature]) within a three-kilometer radius of our production sites.

2 Integrated Biodiversity Assessment Tool: A tool that can access basic data and the latest information on nature conservation
3 International Union for Conservation of Nature

Results of the analysis on water stress-related risk using Aqueduct[4], developed by the WRI, found that none of the Group's business sites or Group companies in Japan are located in regions of high water stress or above. We have confirmed that there are overseas Group companies with high water stress or above, but we have confirmed that water consumption is low or that water is recycled.

4 Aqueduct is a tool used to map the magnitude of water risks globally and identify and assess each.

▶ Supply Chain

We used IBAT to assess the possibility that operations at major iron ore and coal mines, among our suppliers of raw materials, could affect important points in biodiversity conservation of the surrounding area. As a result, we confirmed that none of the major mines of suppliers are located inside any area falling under IUCN protected area categories 1 (protected areas) to 3 (natural monument or feature). However, we know that some mines are in close proximity to protected areas.

We have confirmed that the mines in close proximity to these nature conservation areas are working to protect the environment and biodiversity.

In addition, we ask our raw materials suppliers to support and cooperate with our initiatives, such as actively addressing global environmental issues including resource depletion, climate change, environmental pollution, and biodiversity, as well as taking into account local environmental issues while ensuring the health and safety of people in the regions concerned.

Building Responsible Supply Chains

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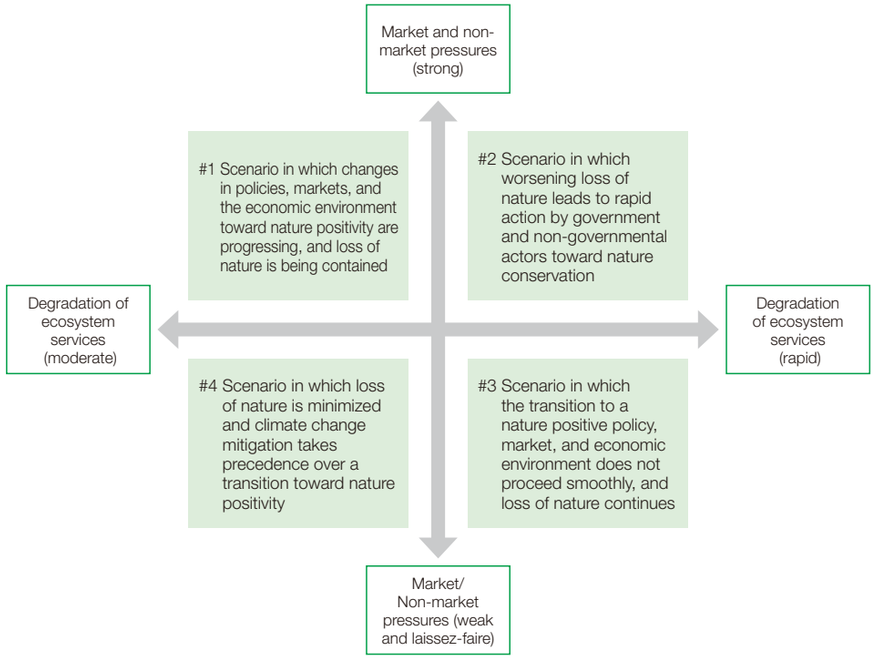
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Scenario Analysis on Nature

The TNFD recommends defining nature-related risks and opportunities by setting scenarios that combine future states of natural degradation with global socioeconomic conditions, and then analyzing the worldview of the business environment based on these scenarios.



For the Kobelco Group, we analyzed the following two future scenarios out of the four presented, focusing on those in which both the degradation of ecosystem services and market/non-market pressures intensify.

- A scenario in which natural degradation is mild and social regulations aimed at nature conservation and resource saving are strengthened (nature positive scenario)
- A scenario in which the destruction of nature progresses rapidly and society fails to take leadership in protecting these natural areas (nature loss scenario)

The socioeconomic conditions that can be considered for each of these scenarios are as follows.

#1 Nature positive scenario

- Disruption of supply chains when mineral resource production areas and protected areas overlap
- Restrictions banning resource extraction are strengthened globally, impacting resource supply chains
- Regulations are strengthened in all areas to reduce the risk of environmental pollution
- Policies related to the circular economy are strengthened, and demands for a significant reduction in waste and the recycling of by-products (slag, dust, and sludge) increase
- Customers and business partners primarily in developed countries demand stricter requirements for traceability and transparency related to impacts on nature

#3 Nature loss scenario

- Customers and business partners have a low awareness of nature, and products that prioritize price are preferred
- Criticism and opposition to projects that have a negative impact on nature or local communities is limited
- Anticipated increase in short-duration torrential rainfall, rising temperatures, an increase in extremely hot days (days in which the temperature is above 30, 35, or 40 degrees Celsius), an increase in the frequency and scale of typhoons, and other meteorological disasters and the intensification of forest fires and wildfires

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Management of Risks and Impacts

For the steel business, which was prioritized for assessment, we have analyzed our dependencies and impacts on nature as well as the associated risks and opportunities expected to arise under the two future scenarios—Nature Positive Scenario and Nature Loss Scenario—as follows.

Categories of Risks and Opportunities	Stage of Value Chain	Dependencies and Impacts	Risks and Opportunities	Impacts* (Nature Positive Scenario)	Impacts (Nature Loss Scenario)	Response Measures
Physical risks (acute and chronic)	Upstream/Direct operations	Climate adjustment, disaster mitigation	• Supply chain disruptions due to flooding • Flooding and storm surge damage at production bases	Moderate	Major	• Increasing the number of suppliers and ensuring a constant stock of raw materials • Implementing physical measures against floods and storm surges, and continued reviews of BCP • Confirming using IBAT and WRI Aqueduct, etc.
Physical risks (acute)	Direct operations	Supply of water resources	Water stress at Group companies located in some overseas areas worsens, making it difficult to obtain sufficient water for business continuity and resulting in a decline in operating rates	Minor	Moderate	Assessing the water stress situation and maintaining/improving water recycling rates according to the level of risk [Indicator No. C3.0 Water Resources]
Transition risks (policies)	Direct operations	Waste and recycling	Response to policies calling for the reuse of recycled resources (circular economy)	Moderate	—	Working on horizontal recycling of raw materials
Transition risks (policies)	Upstream	Alteration of terrestrial ecosystems	The expansion of protected areas in line with the 30by30 policy results in a decrease in new resource development areas and permits, leading to supply chain disruptions and price hikes for metal resources and coal	Moderate	—	Diversifying raw materials suppliers
Transition risks (policies and society)	Direct operations	Emissions of air pollutants other than GHGs and emissions of water pollutants	• Increased costs to address stricter water and air pollution regulations during the manufacturing stage • Demands from local communities regarding water quality management	Minor	—	Regular monitoring of wastewater quality [Indicator No. C2.1 Water Quality]
Transition risks (markets and technologies)	Direct operations/ Downstream	Impacts of resource use over the life cycle	Changes in product demand due to increased demand from customers for recycled materials	Moderate	—	Working on horizontal recycling of raw materials
Transition risks (markets and technologies)	Direct operations/ Downstream	Impacts of resource use over the life cycle	Changes in product demand due to increasing needs for low-greenhouse gas materials	Moderate	—	Expanding production of Kobenable™ Steel and Kobenable™ Aluminum
Opportunities (markets, products and services)	Downstream	Impacts of resource use over the life cycle	Increased demand for products with low greenhouse gas emissions and nature-related certifications	Major	—	Expanding sales of Kobenable™ Steel and Kobenable™ Aluminum as well as the MIDREX™ Process [Indicator No. C7.4 Nature Opportunities]

* Impacts:
Major: Significant impact on management and strategy across almost all business divisions and Companywide
Moderate: A certain impact on Companywide management and strategy or on a specific business
Minor: Some impact on management, but the impact on Companywide management and strategy is limited

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Measurement Indicators and Targets

Strategies and Targets | Results

The TNFD has established global core disclosure metrics to manage nature-related dependencies and impacts.

The indicators used to manage nature-related risks and opportunities arising from the Group's business activities related to the global core disclosure metrics are as follows:

Indicators on Dependencies and Impacts

No.	Factors of Nature-Related Changes	Indicator	Measurement Indicators	Targets
C2.1	Pollution / Pollution removal	Wastewater emissions	• Emissions from business sites • Concentration of main pollutants in wastewater	COD: 474 tons/year Total phosphorus: 23 tons/year
C3.0	Resource use / Resource replenishment	Water withdrawals and consumption from water-scarce areas	Water withdrawal and consumption (m^3) Water recycling rate	Water recycling rate: 95% or higher

Indicators on Risks and Opportunities

No.	Category	Measurement Indicators	Results
C7.2	Risk	Details and amounts of significant fines, penalties, and lawsuits incurred in the fiscal year due to negative nature-related impacts	Not applicable
C7.4	Opportunity	Increase in revenue and percentage of revenue from products and services that have a demonstrable positive impact on nature, and an explanation of that impact	Contribution to reduction of CO_2 emissions: 67.42 million tons Net sales of related products: 389.2 billion yen

* C2.1, C3.0, etc., are numbers specified in the TNFD Information Disclosure Guidelines.

Measures to Mitigate Dependence/Impact on Biodiversity

Measures against Global Warming

To mitigate impacts on biodiversity, such as changes in ecosystems brought about by climate change, we have created a roadmap for reducing CO_2 in the steelmaking process and electric power business aiming for carbon neutrality by 2050, and are now carrying out activities under this roadmap.

Response to Climate Change

Appropriate Management of Water Resources

To lower our dependence on water resources, we are working to reduce our use of water in production processes by optimizing water use, and by reusing and recycling water. Our goal is to maintain a water recycling rate of at least 95%.

We also set targets for water pollution load including COD and total phosphorus targeting our business sites located in enclosed coastal sea areas with wastewater risks.

Appropriate Management of Water Resources

Controlling Waste Generation and Promoting Recycling

To make effective use of limited resources, we have implemented measures to control waste. Along with these, we are working to add value to by-products created during manufacturing processes, develop and introduce new applications of materials, and actively pursue recycling.

We have set the fiscal 2030 target of achieving a recycling rate of 99% for major by-products (slag, dust, and sludge) resulting from our production activities.

Resource Recycling

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Nature-Related Contributions

Products/Activities that Contribute to Biodiversity

▶ Steel Slag

Seaweed beds, which are marine ecosystems, have an important function of improving water quality and providing an area for spawning and breeding fish. Furthermore, in recent years, attention has been focused on the properties of marine algae that easily store CO_2, and there is a growing movement to conserve these areas in order to reduce the volume of the carbon cycle.



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

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 Osaka Bay, blue carbon ecosystems such as seaweed beds and tidal flats are not connected in the inner part of the bay. For this reason, Osaka Prefecture and Hyogo Prefecture jointly established the Members of the Osaka Bay Blue Carbon Ecosystem Alliance (MOBA) in order to realize the concept of connecting the Osaka Bay coast as a corridor for blue carbon ecosystems. We participate in this initiative as a member and are expanding the possibilities of seaweed bed creation using slag.

Additionally, we have developed calcia-modified soil. This is made by mixing dredged soil with calcia-modified material, which is produced by controlling the composition and particle size of converter steelmaking slag. Calcia-modified soil is used as a material for creating shallow areas, tidal flats, and seaweed beds.

Going forward, we will continue to promote the use of steel slag products as materials for marine and port construction, taking advantage of our experience in using these products to improve marine environments.

▶ Reducing CO_2 Emissions with the DRI Method

The MIDREX™ Process, a proprietary technology of the Kobelco Group, is a technology using direct reduction with natural gas to obtain DRI without melting the raw ore. In combination with an EAF, the MIDREX™ Process makes it possible to produce steel with 20% to 40% less CO_2 emissions compared to the conventional BF–converter process, contributing to the reduction of CO_2 emissions in the steel industry. Furthermore, we have developed processes that use hydrogen instead of natural gas (MIDREX™ Flex and MIDREX H2™), which contributes to significant reductions in CO_2 emissions.

▶ CO_2 Reduction Led by the Engineering Business

The Engineering Business aims to reduce CO_2 emissions mainly in plant design related to public works.

For example, the business generates biogas at sewage treatment plants, replaces fossil fuels by turning sewage into peat, and engages in wood biomass power generation.

▶ CO_2 Reduction Led by the Machinery Business

The Machinery Business sells compressors for ship engines that use LNG as fuel, contributing to the reduction of ship CO_2 emissions.

Compressors are said to account for approximately 25% of the electricity used in factories in Japan. By supplying our customers with standard air compressors with world-class energy-saving performance, the business is contributing to the reduction of CO_2 emissions around the world.

▶ Contributions to Biodiversity of the Electric Power Business

The Electric Power Business contributes to the reduction of CO_2 emissions and air pollution associated with fuel use on ships by supplying shore power to vessels at anchor.

In addition, the business supplies steam to sake breweries and other neighboring companies in Kobe, contributing to energy conservation and reduction of CO_2 emissions in the local community.

In terms of fuel transportation, it introduced coal bulk carriers with low environmental impact in 2021.

▶ Contributions to Biodiversity of the Welding Business

The Welding Business contributes to the realization of a carbon-neutral society by developing automatic welding systems using the KI-700 portable welding robot and specialized welding consumables for LNG fuel tanks and new welding methods for offshore wind power generation.

In addition, from the viewpoint of reducing environmental impact, the business has developed SE Wire, which are non-copper coated solid wires. SE Wire helps reduce environmental impacts by omitting the copper plating process, and also contributes to the improvement of the welding work environment by reducing the amount of spatter and fumes generated during welding.

In addition, it is striving to make effective use of packaging resources, to recover and reuse them by increasing the capacity of wire packaging forms for welding, and to use recycled raw materials for plastic spools.

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▶ Contributions to Biodiversity of the Aluminum Business

The Aluminum Business strives to recycle aluminum scrap, using it as a raw material in the manufacturing of aluminum products. In addition, the business is promoting resource conservation by developing technology to extract aluminum from aluminum dross, which is generated as a by-product during manufacturing.

▶ Participation in Hyogo Prefecture's Nutrient Management Plan

While water quality has improved in the Seto Inland Sea around Hyogo Prefecture (Harima Sea) due to wastewater regulations, the discoloration of seaweed and the decrease in fish catch have become serious issues. In response to this situation, the Act on Special Measures concerning Conservation of the Environment of the Seto Inland Sea was revised, and in 2022, Hyogo Prefecture formulated its Nutrient Management Plan. Under this plan, Kakogawa Works has been selected as a "nutrient increase action implementer (nitrogen)," and will contribute to the creation of a vibrant ocean by operating in accordance with the plan.

Creating a Biotope in Nadahama Science Square

At Nadahama Science Square (Nada Ward, Kobe City), which is a facility for engagement with local residents, we set up a biotope and grow *Sanguisorba tenuifolia*, *Hemerocallis citrina*, and *Vitex rotundifolia*—all of which are rare flora registered in Hyogo Prefecture's Red Data Book for 2020—along with others. In September 2025, it was certified as a Nationally Certified Sustainably Managed Natural Site by the Ministry of the Environment (a system based on the Act on Promoting Activities to Enhance Regional Biodiversity). We strive to conserve biodiversity and, in collaboration with the NPO Rokko Nature Learning and specialists along with experts, we regularly hold nature observation events for local children.

We will preserve the biotope and contribute to the maintenance of a rich ecosystem.



Biotope in Nadahama Science Square



Kobelco Green Project

As an environmental and social contribution activity, we promote forest development activities that contribute to the conservation and promotion of biodiversity, as well as the Kobelco Forest Fairy Tale Prize, which nurtures children's love for nature, and environmental education outreach activities at children's centers.



Forest Fairy Tale Prize Website (in Japanese only)

Since 2011, we have been carrying out forest development activities at two locations (approx. 5.6 ha) in Hyogo Prefecture, led by employee volunteers.

At the Kobelco Forest in Miki City (4.7 ha), we participate in the Corporate Forest Creation Project promoted by Hyogoken Ryokka Suishin Kyokai (Public Interest Incorporated Association) and help with activities at the Hyogo Prefectural Mikiyama Forest Park to create more abundant forests.

Additionally, at the ECOWAY Forest in Kobe's Nada Ward (0.9 ha), we participate in the Ministry of Land, Infrastructure, Transport and Tourism's Rokko Mountain Range Greenbelt Development Project to help prevent landslide disasters, to preserve and nurture diversity in ecosystems and species, and to promote better urban environments and scenic views. These activities are led by the NPO Rokko Nature Learning and specialists. Specific activities include forest thinning, underbrush clearing, and tree planting to develop a forest comprised of trees of various ages and species, in an effort to preserve and promote biodiversity. In 2024, we received the River Conservation Merit Award from the Rokko Sabo Office of the Kinki Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, which is presented to organizations that have made outstanding contributions to erosion control projects.



Awards ceremony



Forest Development Activities (in Japanese only)

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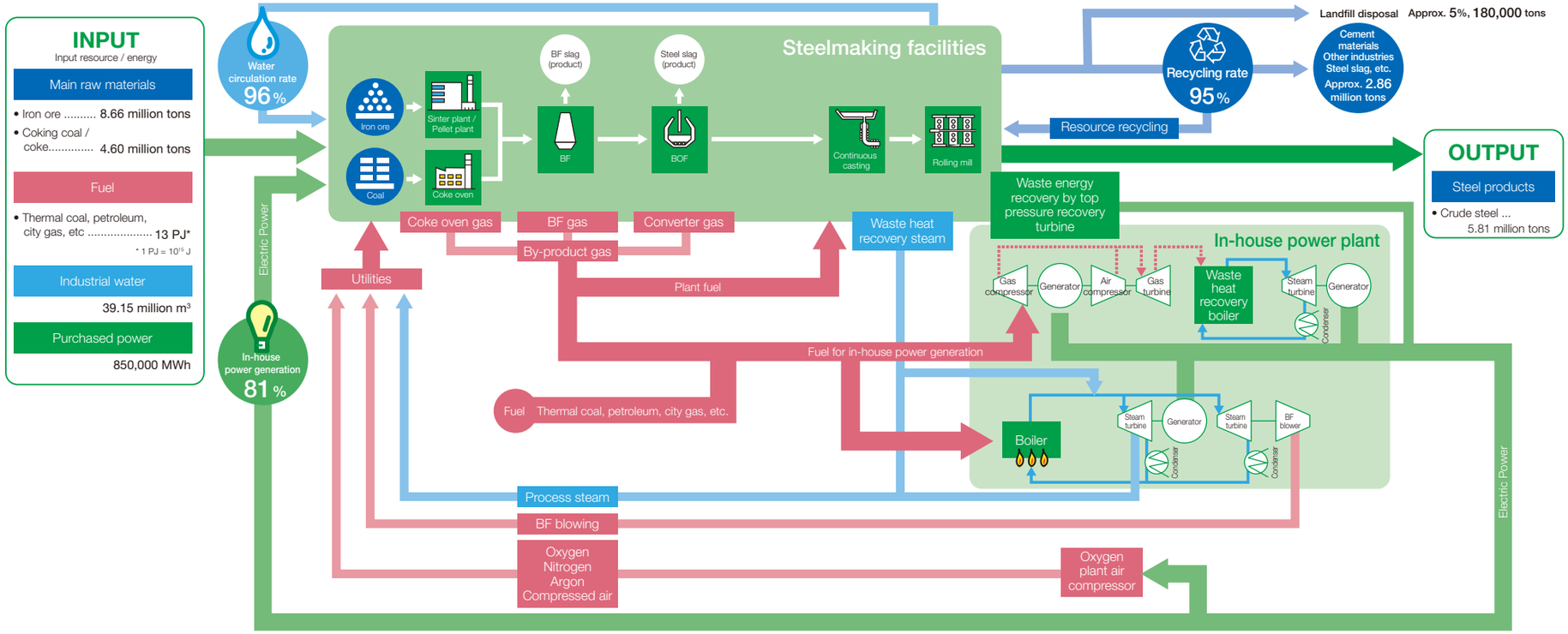
We promote environmental management, taking the environment into consideration at every stage of our operations. As part of this approach, the Kobelco Group continuously strives for greater energy efficiency; effective use of by-product gases, waste heat, water, and other resources; and the recycling of by-products.

Steel Business

At Kobe Steel, Ltd., 95% of the energy used is consumed by the steel business. In fiscal 2025, this business segment used 8.66 million tons of iron ore; 4.60 million tons of coking coal and coke; 13 PJ[1] of fuels such as coal, oil, and city gas; and 850,000 MWh of purchased power. Nearly all of the by-product gases—including coke oven gas, BF gas, and converter gas—derived from production processes are effectively reused as fuel for reheating steel or for use in in-house power plants. In addition, by-products produced during production processes, such as iron and steel slag,[2] dust, and sludge, are also turned to effective use as raw materials in applications such as cement and roadbeds. Together with in-company reuse, 95% of the by-products are recycled in this manner. In the future, Kobe Steel will continue to carry out environmentally friendly manufacturing practices throughout all aspects of its operations, striving for more efficient use of resources and energy and advancing the development of new technologies to that end.

1 1 PJ = 10^{15} J

2 Iron slag and steel slag are by-products separated and recovered during iron and steel refining. They are also called BF slag and steelmaking slag.



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Welding Business

Using metal wire rods, hoops, fluxes, soluble glass, and other raw materials, the Welding Business produces welding electrodes and welding wires. In fiscal 2025, the Ibaraki, Saijo, and Fukuchiyama plants used a total of 120,000 tons of raw materials, 46,000 MWh of electricity, and 0.2 PJ of city gas and other fuels to manufacture 120,000 tons of products. This generated 10,000 tons of by-products, of which 97% was successfully recycled.

▶ Resource and Energy Use in the Welding Business (Fiscal 2025)

Input		Output	
Raw materials		Products	
Wire rods, hoops, fluxes, soluble glass, etc.	120,000 tons	Welding electrodes, welding wires, etc.	120,000 tons
Energy		By-products	
Purchased power	46,000 MWh	Amount produced	10,000 tons
City gas, etc.	0.2 PJ	Recycling rate*	97%

* Recycling rate indicates the rate of waste that is not consigned to landfills of the total amount of waste generated.

Aluminum and Copper Businesses

Using ingots and scrap as raw materials, the Aluminum and Copper businesses produce a variety of aluminum and copper products. In fiscal 2025, the business segments used 400,000 tons of raw materials, 470,000 MWh of electricity, and 3.7 PJ of city gas and other fuels to create 390,000 tons of products.

During melting and casting, 33,000 tons of by-products, such as slag, dust, and wastewater sludge, were produced. However, 94% of these by-products were successfully recycled.

▶ Resource and Energy Use in the Aluminum and Copper Businesses (Fiscal 2025)

Input		Output	
Raw materials		Products	
Aluminum ingots, copper ingots, etc.	400,000 tons	Aluminum and copper products	390,000 tons
Energy		By-products	
Purchased power	470,000 MWh	Amount produced	33,000 tons
City gas, etc.	3.7 PJ	Recycling rate*	94%

* Recycling rate indicates the rate of waste that is not consigned to landfills of the total amount of waste generated.

▶ Data on Main Resources Used at Kobe Steel, Ltd. over the Past Three Years

Main Raw Materials	Unit	Fiscal 2023	Fiscal 2024	Fiscal 2025
Iron ore	10,000 t	897	898	866
Coking coal/coke	10,000 t	469[1]	476[1]	460
Aluminum ingots, copper ingots, etc.	10,000 t	42	40	40
Total[2]	10,000 t	1,408	1,415	1,366

1 Beginning in fiscal 2025, the methodology for aggregating energy activity data at certain sites was changed to improve calculation accuracy, and this change has been applied retrospectively to prior fiscal years.
2 The totals may not match as a result of rounding.

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Human Rights and Labor

Basic Concept

Policies

Recognizing that respect for human rights is a vital corporate social responsibility, the Kobelco Group, as a global business group, fully respects the Universal Declaration of Human Rights, International Bill of Human Rights, and ILO Core Labour Standards for the protection of human rights adopted by the United Nations (UN). In order to clearly demonstrate its commitment to respect human rights, based on the Guiding Principles on Business and Human Rights and other international standards, the Group has established the Kobelco Group Basic Policy on Human Rights.

We participate in the UN Global Compact, and as a company that endorses the principles of protecting human rights and eliminating improper labor practices, we continue our efforts to fulfill them and strengthen our initiatives to prevent human rights violations.

Kobelco Group Basic Policy on Human Rights

Steering System

Structure

- With the objective of mitigating the risk of human rights violations in all of our business activities, we believe that it is important to address all stakeholders who are affected by human rights issues and understand their issues. Based on the Kobelco Group Basic Policy on Human Rights, we conduct human rights due diligence that will lead to the avoidance and prevention of human rights violations associated with our business activities, and properly respond to human rights issues related to our business activities while valuing dialogue with relevant stakeholders.
- In the event that a serious human rights violations occurs, a report is submitted to the person responsible for human rights issues and the Board of Directors, which then reviews and discusses the report, investigates the facts of the matter, and takes appropriate action.

Major Initiatives

Policies | Strategies and Targets | Results

Human Rights Due Diligence

The Group appropriately identifies and assesses human rights risks in order to reduce potential human rights risks associated with our business activities, and conducts human rights due diligence to prevent, mitigate, and correct these risks.

Kobelco Group Integrated Report 2026 “Human Rights”

▶ Human Rights Risk Assessment Results and Plan

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

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

Efforts to Eliminate Discrimination

The Kobelco Group ensures a healthy workplace where all employees are respected, free from harassment and discrimination on the grounds of race, creed, color, religion, nationality, language, ethnicity, sex, sexual orientation, gender identity, marital status, age, physical characteristics, disease, disability, social status, property, and place of origin. We ensure fair opportunities in recruitment, promotion, benefits, salary increases, and assignments to prevent unfair discrimination.

Respect for the Rights of Workers

Based on the Kobelco Group Basic Policy on Human Rights, the Group operates in all countries and regions where we conduct business activities, complying with labor laws and social practices, and respecting the fundamental human rights of workers.

▶ Freedom of Association and the Right to Collective Bargaining

We respect our employees’ freedom of association and right to collective bargaining. We do not engage in discrimination, harassment, retaliation, or any other disadvantageous treatment on the grounds of employees exercising their right to organize or bargain collectively as workers, in such activities as joining a labor union, requesting collective bargaining, or participating in collective bargaining.

The Group strives to build sound and positive labor-management relations through sincere dialogue with each and every employee and their representatives. Specifically, meetings of the labor council and committees are held, with discussions being conducted on management policy, operational conditions, management issues such as production and safety and health, as well as working conditions and work-life balance.

Furthermore, labor unions and other organizations are also formed at the individual major Group companies.

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Human Rights and Labor

Major Labor-Management Discussions

Central Production Committee (Twice a year)	Discusses matters such as corporate management and production planning, corporate structure, improvement of technology, and improvement of efficiency
Central Labor Council (Once or twice a year)	Discusses such issues as improving working conditions and wages (including negotiations on the living wage advocated by the labor union)
Specialized Committee on Employment (Twice a year)	Discusses the reduction of long working hours, promotion of work style transformation, and support for balancing childcare and nursing, etc.

▶ Maintaining Appropriate Wage Levels

Based on social conditions, inflation and wage trends, and the labor market environment, we use market data and other resources to consider whether or not to revise wages each year, with the aim of maintaining a level that helps secure and retain talent. The wages of employees belonging to the labor union are determined through consultations between labor and management, including the spring negotiations of general labor conditions, and appropriate wage adjustments are implemented based on the terms of these agreements.

▶ Reducing Prolonged Working Hours

In addition to properly managing working hours, we have reached an agreement with the labor union (Article 36 Agreement) to limit overtime work to a maximum of 45 hours per month, in principle, and we conduct regular monitoring to control overtime hours. As part of our efforts to reduce overtime work, each division implements measures such as limiting work to until 7:00 pm as a general rule, setting no-overtime days, and designating days for leaving work at the end of business hours.

We also hold labor-management committee meetings on work styles to continuously share information between labor and management regarding current issues pertaining to work styles, including working hours, and the progress of efforts toward improvement.

Prohibition of Child Labor and Forced Labor

In the Kobelco Group Basic Policy on Human Rights, it is made clear that child labor and forced labor are prohibited in all countries and regions where our business activities are conducted. In order to raise awareness, we conduct in-house training in accordance with the UN Guiding Principles on Business and Human Rights, and we also ask our business partners for their support and cooperation with our initiatives. To prevent child labor, we confirm that the age stated in official documents does not fall under child labor at the time of joining the company. We also implement regular monitoring surveys of Group companies and strive to prevent the occurrence of those problems in the business activities of the Kobelco Group.

Considerations for Diverse Human Resources

Diversity and inclusion initiatives, which respect diverse attributes and values and enable all individuals to reach their full potential, are fundamental to respecting human rights and also help prevent harassment, which is a critical human rights issue.

The Group is actively promoting diversity and inclusion initiatives.

Human Resources

Initiatives to Prevent Harassment, and Specific Measures for Dealing with Problems in Which Allegations Have Been Made

In order to create workplace environments in which harassment does not occur, it is clearly stated in the Kobelco Group Basic Policy on Human Rights and in the employment regulations of each company that harassment will not be tolerated. In addition, we implement regular education in the form of e-learning and group training for employees so that each and every individual in the workplace has a proper understanding of harassment and does not turn a blind eye to problems.

In preparation for a possible occurrence of harassment, we have put in place a system whereby stakeholders both inside and outside the Company can anonymously report or consult. Also, we have set up consultation desks at each business site accessible to all employees. When a consultation is received, we conduct factfinding and investigations with the consent of the individual, while giving due consideration to their privacy. Based on the results, we take appropriate corrective measures, explain the situation to the individual, review the workplace environment, and thoroughly take actions to prevent recurrence.

Number of Harassment Consultations

Fiscal 2023	42 cases
Fiscal 2024	31 cases
Fiscal 2025	20 cases

Communication with Stakeholders

The Kobelco Group believes it is important to understand human rights issues from the perspective of stakeholders affected by these issues. Based on the Kobelco Group Basic Policy on Human Rights, we will construct a human rights due diligence system that will lead to the avoidance or prevention of human rights issues associated with our business activities, and strive to appropriately address human rights issues related to our business activities while valuing dialogue with relevant stakeholders.

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Human Rights and Labor

Efforts to Support Local Communities

The Kobelco Group undertakes activities rooted in the local communities where its business sites are located.

The Group supports employees' volunteer activities and has established a system that allows employees to take days off to participate in such activities.

Communities (Communication with Stakeholders)

Activities to Educate and Enlighten Employees on Human Rights Policies and Respect for Human Rights

In its *Action Guide for Employees*, which has been distributed to all employees, the Group sets forth standards of behavior that respect human rights. We encourage each and every employee to act in such a way as to respect human rights. Furthermore, recognizing this as a foundation for ensuring the effectiveness of human rights due diligence, we incorporate training that promotes the Kobelco Group Basic Policy on Human Rights and increased awareness of human rights into new employee training and job promotion training, in an effort to prevent and mitigate human rights risks. We will continue to provide all employees, including executives, with the necessary education on respect for human rights on a regular basis.

On the occasion of Human Rights Day, we designate December as "Human Rights and D&I Month," implementing initiatives such as the distribution of messages by directors and executive officers and the use of educational posters, clearly stating our attitude of zero tolerance for discrimination or harassment, while instilling human rights awareness more deeply throughout the entire Group both in Japan and overseas, and creating opportunities to reflect on respect for human rights.

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Safety and Health

Basic Policies and Philosophy

Policies

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

Safety Initiatives

Recognizing the importance of not only fulfilling our corporate social responsibilities but also safeguarding employees' lives and health, each of the business sites has steadily established safety management mechanisms compliant with Occupational Health and Safety Management Systems, following our Companywide Health and Safety Management Policy, as well as formulates its own safety and health management policy, targets, and action plans, to promote improvements.

The Environment and Safety Department plays a central role in on-site inspections and audits for all business sites, Group companies, and relevant contractors. The department identifies weaknesses and provides cross-sectional support from the perspectives of personnel, facilities, and management, in an effort to improve the level of safety and health.

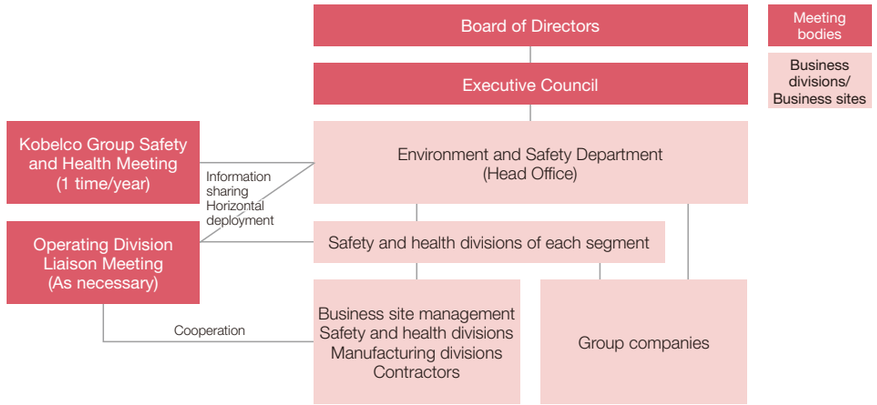
These activities include thorough sharing of hazard information and health and safety management rules with workers involved in production activities, including those of contractors.

Structure

Structure

At the Kobelco Group, the Companywide overall safety and health controller holds Companywide Safety and Health Meetings (Kobelco Group Safety and Health Meetings) attended by the safety and health controller of each Group company, to decide on policies, targets, issues, and initiatives for improvements related to safety and health activities. In terms of business site management, the Company's safety and health division plays a central role in safety and health activities implemented in cooperation with employees working at manufacturing divisions and contractors, while the Environment and Safety Department is primarily responsible for internal audits (safety and health diagnoses) involving checking and following up on activities and their management status.

At the same time, when an occupational accident occurs, we strive to prevent similar accidents from occurring by rapidly clarifying the cause and taking improvement measures, as well as holding Operating Division Liaison Meetings in cases where horizontal deployment is required.



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Safety and Health

Targets for Accident Reduction and Results

Strategies and Targets Results

Targets

- Accidents leading to death or serious injury (involving three or more people at the same time): Zero
- Lost time injury frequency rate: 0.10 or less

Achievements Against Targets

■ Results: Previous Number of Lost Time Injuries and Lost Time Injury Frequency Rates (With/Without No Lost Time Injuries)[1]

Parentheses indicate the number of fatal accidents.

Fiscal Year	Kobe Steel Employees[2]		Employees of Contractors[3]		Overall
	Number of lost time injuries	Injury frequency rate Lost time / No lost time injuries included	Number of lost time injuries	Injury frequency rate Lost time / No lost time injuries included	Lost time injury frequency rate
2025	5 cases (0 cases)	0.20/0.28	7 cases (0 cases)	0.22/0.25	0.21
2024	7 cases (0 cases)	0.28/0.32	8 cases (0 cases)	0.25/0.25	0.27
2023	6 cases (0 cases)	0.25/0.29	10 cases (0 cases)	0.32/0.39	0.31
2022	5 cases (0 cases)	0.21/0.21	8 cases (0 cases)	0.26/0.26	0.24
2021	7 cases (1 case)	0.29/0.33	5 cases (0 cases)	0.16/0.19	0.22

1 The lost time injury frequency rates with no lost time injuries included are calculated from the total of lost time injuries and no lost time injuries.
2 Employees: All employees of Kobe Steel (including seconded employees and temporary or part-time employees)
3 Employees of contractors: Employees of companies under contract with Kobe Steel (including temporary employees)

Accidents and Occupational Safety Risk Countermeasures

Results

Response to Accidents (Initiatives to Prevent Similar Accidents)

We investigate the causes and take corrective measures as part of our post-event response to accidents involving injuries or fatalities that occur in the Kobelco Group and relevant contractors, and deliver reports to and have discussions with related departments and labor unions at Safety and Health Committee and other meetings. Specifically, we clarify the causes and identify issues in accidents that have occurred by focusing on the four categories of factors: human factors, mechanical factors, environmental factors, and management factors, and work to prevent recurrences by considering and taking preventive measures from three different perspectives (management, technical, and educational).

We put together the causes and preventive measures into an Accident Investigation Report, which is reflected in the Companywide safety rules, and deploy it to other business sites and Group companies to prevent similar accidents. In the event of an occupational accident, we promptly disclose information to the public in accordance with the Accident Reporting Guidelines of the JISF.

Thorough Measures Against Occupational Safety Risks

In order to address potential occupational safety risks in work and facilities, we regularly conduct risk assessments of new business planning projects as well as existing projects, and work to reduce those risks and enhance inherent safety. Furthermore, we are strengthening our measures as needed, including promoting machinery safety and utilizing digital technologies.

Participation of Workers in Discussions

Results

Oversight by the Board of Directors and Executive Council

Our Company's Board of Directors and Executive Council oversee and deliberate risk management in safety and health, the progress of accident preparations and accident prevention, implementation status of horizontal deployment, and the progress of various activities set out in the safety and health management policies, under the initiative of the director who oversees Companywide safety and health.

Central Safety and Health Committee

The Central Safety and Health Committee, chaired by the executive officer (chairperson) responsible for Companywide safety and health, is a forum where we have discussions with labor union representatives (representing workers) concerning risk management in safety and health, the progress of accident preparations and accident prevention, implementation status of horizontal deployment, and the progress of various activities set out in the safety and health management policies.

The safety and health management policies, which are deliberated and formulated by the Central Safety and Health Committee, have been implemented at all our business sites. At each business site, the Safety and Health Committee, which is attended by the management, the labor union (full-time personnel), and representatives of each workplace (non-full-time personnel), discusses the details of the policies and the progress of various activities and strives to ensure a safer and healthier workplace environment through dialogue between labor and management.

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Safety and Health

Education and Training

Results

Training on Safety and Health

Each business site, including the Head Office, conducts training on safety and health on an ongoing basis.

Safety and health training held by the Head Office includes sessions for new employees between their first and fifth years, newly appointed supervisors, and line managers so that employees can gain knowledge and skills in safety and health.

Eligibility	Number of Trainees (Persons)				
	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
New employees (Years 1–5)	223	1,053	863	653	654
Supervisors	539	711	434	521	558
Line managers	16	56	70	19	28

Global Health Issues and Pandemic Countermeasures

Results

Currently, there are many countries around the world facing serious situations due to life-threatening health problems such as HIV (AIDS), tuberculosis, and malaria. The Kobelco Group is committed to actively addressing such global health issues.

Safety and Health Management for Employees Transferred Overseas and Those on Business Trips

For our employees transferred overseas, we provide healthcare services and support tailored to respective regions, including health checkups (before departure, during overseas assignment, and after returning to Japan) and immunizations based on local conditions. We regularly exchange information with local contact staff and send industrial physicians to local business sites. In this way, we strive to manage the health of employees posted overseas by providing medical support and information on the local medical environment.

As we expand our business in Thailand, Malaysia, India, Vietnam, and other countries around the world, we are working to appropriately address global health issues such as HIV (AIDS), tuberculosis, and malaria by distributing overseas health management handbooks containing information on immunizations and overseas life (understanding of diseases, precautions on daily life, etc.) to employees and their families who are newly posted overseas.

Furthermore, through a partnership with International SOS, which provides support services for safety and health around the world, we have put in place a system for gathering the latest information on local safety, and for receiving appropriate guidance and assistance in the event of trouble overseas.

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Health and Productivity Management

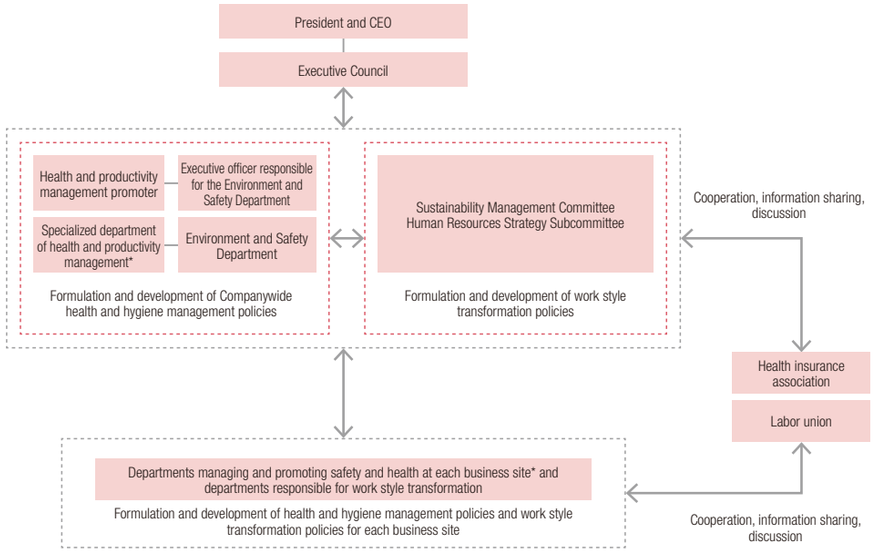
Basic Concept

Policies

Based on the Kobelco Group's basic policies and principles on safety and health, we are working with the goal to develop workplaces and human resources that can work energetically and in good physical and mental health from the perspectives of "prevention" and "early detection/early response."

Management Structure

Structure

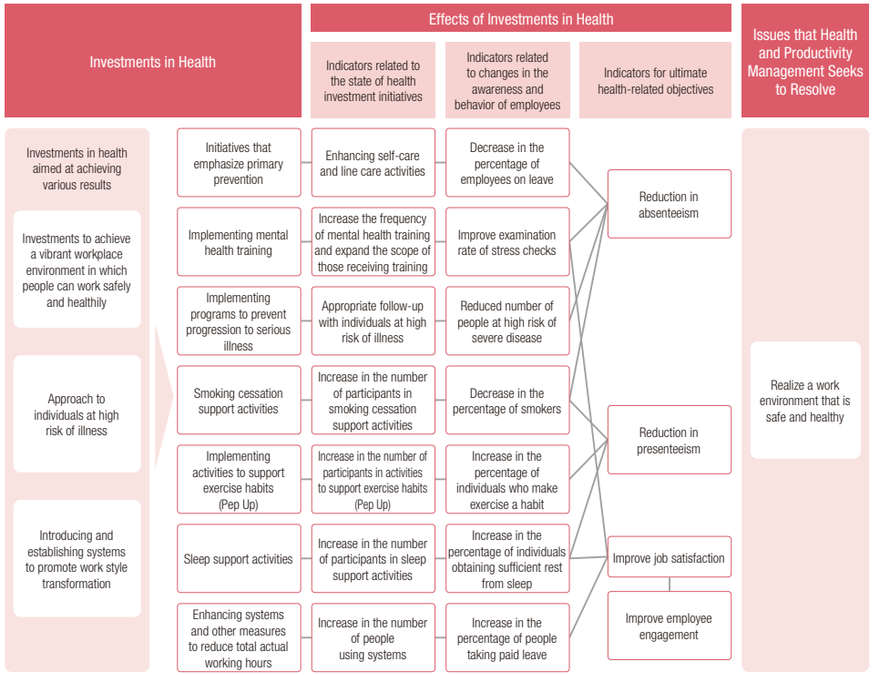


* Placement: Industrial physicians, nurses, industrial counselors, health supervisors, consulting physicians, etc.

Health and Productivity Management Strategy Map

Strategies and Targets

In order to build a vibrant workplace environment in which people can work safely and healthily, the following strategy map is used for the effective promotion of various measures.



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Health and Productivity Management

Main Health and Productivity Management Initiatives

Results

Mental Health

	Details
Primary prevention	■ Self-care • Awareness through stress checks • Mental health education ■ Line care • Organizational management (daily communication within the organizational structure) • Mental health education ■ Workplace support based on the results of stress checks • Assessments classified into quadrants (motivated organization, low-motivation organization, workaholism, burnout) in accordance with the degree of employee engagement and stress, based on the results of stress checks for each department. Particularly for workplaces that come under "burnout," industrial physicians, departments responsible for safety and health, and departments responsible for human resources and labor relations strive to understand the situation and engage in improvements (utilizing outside consultants as needed).
Secondary prevention	■ Individual follow-up based on the results of stress checks • Interviews of employees with high stress levels by an industrial physician • Sleep-related questions added to the stress check questionnaire, and industrial physicians check/follow-up on applicable individuals • Regular opening of consultation desks ("ask me anything" sessions) staffed by industrial counselors • Support provided by industrial health staff assigned to business sites (industrial physicians, nurses, and industrial counselors)
Tertiary prevention	• Support for returning to the workplace provided by industrial health staff assigned to business sites and departments responsible for human resources and labor relations • Support by a consulting psychiatrist

Physical Health (In Cooperation with the Health Insurance Association)

	Details
Primary prevention	■ Initiatives for increasing health literacy • Promoting regular exercise using the Pep Up health promotion support app • Implementing regular exercise promotion and sleep improvement campaigns with the themes of "walking" and "good sleep" • As part of our efforts to address lack of exercise, videos of easy stretching and back pain prevention exercises are posted on the corporate intranet. • At some business locations, physical fitness age is assessed by measuring physical fitness (body composition, forward bends, standing on one leg with eyes closed, reflex measurements, etc.). • Support for smoking cessation provided by industrial health staff utilizing nicotine patch treatment (subsidies for health insurance costs available) • Dissemination of educational materials on smoking cessation created in cooperation with the Kobe Steel health insurance association (through posting on the corporate intranet, etc.) • At some business locations, creating an environment to promote smoking cessation by introducing smoking cessation during working hours and non-smoking hours • Creation and deployment of sleep educational videos supervised by consulting psychiatrist (tips for healthy sleep, sleep apnea, and appropriate sleep management for shift workers) ■ Vaccinations • Influenza vaccinations (fully covered by the Company for employees and their health insurance dependents) • Vaccinations for employees transferred overseas
Secondary prevention	■ Health checkups and aftercare • Health checkups and health guidance pursuant to the Industrial Safety and Health Act • Health checkups and health guidance for employees requiring follow-up observation • Providing checkups at health screening clinics for employees reaching the age of 50 or 60 as well as their spouses • Expanded cancer screening (e.g., gastric cancer checkups: offered every two years for employees 40 years of age and older; implementation of Helicobacter pylori testing) • Initiatives to prevent progression to serious illness for individuals at high risk (selected in accordance with the Company's criteria from among those considered to be high risk due to blood pressure or blood sugar levels)
Tertiary prevention	• Support for returning to the workplace provided by industrial health staff assigned to business sites and departments responsible for human resources and labor relations • Support by a consulting psychiatrist • Work-life balance support (expanded leave programs, etc.)

Health-Related Data

Results

Category	Target Value	Fiscal 2023 Results	Fiscal 2024 Results	Fiscal 2025 Results
Regular health checkup participation rate[1]	100%	100%	100%	100%
Detailed examination participation rate	90.0% or more	93.7%	94.0%	98.1%
Percentage of individuals with the appropriate body weight[2]	70.0% or more	63.8%	62.8%	62.5%
Percentage of individuals at high risk of illness	1.2% or less	2.3%	2.9%	2.8%
Percentage of individuals at high risk of illness receiving health guidance	100%	100%	100%	100%
Percentage of individuals registered with Pep Up	90.0% or more	87.5%	88.1%	89.0%
Pep Up activity participation rate	70.0% or more	62.2%	56.0%	54.3%
Percentage of employees taking part in regular exercise	30.0% or more	24.1%	30.5%	29.5%
Smoking rate	25.3% or less	27.7%	28.0%	27.6%
Examination rate of stress checks	95.0% or more	97.2%	98.0%	97.9%
Percentage of individuals experiencing high levels of stress	11.6%[3] or less	8.7%	8.8%	8.7%
Number of individuals obtaining sufficient rest from sleep	70.0% or more	62.6%	70.8%	76.5%
Job satisfaction	—	50.9	51.6	52.0

1 Excludes individuals on leave or an overseas assignment
2 BMI of between 18.5 and 25.0
3 Less than the nationwide average

External Awards and Assessments

Results

We aim to create a healthy work environment with safety and security ensured, where employees can maintain and improve their mental and physical well-being. In recognition of these initiatives, we were recognized as a 2026 Health and Productivity Management Organization for the 10th time in total following the same recognition last year.

2026
健康経営優良法人
KENKO Investment for Health
大規模法人部門

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Disaster Prevention

Recognizing facility accidents, natural disasters, and violations of disaster prevention laws and regulations as risks that have a material impact on the overall management of the Group, the Kobelco Group is working to address these risks across the Group.

Companywide Disaster Prevention Management Policy

Policies

With the basic policies of “Prevention of Facility Accidents,” “Strengthening Prevention for Natural Disasters,” and “Complying with Laws and Regulations,” we are promoting initiatives to respect human life, sustain corporate activities, and deliver peace of mind to local communities.

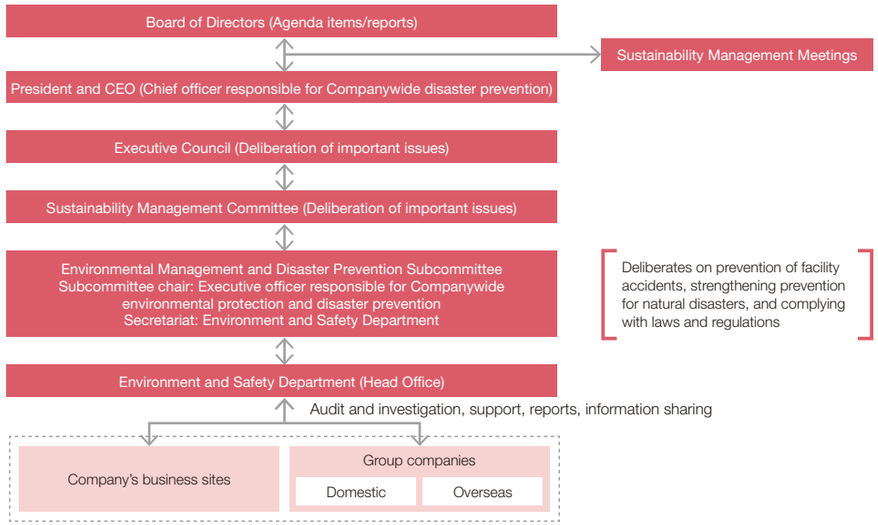
1 Prevention of Facility Accidents
2 Strengthening Prevention for Natural Disasters
3 Complying with Laws and Regulations

Respect for human life, continuity of business operations, and realization of safety and security in local communities

Management Structure

Structure

In the Companywide risk management structure, the Kobelco Group regards “prevention of facility accidents” and “preparations for and recovery from natural disasters” as Top Risks and “legal compliance” as a Significant Risk. The chief officer responsible for Companywide disaster prevention promotes disaster prevention management activities as a Risk Owner.



Kobelco Group Initiatives

Results

Prevention of Facility Accidents

Response to Facility Accident Risk

Recognizing facility accidents (fires and explosions) at production sites as a risk to be addressed across the Group, we make Groupwide efforts to prevent them before they occur. In particular, we conduct inspections and reviews of both tangible and intangible measures for facilities which could have a major impact on customers in case of fire or explosion. In addition, we continue striving to prevent accidents throughout the Kobelco Group by taking measures such as sharing information on accidents both inside and outside the Company, thoroughly preventing recurrence of similar and other accidents, and implementing special initiatives in coordination with voluntary action plans of industry associations.

Strengthening Prevention for Natural Disasters

Business Continuity Plan (BCP)

The Kobelco Group formulates, reviews, and makes improvement to its BCP with the following basic policies: (1) Ensuring the lives and safety of employees, and (2) Ensuring the supply of products and services to customers. As one of our ongoing initiatives, we have conducted seismic reinforcement and instituted anti-flood measures according to the geographic conditions of each site, in order to reduce damage from natural disasters such as earthquakes and tsunamis. Going forward, we will maintain, review, and improve our BCP through training.

Response to Wind and Flood Damage

To prepare for wind and flood damage, which has become increasingly severe in recent years, the Kobelco Group has been working systematically by checking hazard maps and other information and studying measures against anticipated disaster risks at each business site of our Group.

Collecting Information Using the Safety Confirmation System and Damage Information Collection System

In preparation for a major earthquake or other natural disaster, we have introduced and operate a safety confirmation system and a damage information collection system, and are building a system to quickly collect information on damages.

Training for the Establishment of a Companywide Disaster Response Headquarters in the Event of a Major Earthquake

In case of extensive damage caused by a major earthquake or other natural disaster, we have a system in place to establish a Companywide disaster response headquarters at our Tokyo and Kobe head offices. In the training for the establishment of the Companywide disaster response headquarters, assuming the scenario of a Nankai Trough earthquake, the chief officer responsible for Companywide disaster prevention and members of the response headquarters participated in the drill, reporting the status of damage at the affected business sites, confirming the situation, and responding to requests for assistance.



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Disaster Prevention

Practice Drill for Walking Home from Work (Tokyo Head Office, Kobe Head Office, Osaka Branch Office)

In the event of a major earthquake, there is a possibility that many employees will be unable to return home from work due to damage to railways, traffic restrictions, disruption of public transportation, and impassable sections of roads. In response, we held a practice drill for walking home from work to enable participants to experience the distance to their homes or destinations in the same direction, as well as the feeling of fatigue. The drill also helps participants to obtain important information in the event of a disaster to aid in their walk, such as road conditions, rest areas, convenience stores, and the presence of disaster support stations.



Drill at the Kobe Head Office

Kobelco Disaster Prevention Festa

The Group held the 4th Kobelco Disaster Prevention Festa at the Kobe Head Office to pass on the memories of the Great Hanshin-Awaji Earthquake and maintain and raise awareness of disaster prevention among employees.

Through a lecture on initial response and disaster prevention measures that can be taken at home and in the workplace, a simulated experience (using virtual reality) based on an actual debris flow that occurred in Kobe City, first aid training, and displays of disaster prevention goods, participants deepened their knowledge of disaster prevention and raised their awareness.



Presentation on disaster preparedness

The Kobelco Group will continue to hold similar initiatives going forward to raise awareness among employees and prevent unexpected contingencies.

Compliance with Disaster Prevention-Related Laws and Regulations

Disaster Prevention Inspections

We conduct paper-based inspections and on-site inspections of Kobelco Group facilities in order to verify compliance with disaster prevention laws and regulations and to minimize risks that could potentially lead to accidents. We will continue to reinforce the disaster prevention management structure throughout the Group.

Contributions to Society in Disaster Prevention

Disaster Prevention Initiatives Contributing to Local Communities

The Kobelco Group has business sites equipped with a helicopter landing pad for rescue operations during a disaster. Some business sites have also concluded disaster agreements with local governments to provide assistance in case of a disaster in the form of provision of supplies, support for the transport of these supplies, temporary evacuation shelters, water for firefighting activities, and cleanup supplies for marine pollution in case of an oil spill.

Businesses, Products, and Technologies that Contribute to Disaster Prevention

To strengthen preventions for natural disasters, the Kobelco Group is developing businesses, products, and technologies that contribute to society. Our main initiatives are presented below.

Category	Company Name	Description
Power generation business	Kobelco Power Moka Inc.	Our power generation business was selected as a private-sector initiative for building national resilience by the Cabinet Office (2015).
Vehicle-type mobile power station*	Shinko Engineering Co., Ltd.	Vehicles equipped with motors and generators, which can move to places where electricity is needed to generate and transmit electricity
High-strength bolts	Shinko Bolt, Ltd.	A product with high strength and tensile force used in steel structure joints of buildings, civil engineering structures, and bridges
Structural analysis	Kobelco Research Institute, Inc.	The company carries out structural analysis of buildings and plants using computer simulation. It can also conduct structural analysis experiments that simulate earthquakes on structures that are close to the real thing.
Construction machinery	Kobelco Construction Machinery Co., Ltd.	Utilized for restoration work during a disaster
Bridge cables	Kobelco Wire Company, Ltd.	A product that prevents bridges from collapsing caused by major positional changes in an earthquake, etc.
Aseismic cable braces	Kobelco Wire Company, Ltd.	A product used for aseismic reinforcement of walls and roofs
Temporary construction materials (aluminum scaffolding planks)	Kobelco North Co., Ltd.	Easy to carry, easy to set up and take down, and can be used in times of disaster
Bulk storage tank for disaster relief	Shinko Industrial Co., Ltd.	Storage tank for LPG, a reliable energy source during disasters

* Vehicle-type mobile power stations can be used as emergency power sources during natural disasters and power outages. They can also be used to supplement power during peak hours or as an alternative power source during equipment inspections during normal times. In this manner, they support power supply in both normal and emergency situations.



Vehicle-type mobile power station

Other Initiatives

Kobelco Group Disaster Prevention Conference

We organize the Kobelco Group Disaster Prevention Conference every year in an effort to share information and strengthen disaster prevention initiatives. We share information on natural disasters and related problems with the aim of reducing disaster risks.

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Human Resources

Basic Policy

Policies | Strategies and Targets

The Kobelco Group is driving transformation through KOBELCO-X to achieve the targets outlined in our Medium-Term Management Plan. To enhance our ability to execute these strategies, we position our Human Resources Strategy and Employee Experience Improvement (EX) as a crucial foundation. We are pursuing initiatives that secure, develop, assign, and retain key personnel, following the three approaches of enhancing organizational diversity, encouraging the growth and initiative of every employee, and creating a work environment where employees can play active roles.

Kobelco Group Human Resources Strategy

Fiscal 2030: Business entity that drives innovation into the future
(Enhancing earning power and pursuing growth,
and taking on the challenge of realizing carbon neutrality)

Methods and drivers for achievement and acceleration KOBELCO-X

Business strategy

- AX: Ambidexterity — Enhancing earning power and pursuing growth
- GX: Green transformation — Taking on the challenge of realizing carbon neutrality

Transformations to achieve business strategy

- BX: Business transformation
- CX²: Customer experience transformation
- DX: Digital transformation
- FX: Factory transformation

EX: Human resources strategy and employee experience improvement
Foundation for the execution capabilities of the personnel and organizations for moving transformation forward

Human resources (key personnel) needed to advance each domain of KOBELCO-X

AX human resources	BX human resources	CX² human resources	DX human resources	FX human resources	GX human resources
Restructuring of operation base Global competitiveness ROIC management	Business process review Productivity improvement	Proposing and implementing solutions to customer challenges	Development of an environment for driving and implementing digital transformation	Smart factories: Smaller workforce and automation	Reduction of CO_2 from processes Energy transition-related business

Three approaches of the Group's human resources strategy

Enhancing organizational diversity		Encouraging the growth and initiative of every employee		Creating a work environment where employees can play active roles			
Recruitment of diverse human resources	D&I development	Job assignment that brings employees' enthusiasm for growth and ambitious initiative	Compensation based on ability and role	Human resources development	Promotion of work style reform	Increased awareness of human rights	Development of safe and healthy workplaces

Enhancing Organizational Diversity

Policies | Structure | Strategies and Targets | Results

Diversity and Inclusion (D&I)

Activity Policy

We have been working to enhance the growth potential of the entire organization by encouraging people with diverse backgrounds and values to make the most of their abilities in the workplace. We believe this will lead to vigorous development of our business. The Kobelco Group has positioned D&I as an important management issue and set forth its vision for the future, basic policy, and KPIs for promotion of D&I, which it is working toward our Medium-Term Management Plan (Fiscal 2024–2026). Our Group will further strengthen its D&I development so that people with diverse backgrounds and values can fully demonstrate their abilities in the workplace.

▶ 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.
- The "Kobelco One Team" takes on challenges and creates new value from diverse ideas and experiences.

▶ Basic Policy

Value the Unique Strength of Individuals

- Accept each other's diverse individuality, and leverage strengths.
- Exchange opinions, deepen mutual understanding, and promote active participation of employees.

Promote the Variety of Work Styles

- Create a workplace environment where employees can work comfortably regardless of their job types, restrictions in work style, or life stages.
- Create a workplace that is highly motivating and fulfilling.

Take on the Challenge of Creating New Value

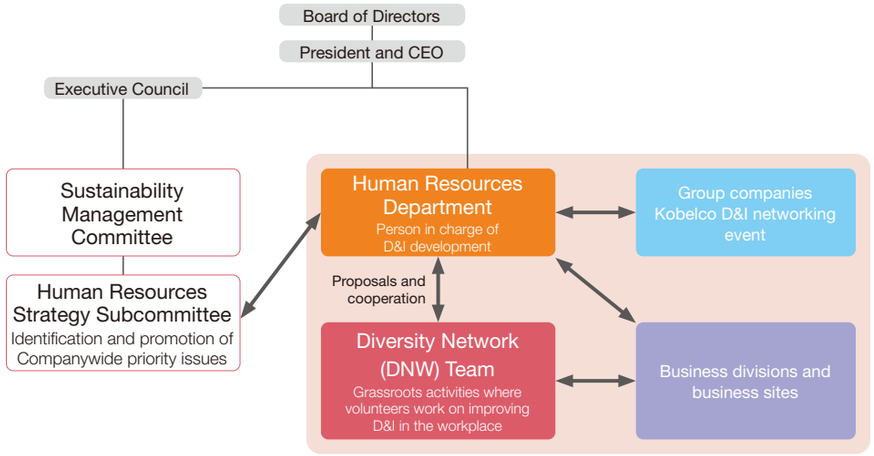
- Interact with and learn from each other beyond organizational boundaries.
- Respect new ideas that come from different viewpoints and ways of thinking.
- Create a corporate culture where employees can take on challenges without fear of failure.

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Human Resources

Organizational Structure for D&I Development

The Human Resources Department plays a leading role in D&I development activities and cooperates with various projects. We are also advancing D&I development activities mainly through the Human Resources Strategy Subcommittee and Diversity Network Team to strengthen cross-organizational activities.



KPIs

Increasing the employment rate of new female graduates

- Female administrative employees in career-track positions: 50% or higher
- Female technical employees in career-track positions: 15% or higher
- Female technical employees in general positions: 10% or higher

Development of female leaders

- Number of female managers Fiscal 2026: 100 or more

Support for male employees' participation in childcare

- Percentage of male employees taking special childcare leave: 100% or higher

Fiscal 2025 Results

Increasing the employment rate of new female graduates

- Female administrative employees in career-track positions: 46%
- Female technical employees in career-track positions: 14%
- Female technical employees in general positions: 9%

Development of female leaders

- Number of female managers: 93

Support for male employees' participation in childcare

- Percentage of male employees taking special childcare leave: 155.0%

External Awards and Assessments

- Received the Best Workplace award, the highest recognition, at D&I Award
- Received "Platinum Kurumin" certification in recognition of support for child-rearing
- Recognized as Hyogo Kobe Women's Empowerment Business (Mimosa Company)
- Received Gold Award (2021 to 2025) and Rainbow certification (2024 and 2025) in the PRIDE Index, an index for LGBT-related initiatives by companies
- Received "Hyogo work-life balance company" award

Human Resources: Initiative to Support LGBT People

Initiatives to Promote Understanding of Diversity and Inclusion

Diversity Communication Training

Since fiscal 2016, we have been conducting diversity communication training with the aim of improving communication with people of diverse backgrounds. Under the themes of "Improving Awareness of Gender Roles," "Unconscious Bias," and "Empathetic Communication," approximately 1,500 managers and supervisors and other employees who wish to participate take part in the course every year, providing an opportunity to think about how diversity can be utilized in the workplace.

Lunchtime Sessions

Since fiscal 2021, we have held online seminars at lunchtime as a forum to learn about the Group's initiatives and careers of various individuals inside and outside the Company. To date, we have welcomed a diverse range of speakers, including officers of the Company, external leaders, men with experience taking childcare leave, employees with disabilities, and people who have battled illness. We have also introduced the Group's social contribution activities, such as the Kobelco Cup and our booth at Expo 2025 Osaka, Kansai, Japan.

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Human Resources

Supporting the Participation of a Diverse Array of Employees in the Workplace

Promoting Women's Participation in the Workplace

Both the number of female employees and the number of female managers are increasing. In addition to our aim to increase the number of female managers, we are carrying out initiatives to build a vibrant culture that embraces each and every employee, regardless of gender.

Percentage of Female Employees

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Percentage of female employees (Including Group companies) (%)	14.9	15.3	15.4

Recruitment

	Fiscal 2023			Fiscal 2024			Fiscal 2025		
	New Graduates	Mid-Career	Total	New Graduates	Mid-Career	Total	New Graduates	Mid-Career	Total
Men	234	304	538	280	332	612	311	304	615
Women	37	64	101	50	65	115	42	59	101
Total	271	368	639	330	397	727	353	363	716
Proportion of women (%)	13.7	17.4	15.8	15.2	16.4	15.8	11.9	16.3	14.1

Workforce

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Men	10,428	10,687	10,986
Women	1,106	1,208	1,267
Total	11,534	11,895	12,253
Proportion of women (%)	9.6	10.2	10.3

Average Continuous Years of Service

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Men (Years)	15.8	16.0	16.1
Women (Years)	14.4	14.3	14.4

Note: Regular employees only

Number of Managers

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Men	2,302	2,321	2,345
Women	74	86	93
Total	2,376	2,407	2,438
Proportion of women (%)	3.1	3.6	3.8

Board of Directors

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Men	11	10	10
Women	2	3	3
Total	13	13	13
Proportion of women (%)	15.4	23.1	23.1

Note: After the Ordinary General Meeting of Shareholders held in June 2026, there are nine male directors, four female directors, and the proportion of female directors is 30.8%.

Action Plan on the Act on the Promotion of Female Participation and Career Advancement in the Workplace

We have formulated our Third Action Plan under the Act on the Promotion of Female Participation and Career Advancement in the Workplace, which aims to realize a society in which women can fully demonstrate their qualities and capabilities.

Target 1	Increase the employment rate of female new graduates to 50% or higher for administrative career-track positions; 15% or higher for technical career-track positions; and 10% or higher for general technical positions
Target 2	Increase the number of female managers to 100 or more by fiscal 2026
Target 3	Increase the percentage of male employees taking childcare leave or special leave for child-rearing to 100%

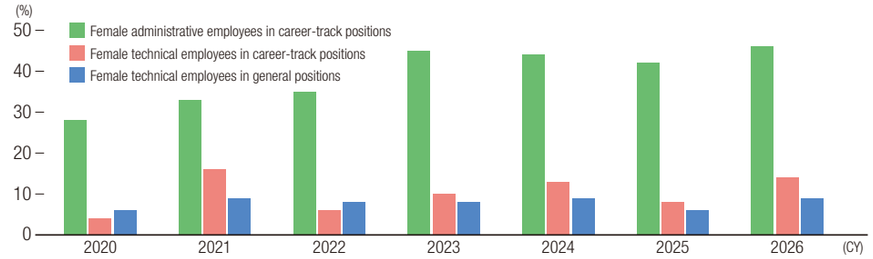
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Initiative to Increase the Number of Female New Graduates Hired

Beginning with new hires for fiscal 2022, we have set new targets and are proceeding with initiatives aimed at increasing the number of new graduates hired.

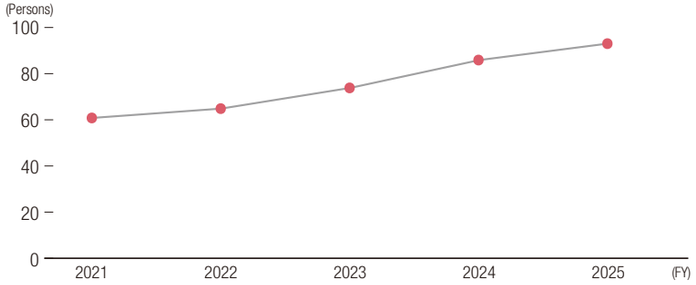
Percentage of Female New Graduates Recruited by Job Types (As of April 1)



Increasing the Number of Female Managers

We are working to develop female leaders with the target of increasing the number of female managers to 100 or more by fiscal 2026.

Number of Female Managers



Initiatives for Women's Participation in the Workplace

We provide a variety of development opportunities according to the career stage of female employees to support their career development and encourage their growth as leaders. Specifically, we support female employees in gaining career-related awareness and learning by sending them to external training programs for leadership positions, as well as through in-house training programs for mid-level employees and opportunities for networking and consultation with women in leadership positions at other companies.

In addition to these initiatives, in order to clearly demonstrate our policy of promoting women's participation in the workplace, including the appointment of female employees to leadership positions, we have endorsed the Leaders Coalition for Empowerment of Women and #HereWeGo203030 (Challenge Initiatives for 30% of Executives to be Women by 2030).

行動宣言
輝く女性の活躍を加速するリーダーの会

30 Challenge
#HereWeGo203030

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

Since 2023, as manufacturing companies based in Kobe, Kobe Steel together with Kawasaki Heavy Industries, Ltd., and Sumitomo Rubber Industries, Ltd., have held networking sessions for female engineers in technical positions. During information sharing sessions among the three companies regarding D&I, a common sentiment emerged among female engineers that there was a lack of information and role models to help them balance work and personal life. Based on this, we have been continuously providing networking opportunities. At the fiscal 2025 event, we provided a venue for mutual learning and networking through sessions led by an external speaker and exchanges of opinions among participants. We will continue to support the active participation of female engineers while incorporating their feedback from these sessions.

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Introduction of Maternity Work Clothes

For safety reasons, the Kobelco Group requires the wearing of standardized work clothing at all manufacturing sites, such as plants. Because the number of women hired is increasing not only in career-track positions but also at manufacturing sites, we have introduced maternity work clothes to help pregnant women to work safely and comfortably.

The fit of the maternity work clothes can be adjusted through the use of buttons and other features around the stomach area of the top garment, while the waist of the pants is made out of knitted material that stretches easily, thus adapting to the changes in body shape that occur with pregnancy. In addition, when women working on sites become pregnant, we work to transfer them to roles that lessen the physical burden.



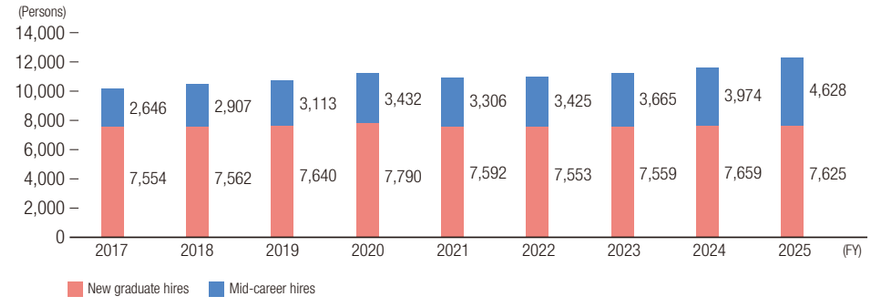
Initiatives for Mid-Career Hires

We actively promote mid-career hiring to secure diverse talent and revitalize the organization. Many employees who were hired mid-career are playing active roles in the Company.

Mid-career hires comprise approximately 30% of the Company's 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 2–4 months, and after 6–18 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.

Number of Employees (Broken Down by New Graduate and Mid-Career Hires)



Initiative to Support Foreign Employees

Employees from overseas are active in a wide range of fields at our Company. Since employees from overseas have various backgrounds, including where they are from, and diverse values, we support each individual so that they can draw out their strengths and play an active role.

Providing a Guidebook for Workplaces with Employees from Overseas

We have created and distributed a guidebook that summarizes necessary information and essential knowledge about cultural differences for workplaces that have employees from overseas.

Exchange Meetings for Employees from Overseas

With the aim of encouraging employees from overseas to create their own networks, share their respective experiences, and increase enthusiasm for future career formation and long-term employment, we host these meetings at the same time as training sessions for cross-cultural communication.



Networking event

Initiatives for Employees with Disabilities

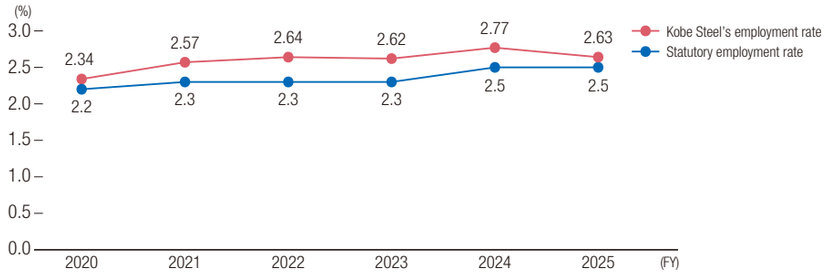
Employment of People with Disabilities

We actively promote the hiring of people with disabilities.

Recruitment activities are conducted throughout the year with the aim of having an increased number of employees with disabilities. Our efforts include collaboration with employment service centers (called Hello Work in Japan) and polytechnic schools for those with disabilities, participation in joint job interview events, school visits, and more.

Additionally, we strive to improve the work environment so that each individual can work with peace of mind while fully demonstrating their abilities.

Employment Rate of People with Disabilities



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Encouraging Understanding of Disabilities

We are taking steps to remove information barriers for people with disabilities. This includes adopting universal design fonts that take visual diversity into consideration in internal documents and updating the office map on our website to a more accessible barrier-free one. We have also compiled information on the types and characteristics of disabilities among our employees with disabilities, created and disseminated a guidebook to help consider and implement reasonable accommodations, and promoted understanding of disabilities.

Initiative to Support LGBT People

Familyship Program

We have introduced the Kobelco Familyship Program to create a work environment where LGBT individuals who are unable to legally marry can utilize company systems in the same way as legally married individuals.

Promoting Understanding of the LGBT Community

We conduct training about the LGBT community for executive management and managerial staff, as well as for general employees. We are also working to increase the number of allies[1] through the distribution of stickers bearing the Kobelco LGBT ALLY logo and Rainbow Flag distribution events at KOBELCO KOBE STEELERS matches. In recognition of these initiatives, the Company received the highest rating of “Gold” in the PRIDE Index[2] for five consecutive years from 2021. From fiscal 2024, the Company received “Rainbow Certification,” which is presented to Gold award-winning companies that demonstrate particularly outstanding initiatives, for two consecutive years.

In May 2024, we endorsed Business for Marriage Equality (BME)[3].

1 An ALLY is a person who acts proactively for LGBT issues as one’s own matter.
2 An index that evaluates companies/organizations for their initiatives for LGBT and other sexual minorities in the workplace. Established by “work with Pride,” a voluntary organization that supports the promotion and establishment of diversity management for sexual minorities.
3 Campaign to visualize companies that support marriage equality (legalization of same-sex marriage)

Kobelco LGBT ALLY Logo

Gold Award in 2025 PRIDE Index

Rainbow Certification in 2025 PRIDE Index

Business for Marriage Equality

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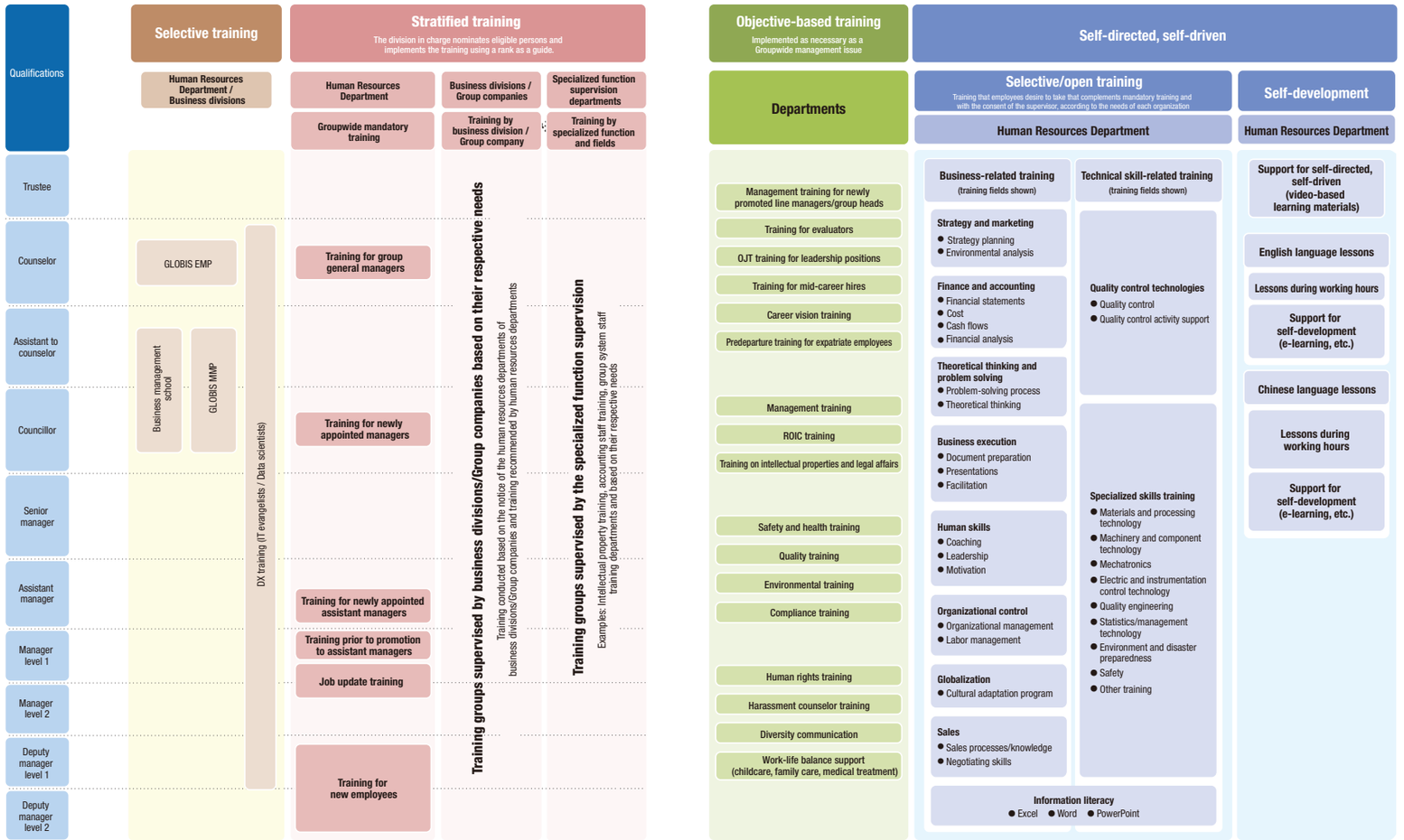
Encourage the Growth and Initiative of Every Employee

Policies | Strategies and Targets | Results

Human Resources Development

To maintain and enhance *monozukuri* (manufacturing) capabilities that are the source of our competitiveness, we have established various types of educational programs that are centered on on-the-job training (OJT) and classified by rank and purpose.

Fiscal 2026 Career-Track Position Development System



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Training System for Employees in General Administrative Positions

Stratified Education

Role Category	Name of Training	Concept	Training Goals	Training Content	Duration	Remarks
New manager	**Communication training to foster collaboration**	Proactive organizational development	· Recognize one's role as a workplace leader, and involve those around them to contribute to the smooth execution of work and the creation of a good workplace	· Developing an organizational perspective and honing the ability to involve those around them and encourage collaboration with a high level of vision and broad perspective	1 day in the first and second half of the year (2 days total) (Microsoft Teams)	After promotion to manager
Assistant manager	**Problem-identification and analysis training**	Problem-solving involving the entire workplace	· Work to achieve specific targets by involving those around them · Actively engage with those around them to solve problems and make suggestions	· The processes necessary to fulfill their role · Setting specific goals for work and clarifying issues that need to be addressed · Formulating an action plan to achieve targets	2 days (group) + half day (Microsoft Teams)	**Requirement for promotion to manager**
	Basic WBS training (Work planning and visualization)	Business improvement and efficiency	· Actively encourage those around them to improve operations · Be familiar with assigned duties as a mid-level employee and actively address problems in their work	· How to visualize procedures and work · How to recognize problems at work · Utilizing training content to improve business operations	2 days (Microsoft Teams)	**Requirement for promotion to manager**
New assistant manager	**"My role" training**	Reflecting on one's professional life and taking on new roles	· Be aware of their role in their organization and take action independently · Proactively communicate with superiors and other relevant departments to achieve organizational targets · Objectively observe their behavioral tendencies to deepen understanding of themselves and the impact of their actions on those around them	· Reconsidering roles in a changing organizational environment · How to communicate effectively to fulfill their role · How to reflect on their own actions	2 days (Microsoft Teams)	After promotion to assistant manager
	Teaching and coaching training	Effective coaching and training of junior staff	· Propose improvements to operations that utilize their own expertise and provide coaching and training to junior employees, in order to achieve the targets of the department	· Providing appropriate teaching skills (teaching/coaching) according to the situation	1 day (Microsoft Teams)	After promotion to assistant manager
Staff	**BBS training (basic business simulation)**	Interactive learning through business management simulation training	· Have a thorough understanding of the relationship between the department's targets and policies and their own role · Proactively disseminate information to those around them and carry out assigned duties swiftly and reliably	· Simulation of corporate activities for participants to deepen their understanding of the big picture, division of duties/teamwork, how to get work done, profit mechanisms, and customer thinking · How to put what they learned into practice and utilize it in their own workplace	2 days (group)	For: Chief level 5 and above **Requirement for promotion to manager**
	Problem-solving logic training (advanced)	Problem solving in assigned work	· Use knowledge and skills to solve business problems and make proposals · Fully understand their role and carry out their duties swiftly and reliably	· Logical thinking and practical problem-solving techniques and how to apply them to their work · How to use problem-solving skills and logical thinking to carry out assigned tasks swiftly and reliably	2 days (group) + half day (Microsoft Teams)	For: Chief level 5 and above **Requirement for promotion to assistant manager**
	Training for employees in chief positions*	—	· Possess the awareness and knowledge of a full-fledged employee of Kobe Steel	· Reaffirming the mindsets and knowledge required of Kobe Steel employees regarding compliance, environmental management, etc. * Implemented at each business location. Learning curriculum and duration vary depending on the business site.	—	For: Chief level 5 and above
	Problem solving logic training (basic)	How to identify and solve problems	· Have the mindset for identifying problems and making improvements in their work · Understand the methods and procedures for solving the problems discovered	· Systematic approaches to problem solving (steps to take when solving a problem)	Video-based learning materials	For: Assistant chief level 1 and above

Elective Training

Training designed to enhance business execution skills, which employees may take with the consent of their supervisor, according to the needs of each organization

Name of Training	
Business standardization	
● Work improvement for administrative staff	1 day (on-site)
● Creation of manuals for administrative staff	1 day (on-site/online)
Business execution skills	
● Time management for administrative staff	1 day (on-site)
Writing and thinking skills	
● Logical thinking training	2 days (on-site/online)
● Logical writing training	1 day (on-site/online)
● Concise business documents for administrative staff	1 day (on-site)
Communication	
● Assertive communication for administrative staff	1 day (on-site)
● Improving explanation skills for administrative staff	1 day (on-site)
Financial	
● Financial basics for administrative staff	1 day (on-site)

Notes: 1. The name of the training program may be subject to change.
2. For details on the content and dates of each training program, please check the Noukai Web "Business Skills Training" page.

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Development of Technical Employees

For the first five years after joining the Company, new employees take part in group training to systematically learn skills and specialized knowledge. In fiscal 2023, we introduced engagement training with the aim of further promoting employee growth, focusing on the fact that the mindset of each individual affects their acquisition of technologies and skills. We have gradually expanded the training to include employees in their second and third years with the Company.

In this training, participants experience the importance and fun of teamwork through hands-on manufacturing experiences and deepen their understanding of social contributions through *monozukuri*.



Engagement training

Technical Skills Competitions

Every year, we hold a technical skills competition for second-year technical track employees to measure their proficiency in the skills they have acquired and to confirm the fundamentals of safe work. As the automation of machine tools progresses at manufacturing sites, this competition is an important opportunity to foster awareness of safety and health and enhance employees' ability to execute.



Technical skills competition

Early Development and Systematic Placement of Management Personnel

We draw up succession plans for key positions at the general manager level and above, and conduct cross-field rotations for gaining a wide range of work experience. We also conduct selective training at multiple levels aimed at improving management skills.

Self-Directed, Self-Driven Human Resources Development

In addition to conventional standard/stratified programs, we are promoting learning that is self-directed and self-driven. While employees are encouraged to autonomously build their own careers and learn on their own, the Company will provide growth opportunities for them and support the active participation of diverse human resources.

Results of Skills Development Training over the Past Three Years

Fiscal Year	2023		2024		2025	
Number of Employees (Persons)	11,534		11,895		12,253	
	Total hours for all employees (Hours/year)	Average hours per employee (Hours/person/year)	Total hours for all employees (Hours/year)	Average hours per employee (Hours/person/year)	Total hours for all employees (Hours/year)	Average hours per employee (Hours/person/year)
Learning hours	380,056	33.0	525,795	44.2	617,818	50.4

Human Resources Development Spending in Fiscal 2025

Human resources development spending	2,998 million yen
Human resources development spending per employee	245,000 yen

Qualification Acquisition Support System

We are committed to promoting self-directed and self-driven training with the goal of supporting employees' proactive learning and desire to take on new challenges, and connecting this to the development of their abilities, skills, and technical prowess, which will enable them to demonstrate their capabilities in the workplace. As part of this, we established the new Qualification Acquisition Support System in October 2025. This provides financial support to employees who acquire official qualifications designated by the Company. There are over 200 types of qualifications covered, ranging from those related to fundamental work skills to those requiring advanced expertise. This system encourages employees to discuss their learning plan with their supervisor before starting their studies, and is designed to support their efforts to continue learning while balancing this with their daily work duties. This allows them to continuously enhance essential knowledge and skills, creating a work environment that enables employees to take on new challenges.

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Creating a Work Environment Where Employees Can Play Active Roles

Policies | Strategies and Targets | Results

Promotion of Rewarding Workplaces

As a measure to secure and retain talent and improve engagement, the Group is working to create a comfortable and fulfilling work environment.

We are also promoting work style reform activities, which include increasing the number of annual paid leave days taken and freeing up time by improving work efficiency. We are undertaking a variety of initiatives, from the development of systems and tools to the transformation of the corporate culture and mindset, with the aim of creating a work style that allows each and every employee to work with enthusiasm, demonstrate their fullest potential, and continue to create new value.

Improving the Work Environment

We view improving the work environment as an important aspect of human capital. Under our current Medium-Term Management Plan, we plan to invest 45 billion yen in our workplaces over three years. In fiscal 2024, we decided to invest approximately 15 billion yen in updating employee dormitories and company housing, and improving welfare facilities and offices at our business locations, in order to create an environment in which employees can work comfortably.

Promotion of Flexible Work Styles

Telework System

We have established a system that allows employees to work without coming to the office, and introduced a telework system so that employees who are balancing childcare or family care or have time constraints can play an active role to the fullest while being conscious of improving productivity. We recommend that employees flexibly choose between coming to the office and teleworking depending on their work characteristics and circumstances.

Flextime System

We have introduced a flextime system that allows employees to autonomously decide when to start/end work and how long they work each day according to their work and life circumstances. In fiscal 2023, we abolished core time and established a system to enable more flexible work styles.

Encouraging Addressing by Name, Not Title

We encourage employees to call each other by their names in emails and at the workplace. While it is only encouragement, this approach has taken root and led to smoother communications within the Company.

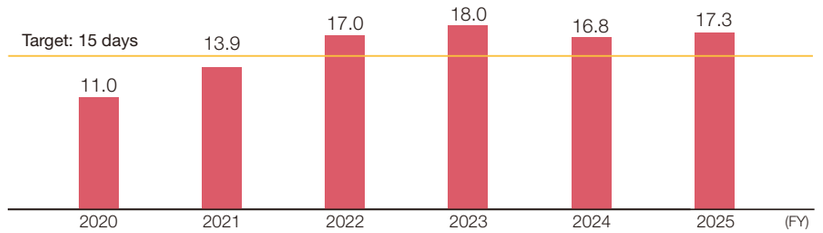
Shift to Less Formal Attire

We have introduced the option of less formal attire at the Head Office, branch offices, and sales offices with the aim of fostering fresh and flexible thinking, and a sense of autonomy in a comfortable working style.

Encouraging the Acquisition of Annual Paid Leave

We have set a target to have employees take 15 days of annual paid leave per year. Toward this end, we encourage employees to take annual paid leave in a coordinated manner. Furthermore, in recent spring negotiations of general labor conditions, we have expanded our systems, such as increasing the number of annual holidays by two days in fiscal 2024 and the number of annual paid leave days by two days in fiscal 2026, in an effort to create an environment that improves the work-life balance of our employees.

Number of Days of Paid Leave Taken (Days per Employee per Year)



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Support for Work-Life Balance

To help employees achieve work-life balance, we are actively providing information on training and seminars to support balancing childcare, nursing care, and medical treatment, and are working to improve the workplace environment.

In addition to relevant employees, we also provide training and e-learning for supervisors. We have created a work-life balance support website and posted it on our intranet so that employees can at any time access information about the Company's various systems and services that support work-life balance.

Childcare Support

We are moving forward with initiatives to support a balance between work and childcare, regardless of gender. Our initiatives in childcare support have gained recognition, and the Company received the "Platinum Kurumin[1]" certification as an Outstanding Childcare Support Company (acquired in 2019).

In the past, we have received "Kurumin[2]" certification twice, in 2012 and 2015. The Platinum Kurumin certification was awarded to our Company for the recognition of our efforts such as promoting work style transformation activities, which increased the rate of employees taking annual paid leave, and encouraging male employees to take the Company's own special leave for childcare.

1 A special certification awarded to Kurumin-certified companies that have implemented initiatives aiming for a higher standard and fulfilled certain conditions, with the designation of Outstanding Childcare Support Company

2 A certification awarded by the Minister of Health, Labour and Welfare to companies that support childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children. It is awarded when certain requirements are fulfilled, such as formulating and reporting an action plan and achieving targets.

Usage of Main Childcare Support Systems

▶ Percentage of Employees Taking Childcare Leave* and Average Number of Days Taken

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Male	42.3%	40.8%	54.2%
	72 days	74 days	67 days
Female	100%	100%	100%
	465 days	438 days	405 days

* Percentage of employees taking leave for a child born within the fiscal year

Support for Male Participation in Childcare

With the aim of supporting men's participation in childcare, we are conducting activities to encourage male employees to take childcare leave* with the goal of reaching a 100% rate of male employees taking childcare leave.

We inform employees who have had a new child about the system by distributing a childcare handbook and other means, and encourage them to proactively take advantage of the childcare leave system and other related systems. We also provide information on childcare-related systems and procedures for obtaining them through the Support for Work-Life Balance page on our website.

As a result of these activities, in recent years more and more male employees are getting involved with childcare, as the number taking childcare leave is increasing and the average number of days taken is also on the rise.



* Kobe Steel's paid leave to support a balance between work and childcare that can be taken by employees with children under the age of three

▶ Percentage of Employees Taking Special Childcare Leave

	Fiscal 2023	Fiscal 2024	Fiscal 2025
Percentage of male employees taking special leave for childcare	167.8%	157.4%	155.0%

Note: Calculated based on the percentage of employees taking childcare leave and leave for childcare purposes under the Act on Childcare Leave/Caregiver Leave.

Nursing Care Support

We have created an environment that supports a balance between work and nursing care. Nursing care leave can be taken for up to three years for making necessary preparations for nursing care at home. We have also established a system for responding to consultations from employees by assigning nursing care counselors at each business site. We create and distribute a handbook to support balancing work and nursing care as part of our active efforts to provide information on nursing care.

Nursing Care Seminar

To help employees begin preparing for providing a loved one with nursing care, we hold seminars to support balancing work and nursing care, and provide them with information about nursing care and tools to communicate with family members who may need nursing care.

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Support for Employees Battling Illness or Undergoing Infertility Treatments

By reviewing the leave system, we are supporting employees to balance work while battling illness or undergoing fertility treatments. In addition, we hold various seminars jointly with other companies to provide information and promote understanding of those around them.

Women's Health Seminars and Other Events

We hold seminars on themes such as symptoms associated with menstruation, menopausal symptoms, and infertility treatment to deepen understanding of the decline in the performance of female employees due to health issues specific to women and the Company's support for helping women to balance work and life. We also hold networking sessions for new female employees on the technical career track where they can hear from senior female employees about communication methods related to women's health issues in a workplace dominated by men.

Other Support for Work-Life Balance

In order to enable employees to continue working, not only through child-rearing and family care but also through a variety of life events, we have established various support programs.

Kobelco Life Support Leave

In order to build a flexible employment system that contributes to the active participation of our diverse workforce, we established the Kobelco Life Support Leave program in fiscal 2023 with the goal of expanding support for employees who are temporarily restricted from working due to reasons such as medical treatment, family care, volunteer activities, or reskilling, in addition to conventional childcare and nursing care support.

▶ Overview of Kobelco Life Support Leave Program

Number of days granted annually	5 days/year
Increments of leave	1 day or half-day
Unique feature	Can accumulate up to 60 days
Reasons for taking this leave	Leave can be taken as needed for childcare, nursing care, medical treatment, volunteer activities, reskilling, etc.
Number of employees who took this leave in fiscal 2025 (at least one half-day)	3,772

Career Continuation Leave System

Under this system, employees who are living apart from their spouse due to their spouse having been transferred elsewhere, or for other reasons, may take leave of up to three years in order to resolve this separated state.

With the number of households in which both partners work increasing, there has also been an increase in cases where employees of the Company end up separated from their spouse due to the need to stay in their respective work locations. In light of this situation, this system provides a new option that could be an alternative to a commuter marriage or leaving the Company (to live with their spouse) in the event of an unwanted separation from their spouse due to each person's need to stay in their respective work locations. By doing so, we aim to help employees who have to live separately from their spouse to continue to work, and at the same time, reduce their anxiety about future separation from their spouse.

Reemployment Entry System

For employees who enter this system when they resign due to marriage, childcare, nursing care, or transfer of their spouse, and who subsequently request reemployment at the Company due to a change in circumstances within five years of having resigned, this system matches the candidate with the Company's reemployment needs.

Entering the system at the time of resignation enables employees who had no choice but to resign for childcare or other reasons to select the Company as a destination for reemployment when searching for a place to work.

System Supporting Early Return from Childcare Leave

This system allows employees with a child under one year old who have returned to work after childcare leave to receive a subsidy equal to the difference between the licensed and unlicensed nursery usage fees (a maximum of 50,000 yen for up to a year) when their child has to be placed in an unlicensed nursery in spite of the attempt to enter a licensed nursery.

One major issue when it comes to returning to work from childcare leave is finding a nursery to take care of the child. In many cases, employees wish to leave their children at licensed nurseries, which are less expensive, but it may not be easy to have their children taken care of for the desired period at licensed nurseries as many of them have no vacancies. In this situation, they can have the option of leaving their child at an unlicensed nursery, but the reality is that many choose to extend their leave from the workplace due to the higher childcare fees of unlicensed nurseries. This system aims to reduce these barriers to returning from childcare leave early by providing subsidies.

Making the Various Systems for Supporting Work-Life Balance Known to All

We distribute various handbooks to all employees who have had a baby, or who take nursing care leave.





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Building Responsible Supply Chains

Basic Concept

Strategies and Targets

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 Responsible Supply Chains, we will fulfill our social responsibilities while working to grasp the supply chain issues in the procurement of raw and other materials in order to ensure a stable supply of our products and services.

Basic CSR Procurement Policy

Policies

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. (The entire Basic CSR Procurement Policy is available on the Kobelco Group website.)

Procurement

Approach	• Basic Procurement Policy • Requests to Our Business Partners
Response policies	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

Basic Procurement Policy

Policies

The Kobelco Group's procurement departments will conduct their activities based on the following basic procurement policies.

1. Compliance with laws, regulations, and other social norms
   In conducting purchasing operations, we will comply with relevant domestic and overseas laws, social norms, and internal regulations.
   The person in charge of procurement will have no private benefit in any business partner.
   We will never have any relationship with antisocial forces and organizations that threaten the order and security of civil society and will not respond to illegal or unjust demands.
2. Fair and impartial transactions
   Purchasing operations will be conducted based on reasonable standards, in terms of quality, delivery time, and price, and will be open to the public both in Japan and abroad.
3. Coexistence with the global environment through procurement
   When conducting purchasing operations, we will pay attention to social conditions and demands, and give due consideration to environmental protection, resource protection, etc.
4. Strengthening of partnerships with business partners
   We aim for mutual development by establishing a relationship of trust with our business partners.
5. Management of confidential information
   We will strictly manage information and personal information obtained through purchasing operations and use it only for the permitted purposes.

Requests to Our Business Partners

Strategies and Targets

The Kobelco Group requests its business partners to understand and practice the following in order to work together to build responsible supply chains. (For details, please visit our corporate website.)

Procurement

1. Compliance
   Comply with applicable laws and regulations in your country and the countries/regions in which you operate.
2. Human rights and labor
   • Prohibition of forced labor, child labor, inhumane treatment, and discrimination
   • Consideration for working hours and young workers, adequate wages and benefits, and freedom of association/right to collective bargaining
3. Safety and health
   Occupational safety, emergency preparedness, occupational accidents and diseases, industrial hygiene, consideration for physically demanding tasks, safety measures for machinery and equipment, safety and health of facilities, safety and health communication, and health care of workers
4. Environment
   Obtain environmental permits and reports; reduce energy consumption and greenhouse gas emissions as well as emissions into the atmosphere; ensure management of water, effective use of resources, and waste management; promote control of chemical substances and management of chemical substances contained in products
5. Fair trade and ethics
   Anti-corruption, prohibition of giving or receiving unreasonable or improper benefits or facilities, appropriate information disclosure, respect for intellectual property, conduct business fairly, protection of the informant, and prohibition of the use of conflict minerals
6. Quality and safety
   Ensuring product safety and establishment and operation of quality management system
7. Information security
   Defense against cyberattacks, protection of personal information, and preventing leakage of confidential information
8. Business continuity plan
   Business continuity planning and preparation
9. Social contribution
   Activities that contribute to the development of international and local communities

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Building Responsible Supply Chains

Steering System

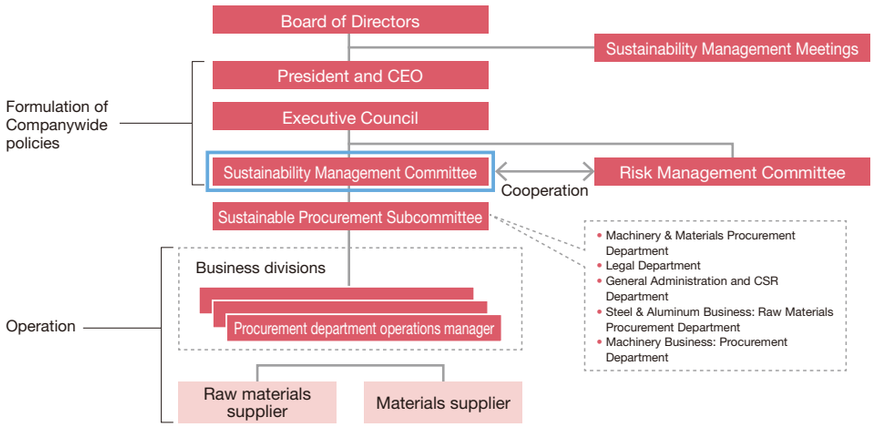
Structure

The Sustainability Management Committee proposes the Companywide policy to the Executive Council, which then deliberates to reach a consensus. Procurement activities are spearheaded by the operations managers of the procurement departments within each business division.

From the viewpoint of risk management, procurement activities are conducted in cooperation with the Risk Management Committee to strengthen the policy implementation.

Steering System

Structure



Response Policies

Policies

1. Notification of Requests to Our Business Partners to the suppliers of our business partners
   We also ask our business partners to ensure that their suppliers thoroughly understand and implement the above Requests to Our Business Partners.
2. Solicitation for compliance with Requests to Our Business Partners and support for improvements
   - We confirm the progress of business partners that require improvements while providing support.
   - We may visit business partners in person, including performing third-party audits as needed.
   - If appropriate improvements are not made, we may elect to terminate the business relationship.
3. Information disclosure
   We disclose relevant information in a timely and suitable manner.
4. Cooperation with business partners
   We share the Basic CSR Procurement Policy with business partners and pursue various avenues of collaboration while striving to understand any issues.
5. Cooperation with employees, Group companies, and affiliates
   We continuously raise awareness and organize training with regard to the importance of the environment and human rights in the supply chain and our Basic CSR Procurement Policy.

Requests to Our Business Partners

Results

We carried out the initiatives in the following table with the cooperation of our business partners for building responsible supply chains.

Month and Year	Details
Sept. 2020	Released Basic Procurement Policy and Requests to Our Business Partners
Mar. 2022	Conducted the CSR survey (first time) on our main business partners
Sept. 2022	Released Basic CSR Procurement Policy
Mar. 2023	Received letters of consent from main business partners who endorse Basic CSR Procurement Policy
Feb. 2024	Conducted the second CSR survey and first detailed survey on human rights Created a guidebook to support the improvement of human rights issues and distributed it at the same time as the detailed survey on human rights
Feb. 2026	Conducted the third CSR survey and the second detailed survey on human rights

Surveys of Major Tier 1 Suppliers

We conducted CSR surveys of major tier 1 suppliers in 2022 and 2024.

- Targets: 330 companies (major domestic and international tier 1 suppliers accounting for approximately 70% of the transactional value of raw materials and supplies)
- Survey items: Questions about basic stance, compliance with laws and regulations, internal system management, etc., covering nine items related to CSR

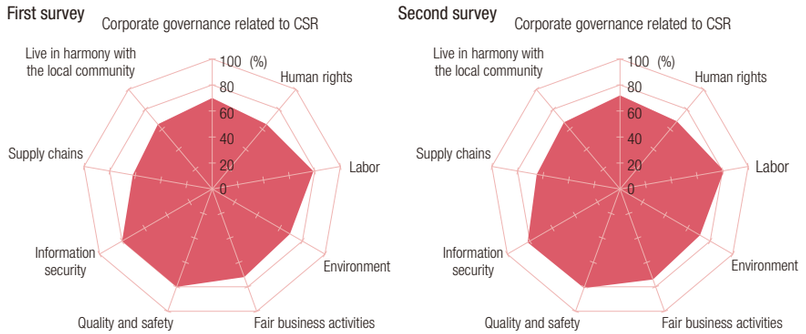
Category		
Corporate governance related to CSR	Environment	Information security
Human rights	Fair business activities	Supply chains
Labor	Quality and safety	Live in harmony with the local community

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- Survey results: The scores for the human rights category were low in both 2022 (first survey) and 2024 (second survey)*.

Score by Item



Note: For detailed results for the first and second surveys, see pages 87–88 of ESG Data Book 2022 in Building Responsible Supply Chains and pages 70–71 of ESG Data Book 2024 in Building Responsible Supply Chains.

Human Rights and Labor

In 2024, we conducted the first detailed survey on human rights on suppliers who were found to have inadequacies in their internal governance structure in terms of human rights and labor in the first CSR survey conducted in 2022 in order to confirm their compliance with laws and regulations related to human rights and labor.

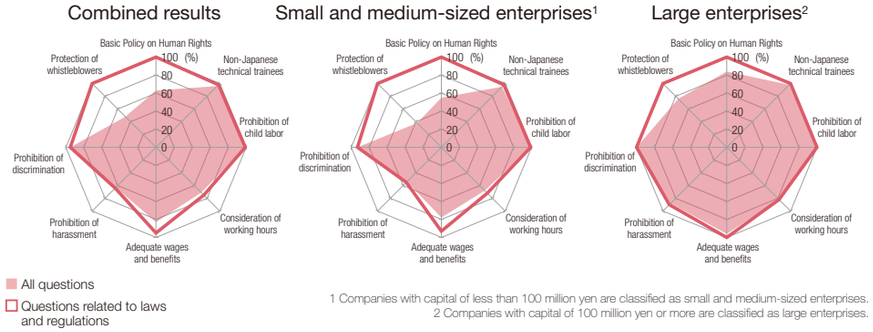
Details of Survey

- Target: 185 companies
- Survey topics: 41 questions in total across 8 areas of human rights and labor (27 of which relate to laws and regulations).
- Survey results: · In questions about laws and regulations, broken down by area, there was a tendency for small and medium-sized companies in particular to be lacking in efforts to document rules and inform employees about these rules in areas such as respect for working hours and prohibition of harassment. Overall, 54% of respondents provided appropriate answers to all 27 questions.
  · 34% of participants provided appropriate answers to all questions.

Area	Total Number of Questions	Of Which, Number of Questions Related to Laws and Regulations
(1) General	2	0
(2) Non-Japanese technical trainees	10	5
(3) Prohibition of child labor	2	1
(4) Consideration of working hours	10	9
(5) Adequate wages and benefits	8	5
(6) Prohibition of harassment	5	4
(7) Prohibition of discrimination	3	3
(8) Protection of whistleblowers	1	0
Total	41	27

Results

Ratio of Appropriate Responses by Area



1 Companies with capital of less than 100 million yen are classified as small and medium-sized enterprises.
2 Companies with capital of 100 million yen or more are classified as large enterprises.

Support for Our Business Partners

- We provided feedback to our business partners on areas where their responses were insufficient. Using our guidebook to support the improvement of human rights issues (which clearly states the items we would like our business partners to address regarding human rights and labor), we introduced specific examples of responses in each area.
- In 2026, we will conduct the second detailed survey on human rights and confirm the results of improvements.
- In 2024, we joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) and established a consultation desk for human rights issues in supply chains.

<Number of consultations regarding supply chains: fiscal 2024: 0 cases and fiscal 2025: 0 cases>
(The supply chain grievance desk can be found on the Kobe Steel website.) Procurement

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Upstream Supply Chain Survey on Conflict Minerals

Results

- After conducting an upstream survey within Kobe Steel in fiscal 2023 and Group companies in fiscal 2024, we confirmed that we do not purchase conflict minerals (tin, tantalum, tungsten, and gold; “3TG”) regulated by the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) from areas restricted by the Act.
- In addition to the above, we conducted an upstream survey of Kobe Steel and its Group companies in fiscal 2024 covering cobalt and mica, which pose concerns due to the risk of human rights violations, and found that we do not purchase either mineral from regions deemed as conflict areas or high-risk areas by the OECD.

○: No purchases made from conflict areas or high-risk areas —: No purchases of minerals

Mineral \ Business	Steel & Aluminum	Advanced Materials	Welding	Machinery	Engineering	Construction Machinery	Electric Power	Head Office
Tin	—	○	—	○	—	—	—	○
Tantalum	○	—	—	—	—	—	—	○
Tungsten	○	○	○	—	—	—	—	○
Gold	—	○	—	○	—	—	—	—
Cobalt	○	○	○	—	—	—	—	○
Mica	—	—	○	—	—	—	—	○

Initiatives Scheduled for Fiscal 2026 and Beyond

Strategies and Targets

After understanding the situation of our business partners, we continue to provide support and other assistance by implementing the PDCA cycle.

Theme	Fiscal 2026	Fiscal 2027 and Beyond
Governance	Analyze and assess the results of the third CSR survey	Based on this analysis and assessment, consider and implement necessary measures
Human rights	Based on the responses to the second detailed survey on human rights, we will consider taking steps to support our business partners.	We will engage with our business partners, review our prior initiatives, and formulate our future activity plan.

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Social and Labor Data

				Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
Employees	Consolidated	Consolidated	Persons	36,951	37,436	39,341	40,831	40,517	38,106	38,488	38,050	39,294	38,614
	Non-consolidated	Non-consolidated	Persons	11,034	11,191	11,401	11,560	11,837	11,296	11,368	11,534	11,895	12,253
		Male	Persons	10,241	10,304	10,422	10,528	10,750	10,231	10,284	10,428	10,687	10,986
		Female	Persons	793	887	979	1,032	1,087	1,065	1,084	1,106	1,208	1,267
		Non-Japanese employees	Persons	60	70	69	85	87	76	74	87	109	118
Percentage of female managers[1]	Non-consolidated		%	1.5	1.6	1.9	2.3	2.3	2.6	2.8	3.1	3.6	3.8
Percentage of female employees	Consolidated		%						14.2	14.6	14.9	15.3	15.4
Employment rate of people with disabilities[2]	Non-consolidated		%	2.38 (2.0)	2.30 (2.0)	2.35 (2.2)	2.37 (2.2)	2.34 (2.2)	2.57 (2.3)	2.64 (2.3)	2.62 (2.3)	2.77 (2.5)	2.63 (2.5)
Number of employees taking childcare leave[3]	Non-consolidated	Male	Persons	7	8	13	35	48	82	142	183	181	247
		Female	Persons	54	40	40	58	63	49	31	73	35	43
Percentage of employees returning from childcare leave	Non-consolidated		%	96.0	96.7	98.2	100.0	99.1	99.0	99.4	99.6	100.0	98.6
Number of new graduates employed	Non-consolidated	Male	Persons	344	421	350	315	349	254	224	234	280	311
		Female	Persons	50	64	50	52	38	39	25	37	50	42
Turnover of employees with less than 3 years of service[4]	Non-consolidated		%	12.8	10.7	15.3	16.6	11.9	17.7	16.2	17.8	19.9	15.2
Turnover of employees with less than 10 years of service[5]	Non-consolidated		%	13.1	13.4	18.9	19.1	15.8	19.5	20.0	21.1	22.4	24.0
Number of annual paid leave days taken	Non-consolidated		Days/ year per employee	14.9	15.5	16.3	17.0	11.0	13.9	17.0	18.0	16.8	17.3
Overtime hours	Non-consolidated		Hours per month/ employee	16.5	18.4	18.4	17.7	16.6	17.2	16.5	16.1	16.5	15.5
Total hours worked	Non-consolidated		Hours				2,080.0	1,978.0	2,057.0	2,050.1	2,050.4	2,030.7	2,014.3

1 At Kobe Steel, managers or higher positions are defined as managerial positions.
2 Figures in parentheses are the statutory employment rate.
3 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.
4 The percentage of employees recruited through the regular hiring process two years prior to the applicable fiscal year who left the Company with less than three years of service by the end of the applicable fiscal year.
5 Figures show 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.

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Corporate Governance

Basic Stance on Corporate Governance

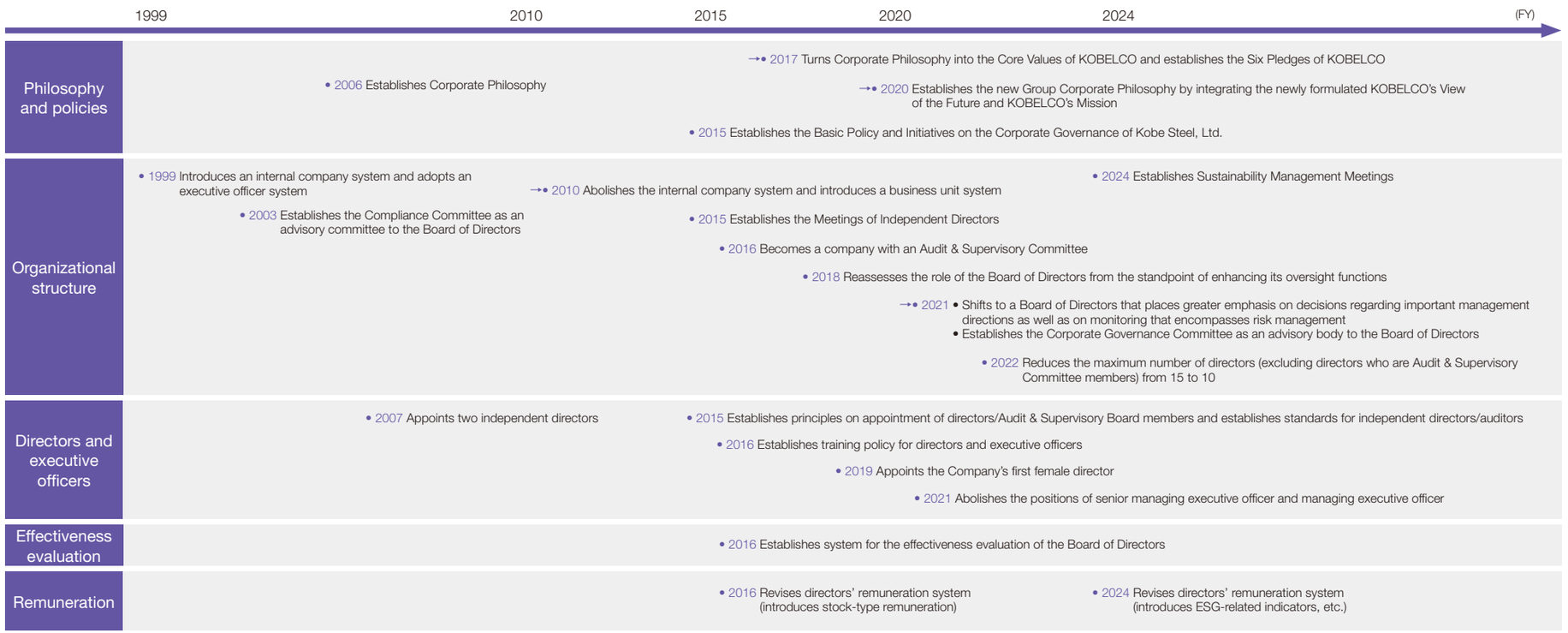
The Kobelco Group recognizes that corporate value encompasses not only business results and technological capabilities but also the stance on social responsibility to all stakeholders, including shareholders and investors, customers, business partners, members of local communities, and Group employees.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

Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.

Initiatives to Strengthen Corporate Governance

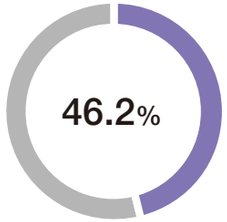


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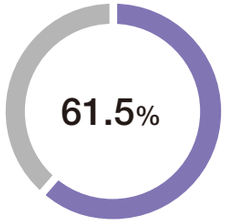
Corporate Governance Highlights

Percentage of independent directors



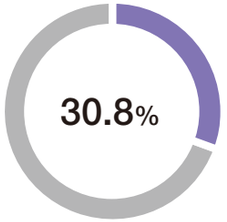
(6 of 13, including directors who are Audit & Supervisory Committee members)

Percentage of non-executive directors



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

Percentage of female directors



(4 of 13, including directors who are Audit & Supervisory Committee members)



	Executive Directors Board of Directors: 5 Audit & Supervisory Committee: 0	Non-Executive Directors Board of Directors: 8 (including 4 women) Audit & Supervisory Committee: 5 (including 3 women)
Board of Directors (Chair: Independent director, in principle)		
Audit & Supervisory Committee (Chair: Independent director, in principle)		

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.

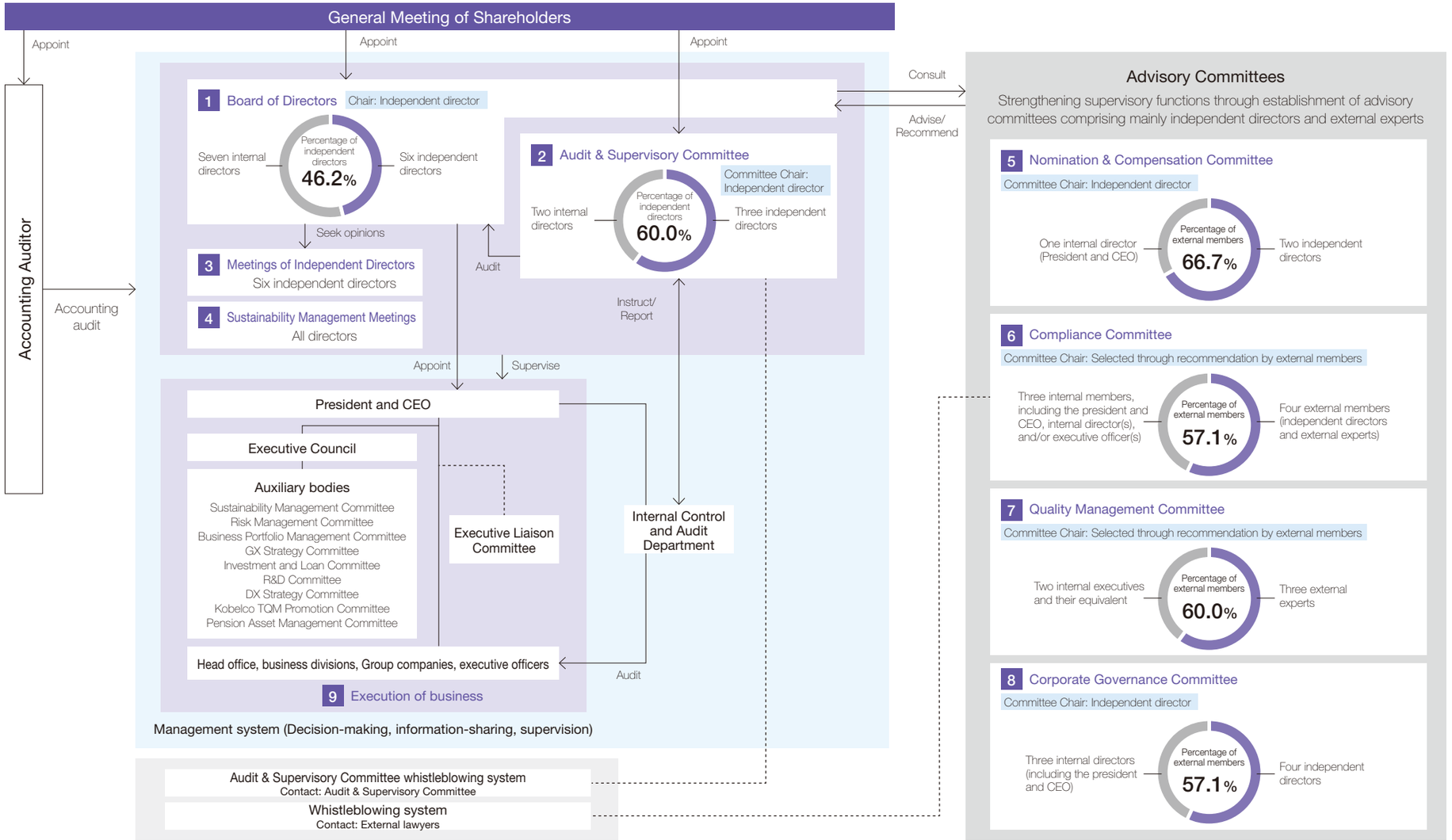
In line with this approach, the Company has adopted an Audit & Supervisory Committee whose members have voting rights on the Board of Directors. Under this governance structure, the Company aims to enable comprehensive audits of its extensive businesses, maintain and strengthen the supervisory function 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 and 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.

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Corporate Governance

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 independent directors.

Status of Activities in Fiscal 2025
In fiscal 2025, the Board of Directors held discussions based on agendas that have been systematically set well in advance, utilizing the Meetings of Independent Directors and other means. These discussions focused on initiatives related to the business foundation area and on our priority issues—enhancing earning power and pursuing growth, as well as taking on the challenge of realizing carbon neutrality—among the various initiatives aimed at increasing corporate value over the medium to long term through the promotion of sustainability management based on the Group Corporate Philosophy.

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 facilitates appropriate auditing for the execution of duties by directors responsible for a wide range of business segments. The committee chair is selected from among the independent directors.

Internal directors who are full-time Audit & Supervisory Committee members are 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 execution of business 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.

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

4 Sustainability Management Meetings

The Company has established the Sustainability Management Meetings to strengthen the Board of Directors' monitoring function. The meetings facilitate the sharing of views and the exchange of opinions with executives, including those from business divisions, regarding the Group's key sustainability-related activities (carbon neutrality, human resources, quality, and other focus areas of our Companywide strategies) on a broad and regular basis.

The Sustainability Management Meetings consist of all the directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary. In addition, the following main agenda items were covered in fiscal 2025.

Main Agenda Items of Regular Meetings
◆ Updated roadmap to achieve carbon neutrality ◆ Human resources strategy ◆ Medium- to long-term technology strategy ◆ Approach to sustainability disclosure ◆ TQM promotion activities, etc.

We also regularly invite external speakers to lead special lectures with the goal of enhancing the appropriate skills and competencies required of directors to oversee strategies established to address sustainability-related risks and opportunities. In addition, the themes and speakers for fiscal 2025 were as follows.

Theme of Special Lecture	External Speaker
■ Sustainability management skills and competencies required of directors, etc.	Mizuho Financial Group, Inc. Yasuhiko Ushikubo and others
■ Human capital management and talent portfolio	Faculty of Policy Science, Ryukoku University Professor Yasuhiko Uchida

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5 Nomination & Compensation Committee

The Company has established the Nomination & Compensation Committee as a body to report on matters such as the nomination, appointment, and dismissal of candidates for directors and executive officers, including the appointment of 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.

Matters Examined in Fiscal 2025
The committee deliberated on matters such as the nomination of directors for fiscal 2026 and additional contributions to the Board Benefit Trust (BBT) in the directors' remuneration system, and submitted recommendations to the Board of Directors.

6 Compliance Committee

The Company has established the Compliance Committee as an 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.

7 Quality Management Committee

The Company has established the Quality Management Committee as an advisory body to the Board of Directors. The committee undertakes continuous monitoring and makes recommendations regarding quality management enhancement activities within the Group, as well as monitors the effectiveness of measures to prevent recurrence of the quality-related 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 focuses on determining important management directions and monitoring that encompasses risk management, while executive officers undertake 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, capital and other investments and loans, Kobelco TQM promotion, research and development, and DX 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.

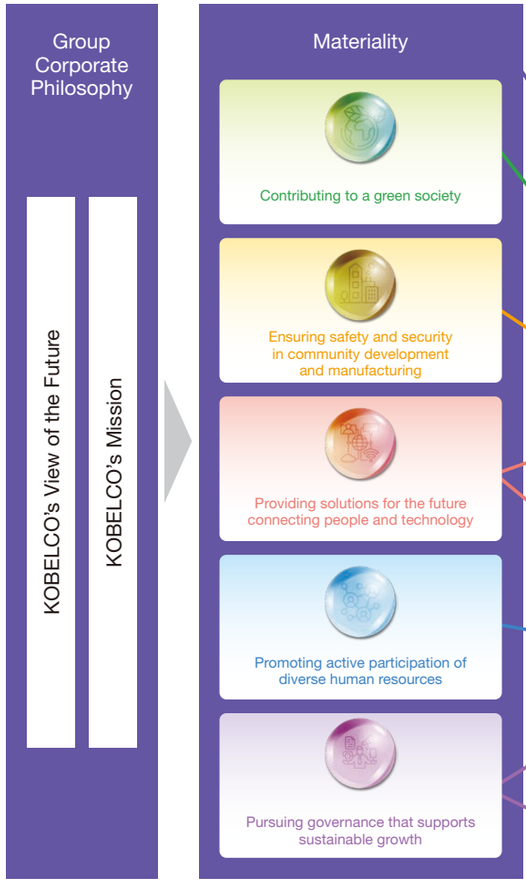
The Executive Liaison Committee is a forum to share information on important matters related to management, and it is also considered a venue to conduct training by inviting instructors from within and outside the Company in order to acquire and update as appropriate various knowledge necessary for the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

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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. Each of these areas of knowledge, experience, and skills is reviewed periodically in response to changes in the operating environment, the formulation of new management plans, and other circumstances. This time, in light of changes in the external environment, we have defined the necessary knowledge, experience, and skills as follows, and have revised part of the skills matrix.



Knowledge, Experience, and Skills	Reason for Selection	Reference: Relevant Initiatives under KOBELCO-X (Up to Four Ticks)						
		AX	GX	BX	CX*	DX	EX	FX
Business management and administration	As our Group operates diverse businesses both domestically and internationally, skills in business management and administration are fundamental for optimizing our portfolios and resource allocation, as well as for demonstrating decision-making competency through the development and implementation of medium- to long-term growth strategies on a global scale, aimed at maximizing corporate value.	■	■			■		■
Environmental strategy	Our Group recognizes environmental issues as important medium- to long-term challenges. Environmental strategy skills are essential for advancing initiatives that address both risks and opportunities in the pursuit of a sustainable society. This includes responding to climate change and promoting resource circulation, as well as expanding products and services that contribute to CO_2 emission reduction.		■	■	■	■		
Sales strategy and marketing	A market-oriented perspective is required to ensure competitive advantages throughout the Group's business operations. Skills in sales strategy and marketing are essential for swiftly responding to changes in the global market environment and creating customer value.	■		■	■	■		
Technical development, intellectual properties, and production technologies	As technological innovation becomes an increasingly important source of competitiveness, skills in technology development, intellectual property, and production technology are essential for developing and implementing technical strategies that promote differentiation and improve profitability, including enhancing existing technologies, products, and services, as well as driving innovation.	■	■			■		■
Digital, IT, and DX	Skills in digital, IT, and DX are essential for not only improving operational efficiency but also for innovating business models. These capabilities are crucial for gaining competitive advantages in the market, thereby accelerating the creation of new value.			■	■	■	■	
Human resources strategy	Human resources strategy skills are essential for maximizing human capital and enhancing organizational strengths by promoting diversity, fostering a fulfilling workplace, and developing the next generation of talent. These efforts contribute to achieving sustainable corporate growth.			■		■	■	■
Finance and accounting	Maintaining a sound financial structure and improving capital efficiency form the foundation for enhancing corporate value. Finance and accounting skills are essential for the optimal utilization of management resources in areas such as investment decisions and capital policies.	■	■	■		■		
Governance and risk management	Skills in corporate governance and risk management are essential for directors to ensure the soundness and transparency of management, the validity of management strategies, and the appropriateness of business execution. These skills also enable directors to accurately grasp and manage various risks, supporting the sustainable enhancement of corporate value.	■	■	■		■		

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The areas in which we have particularly high expectations for each director, based on their knowledge, experience, and skills, are as follows: Items 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	Attendance at Audit & Supervisory Committee Meetings	Matters Concerning Overall Management	Value creation area			Business foundation area				Insights into Other Industry Sectors
								Business management and administration	Sales strategy and marketing	Technical development, intellectual properties, and production technologies	Digital, IT, and DX	Environmental strategy	Human resources strategy	Finance and accounting	Governance and risk management	
Directors	Yoshihiko Katsukawa	Inside	Executive	Male	8	16/16 (100%)	–	●	●			●		●	●	
	Hajime Nagara	Inside		Male	6	16/16 (100%)	–	●				●	●		●	
	Koichi Sakamoto	Inside		Male	3	16/16 (100%)	–	●		●	●	●			●	
	Kazuhiko Kimoto	Inside		Male	2	16/16 (100%)	–	●	●		●	●		●		
	Kazuo Iritani	Inside		Male	–	–	–	●	●	●	●	●				
	Shinsuke Kitagawa	Outside/ Independent Officer	Non-executive	Male	4	16/16 (100%)	–			●		●	●		●	●
	Yoshie Tsukamoto	Outside/ Independent Officer		Female	2	16/16 (100%)	–	●	●	●	●					●
	Akihiro Nakanishi	Outside/ Independent Officer		Male	–	–	–	●	●					●	●	●
Directors who are Audit & Supervisory Committee Members	Gunyu Matsumoto	Inside		Male	3	16/16 (100%)	20/20 (100%)	●					●	●	●	
	Yuichiro Goto	Inside		Male	2	16/16 (100%)	20/20 (100%)		●	●	●	●				
	Nobuko Sekiguchi	Outside/ Independent Officer		Female	4	16/16 (100%)	20/20 (100%)				●		●	●		●
	Hisae Kitayama	Outside/ Independent Officer		Female	–	–	–	●					●	●	●	●
	Tomoko Sakamoto	Outside/ Independent Officer		Female	–	–	–					●		●	●	●

Note: This matrix does not present all the knowledge, experience, and skills that each person possesses, but rather maximum five ticks (●) are given for areas that are particularly expected.

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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 directors and others.
- To revitalize and deepen discussions at meetings of the Board of Directors and further enhance the monitoring function for business activities, the Company appoints an independent director 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, alongside agenda items anticipated 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 ensure 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 2025

Evaluators	All 13 directors
Implementation process	Questionnaire survey targeting all directors and individual interviews by the Corporate Governance Committee Note: 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 among directors, 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 Evaluation Results

- The Company believes that the effectiveness of the Board of Directors has been continuously improved. In the effectiveness evaluation conducted in the previous fiscal year, the Company recognized the need for further improvement in providing information to independent directors, considering the strengthened Board of Directors' monitoring function.
- Therefore, in fiscal 2025, in addition to setting an annual agenda, the Company expanded opportunities for preliminary explanations and discussions regarding large-scale investment projects by utilizing offline meetings. As a result, many of the participants commented that they gained a deeper understanding of the background to investments and relevant internal issues. This feedback suggests that the Board of Directors' function as a monitoring board has continued to improve further.
- Based on the accumulated results of effectiveness evaluations to date, the Board of Directors recognizes that continuous improvement is underway. In fiscal 2026, the Company will continue these initiatives and strive to further improve the Board of Directors' effectiveness.
- In particular, ahead of formulating the next Medium-Term Management Plan, the Company recognizes the need for continuous and in-depth discussions on important themes that contribute to increased corporate value in fiscal 2026. The Company will continue to advance discussions utilizing the Sustainability Management Meetings and offline meetings.
- Furthermore, in light of the changes in several independent directors, the Company will also work to enhance the provision of information with the goal of promoting understanding among the newly appointed directors.

Future Initiatives for Improving Effectiveness

- The Board of Directors will engage in more in-depth discussions regarding specific strategies to increase corporate value over the medium to long term in accordance with a systematic annual agenda plan.
- The Company will continue to work to improve the efficiency of the operation of the Board of Directors.

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Training and Succession Plan for Directors and Executive Officers

Training for Directors and Executive Officers

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

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

Views on the Development of Successors to the CEO

- The Company recognizes that the development of successors to the CEO is one of the most important issues for its management. The qualities and human resources required to solve the Company's management issues and enhance corporate value are discussed on a continued basis at the Nomination & Compensation Committee, chaired by an independent director and composed of a majority of independent directors.
- The appointment of the CEO is determined by the Board of Directors after deliberations at the Nomination & Compensation Committee taking into account the Company's business environment and the implementation of management plans, etc., which are reported to the Board of Directors.
- In developing successors to the CEO, the Company selects multiple candidates from among directors and executive officers and appoints them to important management roles after discussion at the Nomination & Compensation Committee.
- The Company provides directors and executive officers with training opportunities to acquire the knowledge and qualities necessary for the management of the Company. The Corporate Governance Committee examines the training menu in light of the Company's business environment and other factors and reports to the Board of Directors every fiscal year.
- The training status of each director and executive officer is checked by the Corporate Governance Committee once a year.

Remuneration for Directors, Executive Officers, and the Accounting Auditor

Basic Policy on Remuneration for Directors and Executive Officers

1 Basic Approach to Remuneration for Directors and Executive Officers

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

2 Remuneration Framework

1. Based on the resolution at the Ordinary General Meeting of Shareholders, the Board of Directors establishes the Remuneration Regulations for Directors and Executive Officers, Detailed Rules on Executive Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers, and Stock Benefit Regulations for Directors and Executive Officers, which include the remuneration calculation methods for individual directors and executive officers.
2. Remuneration for the Company's directors and executive officers consists of basic remuneration (fixed compensation) based on the remuneration rank determined according to rank and assigned duties, performance-based compensation consisting of the portion linked to division performance and the portion linked to individual evaluation for each fiscal year, and medium- to long-term incentive compensation based on stock compensation with the aim of sharing interest in corporate value enhancement with shareholders. Taking into consideration their duties, independent directors and directors who are Audit & Supervisory Committee members are not eligible for performance-based compensation and medium- to long-term incentive compensation. The remuneration rank is determined by the president and CEO, taking into account the level of responsibility of the assigned duties, and is reported to the Nomination & Compensation Committee and the Board of Directors.
3. Of performance-based compensation, the standard pay amount for the portion linked to division performance will be set at the level of 40–60% of basic remuneration for each rank and remuneration rank, the amount for the portion linked to individual evaluation will be set at the level of -5% to 5% of basic remuneration for each rank and remuneration rank, and the value of medium- to long-term incentive compensation provided per fiscal year will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank.

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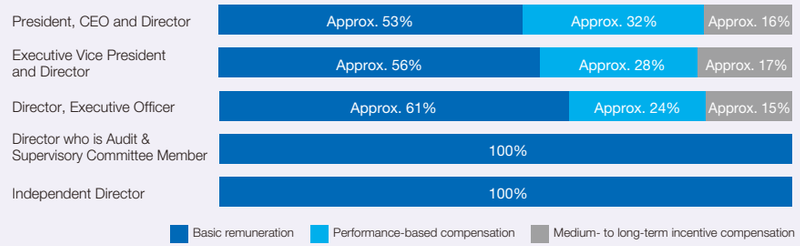
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4. Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders are as follows.
   - Remuneration for directors (excluding directors who are Audit & Supervisory Committee members)
     The limit of basic remuneration.....Within a total of 460 million yen per fiscal year
     The limit of performance-based compensation.....Within a total of 387 million yen per fiscal year
     Maximum points to be granted for medium- to long-term incentive compensation.....Within a total of 471,200 points per fiscal year
   - Remuneration for directors who are also Audit & Supervisory Committee members (basic remuneration only).....Within a total of 132 million yen per fiscal year

Reference

Composition of Remuneration for Directors and Executive Officers

The composition of remuneration for directors and executive officers is as follows. The percentages of the performance-based compensation and medium- to long-term incentive compensation are higher for the positions that require a higher level of performance and responsibility.



Notes: 1. The amounts of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation granted vary depending on business results. The range of fluctuation is 0–200% of the standard pay amount for the portion linked to division performance of performance-based compensation and 0–120% of the standard pay amount for medium- to long-term incentive compensation. The percentages of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation in the above graph represent the case where respective payments are made at 100% of the standard pay amount. In addition to the above amount, the amount for the portion linked to individual evaluation is paid in the range of -5% to 5% of basic remuneration.
2. Remuneration for Director, Executive Officer above is based on a standard remuneration rank.

3 Performance-Based Compensation

1. In terms of the portion linked to division performance of performance-based compensation, a performance target will be set based on business management indicators as stated in the Medium-Term Management Plan. Each business division will also set a performance target based on performance management indicators for each business division. The amount to be paid is determined by multiplying the standard pay amount for each rank and remuneration rank by 0–200% according to the accomplishment of the target. The business management indices, which serve as the basis of calculation, are established by the Board of Directors.
2. The portion linked to individual evaluation of performance-based compensation is subject to comprehensive evaluation, including the performance of assigned duties and business unit, the accomplishment of the target, and other aspects. The amount to be paid is determined by multiplying the basic remuneration for each rank and remuneration rank by -5% to 5% according to the evaluation results. Evaluation for executive officers overseeing business divisions and heads of business divisions is determined by the president, and evaluation for other executive officers is determined by the president after primary evaluation by executive officers overseeing business divisions and heads of business divisions. The details of evaluation are reported to the Nomination & Compensation Committee.
   Note: The individual evaluation reflects the status of ESG-related initiatives in the duties entrusted to each director and executive officer.
3. The calculation methods for the standard pay amount for each rank and remuneration rank are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
4. Business management indices are disclosed in the Business Report.
   Note: Return on invested capital (ROIC) is used as an evaluation indicator to promote the efficiency of management resources with an awareness of cost of capital and strengthening of the business foundation. In the calculation, the maximum payment coefficient (200%) will be reached when the Company achieves ROIC of 8% as stated in the Medium-Term Management Plan.

Calculation method for the portion linked to division performance of performance-based compensation

Performance-based compensation (portion linked to division performance) = Standard pay amount for each rank and remuneration rank[1] × Coefficient based on evaluation indicators[2]

1 The standard pay amount for each rank and remuneration rank is set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.
2 The coefficient is calculated based on the following formula using the ROIC over the given period as the evaluation indicator. The applicable business division for the portion linked to division performance shall be determined for respective prospective recipients based on their assigned duties. In addition, in the case where the assigned duties to a director are performed in the head office divisions (including the Technical Development Group) or the Electric Power Business division, the said director's performance-based compensation shall not include the portion of compensation linked to division performance and shall be calculated by multiplying the portion linked to Companywide performance by a factor of 1.0 [Portion linked to Companywide performance × 1.0] regardless of the following formula.

Coefficient based on evaluation indicators (%) = (A) Portion linked to Companywide performance (%) × 0.7 + (B) Portion linked to division performance (%) × 0.3

(A) Portion linked to Companywide performance (%) = [100/3 × Companywide consolidated ROIC − 2/3] × 100

(B) Portion linked to division performance (%) = [100/3 × Consolidated ROIC for each business division − 2/3] × 100

Note: Decimal points are rounded off in the figures for the portion linked to Companywide performance and the portion linked to division performance. In the event that the value falls below 0%, it will be defined as 0%. In the event that the value goes above 200%, it will be defined as 200%.

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4 Medium- to Long-Term Incentive Compensation

1. For medium- to long-term incentive compensation, a system known as the BBT is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit will be provided on a fixed date during each three-year trust period, based on the total number of points granted. In addition to a base point number determined by the standard pay amount for each rank and remuneration rank, an extra number of points will be awarded by multiplying the base point number by a factor ranging from 0% to 120%. This factor will be determined by profit attributable to owners of parent, the status of dividend payments for each fiscal year, and performance in relation to ESG-related indicators.
   Note: Since the Company considers the return of profits to shareholders as an important issue for management, it uses profit attributable to owners of parent (hereinafter "profit") as the evaluation indicator. The base value for the calculation is profit of 79.4 billion yen, which reflects the dividend payout ratio as stated in the Company's dividend policy. ESG-related indicators are also used as evaluation indicators as a way of actively promoting solutions to various ESG management issues. Specifically, to comprehensively and objectively evaluate all aspects of our ESG efforts, we use the evaluations of major global ESG rating agencies as indicators. Our benchmark values are a CDP score of A, an FTSE ESG score of 3.9 or higher, and an MSCI ESG rating of AAA.
2. The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
3. As funds for acquisition of shares through the trust, in principle, 1.25 billion yen will be contributed every three years. However, when there are remaining shares of the Company in the trust property as of the last day of the previous trust period, they will be used as funds for the subsequent trust periods, and an amount derived by deducting the amount of the remaining Company shares, etc., from 1.25 billion yen will be contributed.

Calculation method of points to grant medium- to long-term incentive compensation

Number of points to be provided	=	Base point number for each rank and remuneration rank[1]	×	Coefficient based on evaluation indicators[2]

1 The base point number for each rank and remuneration rank is set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.
2 The coefficient is determined based on dividends, profit, and performance against ESG-related indicators.

5 Determination of Remuneration Amount and Timing of Payment

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

6 Method to Determine Remuneration Standards

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

7 Method to Determine and Examine Remuneration Policy

1. The policy concerning remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is determined by resolution of the Board of Directors, and the policy concerning remuneration for directors who are Audit & Supervisory Committee members is determined through discussions among all Audit & Supervisory Committee members.
2. 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.

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Base Values and Actual Values for Each Compensation-related Indicator

Compensation Item	Performance-Based Compensation	Medium- to Long-Term Incentive Compensation			
Indicator	ROIC	Portion linked to profit to the term	Portion linked to ESG evaluation		
		Profit attributable to owners of parent	CDP climate change score	FTSE ESG score	MSCI rating
Base values for FY2025	8.0%	79.4 billion yen	A	3.9 or higher	AAA
Actual values for FY2025	5.3%	93.7 billion yen	A	4.3	AA

Notes: 1. The base value indicates the case where the payment coefficient is at its maximum.
2. The actual value of the portion linked to ESG ratings of medium- to long-term incentive compensation is based on the figure disclosed as of the end of fiscal 2025.

Activities of the Board of Directors and the Nomination & Compensation Committee During the Most Recent Fiscal Year

The following matters regarding the remuneration for directors and executive officers were discussed and reported to the Board of Directors by the Nomination & Compensation Committee and then resolved by the Board of Directors

Meeting Period	Deliberations and Resolutions
May and Feb. 2026	Additional contribution to the BBT
May 2026	Amounts of performance-based compensation and medium- to long-term incentive compensation for fiscal 2025

Remuneration for Directors in Fiscal 2025

Category	Number of Payees (Persons)	Amount (Millions of yen)	Breakdown of Total Remuneration (Millions of yen)			Remarks
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation	
Directors excluding Audit & Supervisory Committee members (of which, outside directors)	8 (3)	501 (48)	285 (48)	133 (—)	83 (—)	
Directors, Audit & Supervisory Committee members (of which, outside directors)	5 (3)	123 (51)	123 (51)	— (—)	— (—)	
Total	13	625	409	133	83	

Remuneration for the Accounting Auditor in Fiscal 2025

Category	Payment Amount (Millions of yen)
Remuneration and other amounts payable to the accounting auditor by the Company	208
Total amount of money and other financial interests payable by the Company and its subsidiaries	607

Strategic Holdings of Shares

Basic Policy on Strategic Holdings of Shares

Our policy on strategic holdings of shares is as follows.

- We will engage in strategic holdings of shares, if it is deemed necessary for alliances and other arrangements that contribute to the growth of our Group, after considering capital efficiency and economic rationality. However, the holdings of these shares will be kept to the minimum amount necessary and efforts will be made to reduce these holdings in stages.
- The holdings of shares shall be subject to the approval of the Board of Directors or the head of the business division in accordance with the internal approval procedures, taking into account the amount of funds required and the purpose of the holdings.
- Since we do not hold shares for pure investment purposes, we do not judge the necessity of holding shares solely based on short-term stock price levels. Each fiscal year, the Board of Directors verifies the amount of shares held and the necessity of holding shares, taking into account changes in the purpose of the holdings and in the business environment, cash flow, etc., and we will sell/transfer shares, or take other measures, as necessary.
- A summary of the verification results is made available on our corporate website every fiscal year.
- In cases where a company that holds shares of Kobe Steel for the purpose of alliances or other reasons expresses an intention to sell or otherwise dispose of those shares, we will not take any action to prevent such sale.

Criteria for Exercising Voting Rights

The Company's criteria for exercising voting rights are as follows.

- We will agree with the proposal by the relevant company, in principle, if its management is deemed consistent with the basic policy and purpose of the holdings, such as forming an alliance with our Company.
- In the following cases, the department in charge will conduct verification and undertake detailed investigations, including interviews with the relevant company.
- Cases in which no unqualified opinion is given by the accounting auditor.
  A) Cases in which the company has a serious violation of laws or regulations or other misconduct or a significant management problem, and it is deemed that there is a possibility that it may affect the purpose of holdings the shares
  B) Cases in which it is deemed that there may be significant infringement of the rights of shareholders
- Based on the above basic policy, the department in charge will exercise voting rights after obtaining the approval of the head of the business division, etc., in accordance with the Investment and Loan Management Regulations and the Detailed Regulations for Exercising Voting Rights set forth by the Company.

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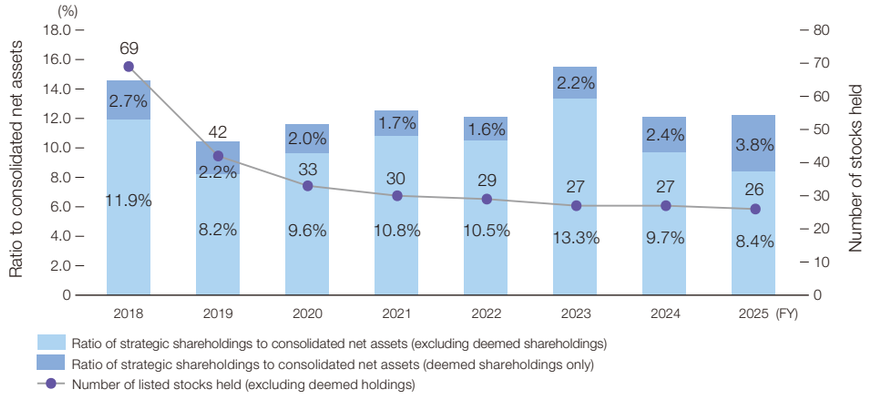
Verification Results Regarding Strategic Holdings of Shares (As of March 31, 2026)

Targets	All the strategic holdings of shares that the Company holds in listed companies as of March 31, 2026 (26 stocks)
Verification details	We verified whether these strategic holdings contribute to strengthening the Company's business foundation and to improving the Company's corporate value over the medium to long term, based on the following evaluation items, and made a comprehensive judgement on the reasonableness of each shareholding. Evaluation items (i) Scale and importance as a business partner (volume of transactions, share of transactions, and stable procurement) (ii) Relationship as an alliance partner (economic effect of the alliance) (iii) Dividend yield

Verification Results

- The Company holds 26 stocks as of March 31, 2026. The holdings of these shares have been judged to be reasonable from the perspectives that they are contributing to strengthening the Company's business foundation and to enhancing the Company's corporate value over the medium to long term, based on the scale and importance of the companies as business partners in terms of volume of transactions, share of transactions, and stable procurement, as well as the relationships as alliance partners.
- The Company will continue to verify the necessity of strategic shareholdings, and we will reduce those holdings that are judged to have diminished significance through sale or other means.

Ratio of Strategic Shareholdings to Consolidated Net Assets and Number of Stocks Held



Strategic Holdings of Shares (in Japanese only)

Approach to Listed Group Companies

Listed Subsidiaries

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

Our Company pursues the ideal form of capital relations by comprehensively taking into account the various situations of Group companies in terms of the business portfolios, scale, financial strategies for business development, financing, etc., for the overall enhancement of corporate value as a corporate group. Kobelco Wire Company, Ltd., a subsidiary that was listed on the Tokyo Stock Exchange Standard Market until August 28, 2026, became a wholly owned subsidiary of Kobe Steel as of September 1, 2026. This decision was made with the aim of expanding into new fields by combining our material manufacturing capabilities and knowledge base with Kobelco Wire's processing and development technologies, strengthening our overseas strategy through collaboration with our overseas bases and partner trading companies, and further expanding our business through closer cooperation with other secondary processing manufacturers. By fully integrating our capital with Kobelco Wire, we can maximize the mutual use of management resources and promptly and flexibly execute these initiatives, which we believe is the best option for the sustainable growth and enhancement of corporate value for both companies.

Listed Affiliated Companies

Shinsho Corporation, one of our affiliated companies, is a listed company that operates independently in accordance with the Shinsho Group's corporate philosophy and code of conduct, as it is not subject to the integrated Group management under the Group Company Management Regulations.

The company was established in 1946 and went public in 1961. Throughout its history up to the present, Shinsho has remained the core trading company of the Group. Meanwhile, Kobe Steel holds the largest share in Shinsho, which accounts for approximately 35.93% of the company's voting rights (including the portion held through the retirement benefit trust) as of March 31, 2026, to maintain and strengthen its business relationship with Shinsho. Kobe Steel permits Shinsho to use the Company's trademarks and other related materials under a licensing agreement for brands overseen by Kobe Steel's Head Office.

The agreement requires Shinsho to establish and maintain an appropriate governance structure and to provide reports to Kobe Steel in order to ensure the credibility of the licensed brands. However, this does not imply any involvement of our Company in the decision-making process of Shinsho.

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Compliance

1. Compliance Code and Standards

Policies

Based on the Group Corporate Philosophy, the Kobelco Group has positioned compliance as one of the key components of its business foundation and is working to build organizational structures and implement initiatives. Under the Group Corporate Philosophy, the Kobelco Group is working to implement the Six Pledges of KOBELCO that constitute its specific code of conduct to be practiced 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. Additionally, we have formulated Compliance Regulations that set out basic matters concerning compliance frameworks and its operations.

2. Compliance Structure

Structure

(1) Compliance Committee

Kobe Steel established the Compliance Committee as an advisory body to the Board of Directors. The committee formulates plans for Groupwide compliance activities, monitors the progress, and makes revisions and improvements as necessary. The committee's members include the president and CEO, three other internal members, and four external members of fair and impartial standing constituting a majority, 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

Under the supervision of the director/executive officer overseeing Companywide compliance and the executive officer responsible for Companywide compliance, the Internal Control and Audit Department of Kobe Steel promotes compliance in coordination with business divisions and Group companies. Compliance activities are implemented in accordance with the Kobelco Group's Compliance Program that consists of the following five elements. By assessing the progress of the compliance activities of the Group and implementing them considering the characteristics of respective businesses and regions, we implement comprehensive and effective compliance activities throughout the Group.



3. Compliance Activities Based on the Compliance Program

Strategies and Targets | Structure | Results

(1) Commitment and Risk Assessment

▶ Commitment

We recognize that in order to thoroughly prevent all forms of misconduct, including violations of competition laws, anti-bribery laws, and security trade control laws, top management needs to show its stance of no tolerance to compliance violations. To this end, we regularly deliver messages on compliance from the president to employees.

▶ Risk Assessment

As part of our risk management activities, we regularly analyze and assess compliance risks. In particular, violations of competition laws, anti-bribery laws, and security export control laws are regarded as Top Risks since they may have a material impact on the Group, and we are working to establish a compliance system. The Compliance Committee formulates a plan for compliance-related activities and presents it to the Board of Directors.

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Compliance

(2) Setting Rules and Procedures and Securing Resources

Setting Rules and Procedures

In order to address compliance risks in each business, we have developed necessary rules and procedures for compliance in general, compliance with competition laws, prevention of bribery, security trade control, and internal whistleblowing systems, among others. We take strict disciplinary action against violations in accordance with our work rules, investigate the cause, and implement effective preventive measures.

Securing Resources

We are securing the necessary human, material, and financial resources to implement compliance initiatives at each Group company. We consider that securing the time required for compliance initiatives, such as allocating the time necessary for education, is part of securing resources. In addition, we are working to enhance our compliance promotion system by assigning a person in charge of compliance at Group companies in Japan and overseas.

(3) Training and Communication

Training

In order to instill awareness of compliance among all employees, the Group provides training on compliance.

In addition, for specific areas such as compliance with competition laws, prevention of bribery, security trade control, internal whistleblowing systems, etc., we create manuals and conduct necessary training so that they can understand and comply with the rules and procedures associated with their work.

We continuously offer job role-specific training by in-house and external instructors, e-learning at the Company and its Group companies in Japan and overseas, as well as seminars by external experts.

Action Guide for Employees





Compliance discussion held annually with the participation of all directors and executive officers



Compliance training for all employees held at a Group company

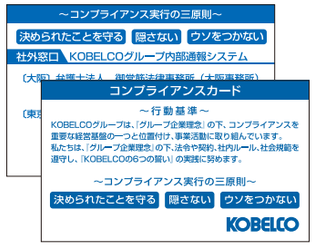
Communication

We make information known using various tools, including disseminating information on amendments to laws and regulations through newsletters, providing manuals on the Company's intranet, distributing compliance cards, and displaying posters. We are also making continued efforts to make our whistleblowing systems widely known through the distribution of compliance cards, posters, the intranet, Group newsletters, etc. In addition, we inform all employees to strictly adhere to the three principles of compliance, which are basic behaviors that must be followed: follow established rules, never hide the truth, and never lie.

Compliance News (Published Semiannually)



Compliance Card



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Compliance

(4) Monitoring and Response to Reports

▶ Monitoring

We regularly monitor compliance with competition laws, prevention of bribery, and security trade control, which are positioned as Top Risks. We have gradually introduced the Kobelco Compliance Program at Group companies, and check activities in areas such as compliance systems, competition laws, prevention of bribery, security trade control, etc. Monitoring is carried out at all Group companies in Japan and overseas to understand and analyze the implementation status and risks related to the establishment of regulations, compliance with laws and regulations, meeting implementation, and training.

▶ Whistleblowing System

We accept reports and consultations regarding all kinds of misconduct, including bribery, embezzlement, cartels, harassment, and others. When a report or consultation is received, we ensure the complete confidentiality of those involved and the full protection of whistleblowers in accordance with the Whistleblower Protection Act and take appropriate measures utilizing necessary resources and skills.

The Company also provides multiple points of contact for internal and external whistleblowers and accepts reports and consultations from external business partners.

We are working to make the system known to all by distributing compliance cards, displaying posters, and sharing internal publications, among other means.

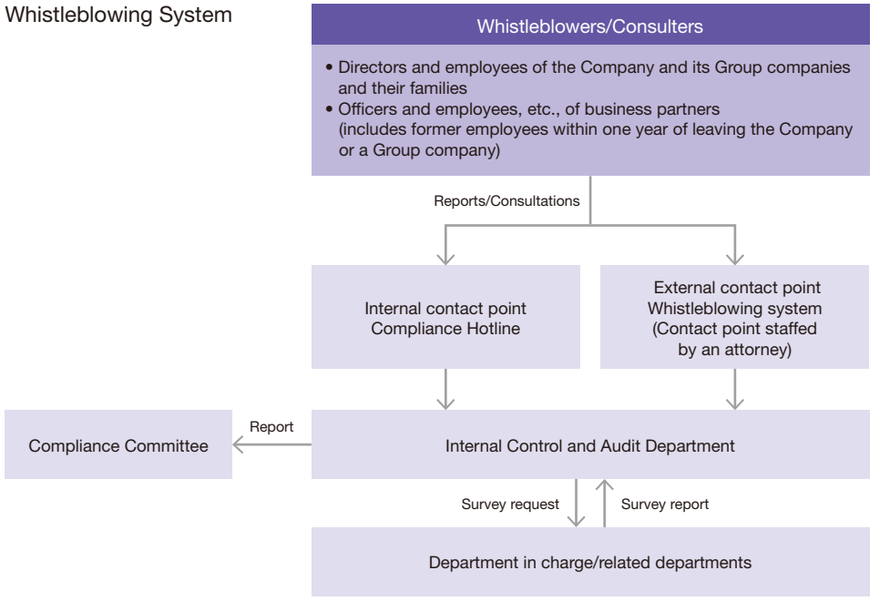
Poster about the whistleblowing system



Number of Reported Whistleblowing Cases

Fiscal 2023	Fiscal 2024	Fiscal 2025
117	118	106

Whistleblowing System



(5) Review and Improvement

▶ Review and Improvement

We conduct compliance awareness surveys among employees and identify latent risks based on the issues identified through monitoring and responding to reports or consultations, as well as according to internal and external trends. Using the results of these efforts, we are constantly reviewing our compliance initiatives. Improvement plans relating to compliance are developed by the Compliance Committee and presented to the Board of Directors.

With regard to specific laws and regulations, we are now reviewing our initiatives based on amendments and trends inside and outside the Company.

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Compliance

4. Initiatives Related to Individual Laws and Regulations

Policies | Structure | Results

Prevention of Bribery

▶ Policies

Our Anti-Bribery Regulations prohibit offering bribes to public officials or business partners, as well as prohibit the receipt of bribes from business partners. We will take strict disciplinary action if any violations are committed. The Group's policy regarding its anti-bribery initiatives is detailed in the Kobelco Group Anti-Bribery Policy. Additionally, we are a signatory to the UN Global Compact, a set of universal principles on human rights, labor, the environment, and anticorruption advocated by the UN.

KOBELCO Group Anti-Bribery Policy

▶ Initiatives

Since the impact of bribery is expected to be particularly serious when an event occurs, we have positioned it as one of the Top Risks for the Group and are implementing Groupwide initiatives. The status of activities is reported to and discussed each fiscal year by the Business Activities Council, which is attended by the heads of business divisions, and these reports are used in the drafting of activity plans for the following fiscal year.

The Group requires prior approval for offering entertainment and gifts to public officials and conducts regular monitoring of the status of such expenditures.

In addition, when appointing business partners (including contractors, agents, consultants, etc.), we require them to make an anti-bribery pledge and carry out other procedures related to appointments, including screening their qualifications.

We provide regular training (including e-learning) on preventing bribery to our employees. We have also created manuals on overseas laws including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, to provide information on the standards for determining whether or not entertainment and gift-giving are acceptable.

▶ Results

No events involving fines, penalties, or settlements arose in fiscal 2025 in relation to bribery.

Compliance with Competition Laws

▶ Policies

The Company's Competition Law (Anti-Monopoly Act) Compliance Regulations prohibit violations of competition laws. We will take strict disciplinary action if any violations are committed.

▶ Initiatives

Because violations of competition laws are expected to have a particularly serious impact at the time they occur, they are designated a Top Risk for the Kobelco Group, which is working as one to implement initiatives. The status of activities is reported to and discussed each fiscal year by the Business Activities Council, which is attended by the heads of business divisions, and these reports are used in the drafting of activity plans for the following fiscal year.

The content of information exchanged through contact with competitors by sales departments is recorded and reported. The content thus reported is checked by multiple departments, and in cases where the exchange of information is recognized to be problematic, necessary measures are implemented promptly.

In addition to creating and publicizing manuals for employees in relation to compliance with competition laws, we implement regular training (including e-learning). Through interviews and other measures, we work to maintain an accurate understanding of the status of sales department activities.

In addition, the Group is taking appropriate measures to reflect the rising costs incurred by vendors in transaction prices. The specifics of our procurement pricing policy can be found in the Kobelco Group Basic Policy on Pricing Methods.

Kobelco Group Basic Policy on Pricing Methods (in Japanese only)

▶ Results

No events involving fines, penalties, or settlements arose in fiscal 2025 in relation to competition laws.

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Risk Management

Under the Group Corporate Philosophy, we are taking appropriate measures to address the risk factors that may hinder the Kobelco Group's sustainable development and enhancement of corporate value, which have been identified by using the international standards—The Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidance—as reference materials, as specified in the Kobe Steel Risk Management Regulations.

Basic Policy

Policies

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

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 who are responsible for Groupwide management activities of each risk, and the countermeasures to these risks are implemented by the heads of business divisions 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 Executive Council, and instructions are given to the Risk Owners based on the results of discussions at the Executive Council. The risk management system, headed up by the president and CEO, is operated independently from the Audit & Supervisory Committee.

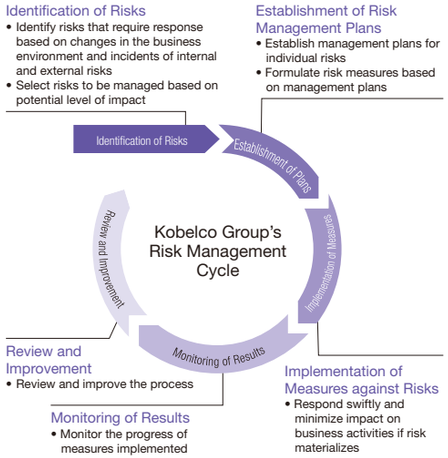
Under the direction of the Risk Owners, the management of individual risks is carried out by the person in charge of risk countermeasures implementation in each division in the following cycle: Identifying risks, formulating plans, implementing measures, assessing results, and finally, reviewing and improving the process. 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.

Management Structure



Risk Management Cycle



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Risk Management

Actions for Major Risks

Results

Risks	Actions (Examples)	Results
Environmental regulations	• Strengthening environmental management (Promoting an EMS) • Implementing environmental audits (Paper-based audits and on-site audits) • Environmental training and learning at overseas and domestic locations	**Actions for Environmental Management** Environmental Management on pages 27 to 31 Appropriate Management of Water Resources on pages 32 to 34 Resource Recycling on pages 35 to 37 Reduction of Environmental Impacts on pages 38 to 40 Biodiversity on pages 41 to 47
Safety management	• Fostering safety personnel who can “check safety and ensure safety before work or action” (Fostering a safety culture) • Strengthening safety and health audits and support • Promoting machinery safety • Visualizing and promoting the prevention of safety risks through the use of generative AI • Initiative to establish an occupational safety and health management system • Thorough management of hazardous workplaces and entrenchment of good practices	**Actions for Safety and Health and Lost Time Injury Frequency Rate, etc.** Pages 54–56
Natural disasters, pandemics	• Maintaining, managing, reviewing, and improving BCPs • Reviewing measures against storm and flood damage based on information such as the latest hazard maps issued by the government and conducting training • Collecting information using the safety confirmation system and damage information collection system • Implementing extensive infection controls following our guidelines for dealing with new types of infectious disease	**Initiatives for Disaster Prevention and Safety and Health** Disaster Prevention on pages 59 to 60 Safety and Health on pages 54 to 56
Supply chains	• Released the Basic CSR Procurement Policy containing our Response Policies for building responsible supply chains added to our Basic Procurement Policy and Requests to Our Business Partners, and formulating mechanisms for the PDCA cycle Response Policies (1) Request for business partners to comply with Requests to Our Business Partners (2) Request for business partners to notify their suppliers of Requests to Our Business Partners (3) Provision of support for improvements and disclosure of information to business partners (4) Cooperation between Kobelco and business partners (5) Cooperation with employees, Group companies, and affiliates • Implementing CSR survey • Conducting surveys on the status of compliance with important items (Human rights and conflict minerals) • Established grievance desk for suppliers (Joined JaCER)	**Actions for Building Responsible Supply Chains** Pages 73–76
Quality	• Monitoring and providing recommendations for strengthening quality management activities, including preventive measures through the Quality Management Committee, a majority of whose members are outside experts • Transitioned the Kobelco TQM Promotion Meeting, which was under the Trust Improvement Project, to the Kobelco TQM Promotion Committee as an auxiliary body to the Executive Council to strengthen and promote Kobelco TQM activities throughout the Group • Quality audits, maintaining conformity to the Kobelco Group Quality Guidelines, and promoting conformity at new business sites	**Actions for Quality** Pages 98–99

With regard to Kobelco Group business risks, matters that could have a material impact on the decisions of investors are described in the Annual Securities Report.

Annual Securities Report (in Japanese only)

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Quality

Policies

The Kobelco Group is taking proactive steps to enhance its quality management and quality control processes, while continuing to implement measures to prevent the recurrence of quality-related misconduct as a top priority. From the perspective of our customers and business partners, the Kobelco Group aims to achieve quality that is trusted by and brings satisfaction to customers and all stakeholders, while working to instill the Quality Charter, which constitutes a part of the Six Pledges of KOBELCO, among all employees and promoting Kobelco TQM activities.

1. Strengthening the infrastructure that can provide “Trusted Quality”
2. Strengthening management capabilities to provide “Satisfying Quality”

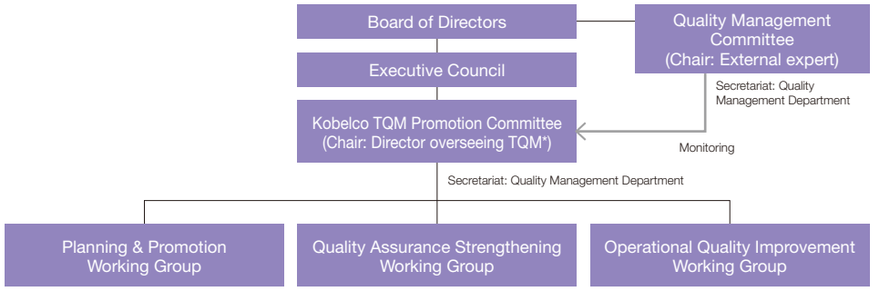
Quality Charter

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

Our Initiatives

1. Strengthening the infrastructure that can provide “Trusted Quality” (Kobelco Pride Project)
   1) Prevent fading awareness by sharing and instilling quality compliance case examples, risk mitigation through daily management and elimination of opportunities for inappropriate handling, and improving communication
   2) Reduction of critical quality incidents through prevention of recurrence and steady implementation of horizontal development (PDCA and SDCA)
   3) Enhancing prevention activities through quality KY* by utilizing critical quality incidents and risks at each level
      * KY (*kiken yochi*): Hazard prediction
2. Strengthening management capabilities to provide “Satisfying Quality”
   1) Achievement of business challenges/targets (customer satisfaction, ROIC, etc.) through the implementation of policy management/daily management by means of implementing practical management programs and KPI management
   2) Revitalization of all-hands-on-deck improvement activities to meet the expectations of customers and other stakeholders

Structure



* 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.

Targets

Medium-Term Quality Targets (Key Goal Indicators)	
1. Percentage of business sites conforming to the Kobelco Group Quality Guidelines	100%
2. Completion of the Kobelco TQM practical management program* Participation of all employees in small-group improvement activities	FY2027: Managers and eligible employees of Group companies 100% FY2026: 100%

* Includes activities equivalent to practical management programs

Quality Management Committee

Members of the Quality Management Committee visit the Group’s business sites approximately once a quarter to check the status of the activities of the business sites and the quality management system, based on which they make recommendations for improvement. They also receive regular reports on the status of Companywide activities, including the Kobelco TQM activities that started in fiscal 2020, through the Kobelco TQM Promotion Committee, which was newly established in fiscal 2024, and make recommendations.

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Quality

Kobelco TQM Promotion Committee

Members of the Kobelco TQM Promotion Committee visit the Group's business sites approximately once a quarter to check and discuss the status and the progress of measures common to business divisions and the entire Company in order to raise the quality level of the Group as a whole.

Working Groups

Planning & Promotion Working Group

The Planning & Promotion Working Group is expanding and promoting Kobelco TQM activities throughout the Group in order to provide Satisfying Quality. The working group is making efforts to improve organizational capabilities in order to effectively implement TQM and promote improvement activities on an independent and self-driven basis. Recently, the working group is shifting the phase of improving the management skills of middle management from the acquisition of TQM knowledge to practical use. Furthermore, we revised the TQM Handbook, adding explanations of TQM activity elements and new commentary on its relationship to the KOBELCO-X. We have distributed it to all employees, including new hires, and are now working to ensure its widespread adoption throughout the Group.

Quality Assurance Strengthening Working Group

In order to strengthen the foundation of Trusted Quality, the Quality Assurance Strengthening Working Group is promoting activities to ensure that the lessons learned are not forgotten, to reduce critical quality incidents, and to advance preventive activities. As of the end of fiscal 2025, the total number of business sites certified as conforming to the Quality Guidelines (starting in fiscal 2021) was 115, for a certification rate of 100%. We will continue to conduct quality audits, maintain conformity to the Kobelco Group Quality Guidelines, and promote conformity at new business sites.

Operational Quality Improvement Working Group

The Operational Quality Improvement Working Group aims to achieve sustainable growth at Kobelco by continuing to promote QC circle activities and staff improvement activities in small group improvement activities, and by continuing to resolve management issues through the participation of all members. To further energize small group improvement activities throughout the Kobelco Group, we hold the Kobelco QC Circle Presentation in Japan. Through presentations and case study sharing that includes not only Kobe Steel but also Group companies both domestic and overseas, we are promoting mutual exchange. In terms of 5S activities*, we will maintain our efforts to ensure a work environment that is safe and comfortable at all times.

* *Seiri* (sorting), *seiton* (setting-in-order), *seiso* (shining), *seiketsu* (standardizing), and *shitsuke* (sustaining the discipline)

Kobelco Pride Project

We launched the Kobelco Pride Project in fiscal 2026. The project aims to enhance Kobelco's brand value by reducing significant quality risks, while also creating a workplace where every employee can take pride in their work. We are working to foster a workplace culture where everyone feels comfortable seeking advice by visualizing on-site issues through the implementation of daily management practices and by identifying and resolving employees' work-related problems. In addition to these initiatives, we are continuously advancing efforts to bolster our Companywide quality foundation through multifaceted measures, such as improving the integrity of quality data by promoting DX and utilizing IT.

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Tax Risk

Tax Policy

Policies

Basic Policy

The Kobelco Group recognizes that corporate value includes not only business results and technological capabilities but also its stance on social responsibility to all stakeholders who may be affected by its business activities, such as shareholders and investors, customers, business partners, community members, and employees of the Kobelco Group. We will work to enhance our tax governance and contribute to the development of society by fulfilling our tax obligations.

Compliance with Laws and Regulations

Our Group complies with the tax laws of each country in which it conducts business, international taxation rules, and other regulations, and pays an appropriate amount of taxes for its business activities in an appropriate place of tax payment.

Addressing Tax Risks

Our Company will respond appropriately to tax risks, taking into account their materiality and reasonableness. If it is difficult to make a judgment on the interpretation of tax laws or treatment under tax laws, we will consult with external experts or make prior inquiries to the tax authorities as necessary.

We will verify whether transaction prices between our Company and our overseas Group companies are set appropriately in light of the OECD Transfer Pricing Guidelines, etc., and in cases where it is difficult to make a judgment, we will request confirmation from the relevant countries via the systems for advance pricing arrangements for transfer pricing and other routes, etc.

Tax Planning

Our Company will not carry out tax planning solely for the purpose of reducing tax amounts, such as the use of tax havens, which does not involve actual business. However, in conducting our business, we will pursue economic rationality by, for example, using tax incentives that are applicable within the scope of our business activities, taking into full consideration the intent of the tax laws of each country.

Relationship with Tax Authorities

Our Company will communicate with tax authorities to further strengthen the relationship of trust. We will disclose information in response to requests from tax authorities in a cooperative manner.

Tax Governance

Structure

To appropriately manage tax risks and fairly pay taxes, our Company is working to disseminate information about tax reforms and to provide tax-related education with the aim of enhancing tax governance.

At the Company, we report important tax matters to the director/executive officer overseeing the Finance and Accounting Department, who is responsible for the Company's tax governance, in a timely and appropriate manner, and take necessary measures under the direction of the director/executive officer.

At Group companies, day-to-day tax operations are performed by each company, but they receive support from the Company or from external experts when necessary.

Taxes Paid by Region

Results

Taxes Paid by Region (Consolidated Cash Flow Basis)

	Unit	Fiscal 2024	Fiscal 2025
Japan	Billions of yen	60.2	16.9
	Proportion (%)	88	72
Other regions	Billions of yen	8.0	6.5
	Proportion (%)	12	28
Total	Billions of yen	68.3	23.5

Note: Amount of income taxes paid on a consolidated basis

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Information Security (Cybersecurity)

Basic Policies on Information Security

Policies

The Kobelco Group considers information security risks as one of its significant management risks, and has established basic policies on information security and is promoting information security measures to ensure that we can take an appropriate Groupwide response.

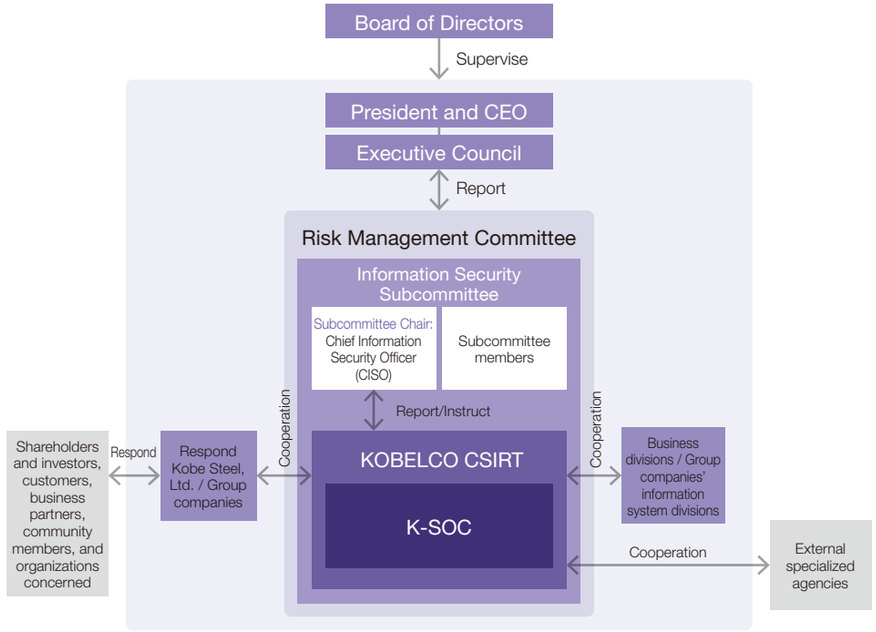
Basic Policies on Information Security

- Building an information security system
- Establishing an information security framework based on the PDCA cycle
- Formulating rules and regulations and standards for information security
- Implementing thorough information security measures

Information Security Promotion System

Structure

Our Group pays the utmost attention to the confidentiality of information, and has established a management system and taken appropriate security measures to prevent unauthorized access and information leaks due to cyberattacks and other incidents. The information security promotion structure, centered on the Information Security Subcommittee, KOBELCO CSIRT / K-SOC, and the respective roles are as follows.



Information Security Subcommittee

The Information Security Subcommittee, chaired by the CISO (director/executive officer), determines the Group's basic policies and key measures on information security.

KOBELCO CSIRT[1] / K-SOC[2]

At KOBELCO CSIRT, IT and legal departments, as well as information system-related companies, work together to prevent damages from cyberattacks; update or retire security regulations and standards; plan and implement information security education and training for directors, executive officers, and employees; and respond to incidents and other events.

1 Computer Security Incident Response Team
2 Kobelco Security Operation Center

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Social
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79 Corporate Governance
92 Compliance
96 Risk Management
98 Quality
100 Tax Risk
101 Information Security (Cybersecurity)
103 AI Governance

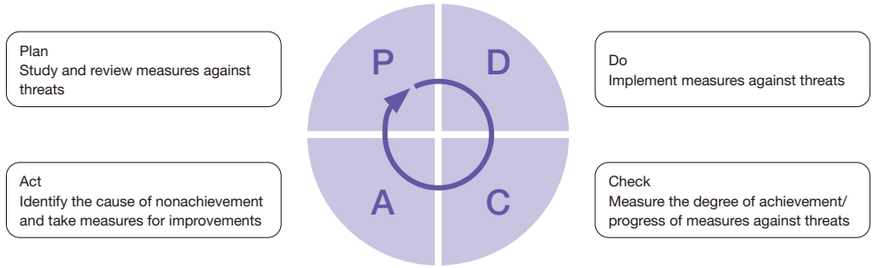
Information Security (Cybersecurity)

Information Security Activity Targets

Strategies and Targets

With the goal of achieving zero serious security incidents*, the Kobelco Group aims to raise the level of security through the PDCA cycle that includes such elements as implementing risk management, determining countermeasures, and auditing results of security activities.

* An information security incident that has a significant impact on businesses or society, such as the stopping of a factory line due to cyberattacks and the leakage of important confidential information

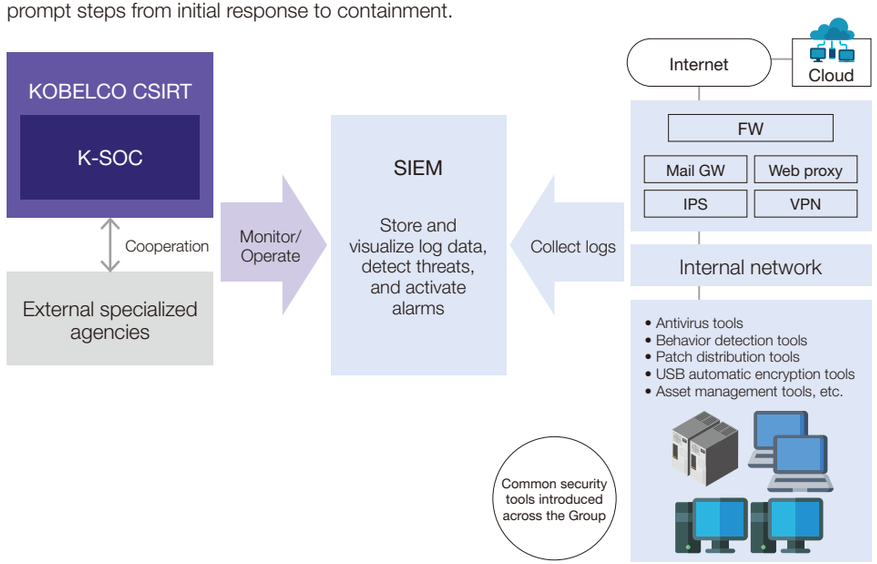


Information Security Initiatives

Results

Security Tools Integration and Monitoring

Braced for cyberattacks, we have integrated security tools for centralized management of information security throughout the Kobelco Group including domestic and overseas Group companies. This allows us to carry out log monitoring 24 hours a day, 365 days a year, detect malware infections, suspicious behavior, and signs of incidents in the early stages, and take prompt steps from initial response to containment.



Information Security Education and Training

We are working to improve employee awareness and understanding of information security and the ability to respond to threats by regularly conducting information security education through e-learning and targeted email training for directors, executive officers, and employees of the Group.

Information Security Audits

We are working to raise the level of information security management throughout the Group by conducting annual internal audits to check the status of compliance with the Kobelco Group Information Security Standards through annual internal audits and making improvements.

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AI Governance

Establishing and Implementing AI Governance

At the Kobelco Group, we consider the use of AI as an important tool for supporting operational efficiency and the creation of new value. At the same time, we recognize that AI decisions and outputs may affect local communities, customers, business partners, employees, and other stakeholders, and therefore it is essential to manage these appropriately from the perspectives of legal compliance, ethics, safety, transparency, and accountability. The Group has established an AI ethics policy to create an environment where AI can be used with confidence. Rather than excessively restricting the use of AI, we aim to achieve both sustainable enhancement of corporate value and fulfillment of our social responsibilities by actively promoting its use under appropriate governance.

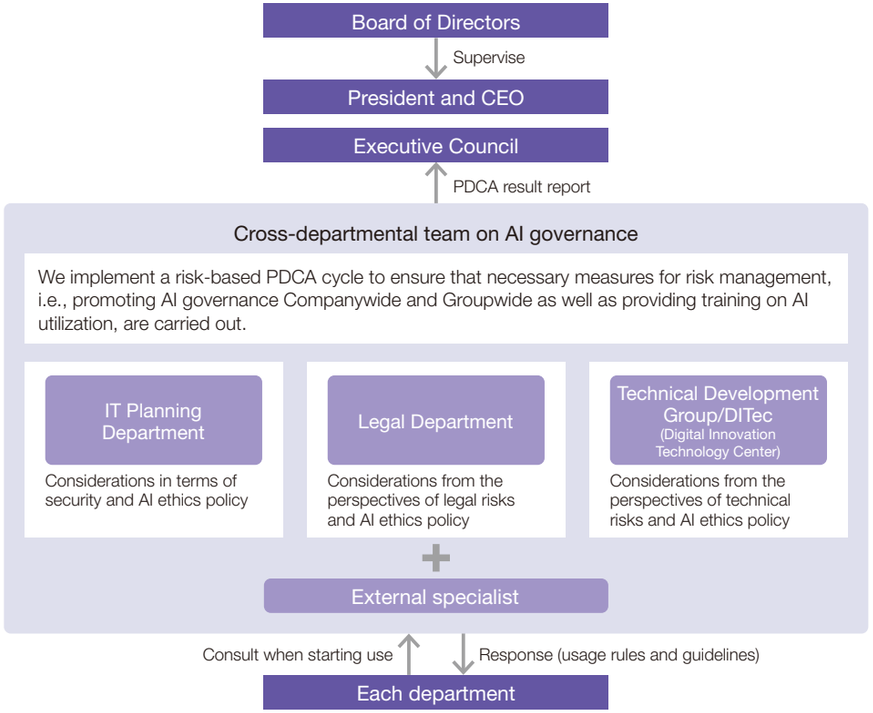
The Group's AI governance is based on a cross-functional promotion system that involves collaboration among related departments such as legal, IT, and technical development. Each department brings together its expertise to comprehensively examine the purpose of AI use, application scenarios, applicable data, how to use outputs, and the impact on stakeholders. This ensures effective implementation that goes beyond mere rulemaking. We have also established a system to continuously monitor and improve the status of AI governance initiatives as a management issue, rather than leaving these solely to the operational level, by establishing management-level reporting and reviews.

In terms of actual implementation, we employ a risk-based approach tailored to the specific usage patterns and risk characteristics of AI. After classifying AI according to application, we have categorized it into low, medium, and high risk levels, and defined appropriate responses for each, i.e., checklist-based verification, self-assessment, and individual verification by related departments. For low- and medium-risk AI, each department independently reviews and records information based on predetermined criteria, enabling quick and flexible utilization. On the other hand, for high-risk AI, related departments such as legal, IT, and technical development collaborate to individually verify, ensuring safety, ethics, transparency, and accountability. This results in a system that balances the speed of AI utilization with the effectiveness of risk management.

Furthermore, by recording and storing AI usage decisions, checks, and responses, and conducting regular monitoring, we have visualized the operational status and established a PDCA cycle to review rules and procedures as necessary. Through these initiatives, we are continuously strengthening our governance to ensure the safe and responsible use of AI, while addressing societal demands, technological trends, and changes in legal regulations related to AI. The Group will continue to utilize AI as an important foundation for value creation and will strive for AI governance that earns the trust of stakeholders.

AI Governance Promotion System

AI governance involves collaboration among related departments such as legal, IT, and technical development. Each department reviews the legal and ethical risks, information security, technical safety, and operational usefulness associated with the use of AI from its respective expert perspective, and takes measures according to the manner of AI use and the level of risk. We report and review the status of important initiatives at the management level to ensure continuous improvement. This allows for an effective promotion system that balances encouragement of AI utilization with risk management.



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Communities (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 priority, we are promoting timely, appropriate, and extensive information disclosure.

Stakeholders	Value Proposition to Stakeholders (Outcomes)	Communication for Co-Creation	
		Objectives	Key Opportunities for Dialogue
Shareholders and Investors	Enhancing shareholder value over the medium to long term and providing returns ● Enhancing corporate value through medium- to long-term growth ● Continuous and stable dividend payment	● Promoting understanding of the medium- to long-term value creation story ● Building trust to reduce capital costs ● Providing explanations consistent with business strategy, financial strategy, and non-financial strategy	● Integrated report and ESG data book ● Individual meetings with institutional investors and plant tours ● Financial results briefings and briefings on progress toward management plan targets ● General Meeting of Shareholders ● Online briefings for individual shareholders
Customers	Ensuring safety and security in community development and manufacturing ● Providing materials and machinery that meet needs ● Supplying energy focused on S+3E	● Highlighting value proposition, technical capabilities, and reliability ● Forging long-term business relationships ● Creating opportunities for co-creation and collaboration	● Technical exchange meetings ● Joint development ● Customer surveys ● Trade shows, product catalogs, and website
Business Partners	Building cooperative and responsible supply chains ● Maintaining integrity throughout the supply chain ● Strengthening competitiveness and resolving challenges through collaboration with the Group	● Establishing stable procurement and supply relationships ● Sharing quality and ESG requirements ● Enhancing value across the entire supply chain	● Holding of briefing sessions for business partners ● Development of guidelines for suppliers ● Regular consultations, audits, and evaluations
Employees	Increasing employee satisfaction in work and personal life and promoting employees' global activities ● Creating a safe, secure, and comfortable work environment ● Providing opportunities for career development and skill enhancement	● Instilling the Group Corporate Philosophy and strategy ● Fostering a sense of shared vision for the future ● Improving employee engagement ● Retaining human resources	● Internal briefings ● Site visits and dialogue sessions led by the president and CEO and other officers ● Company newsletter ● Various human resources development initiatives
Community Members	Contribute to society as a member of the local community ● Promoting environmental conservation in communities ● Returning business profits to society ● Contributions to society through sports	● Building understanding and trust in business activities ● Coexistence and mutual prosperity with local communities ● Contributing to resolving social issues	● Holding briefings related to business activities ● Participation in, sponsorship of, and organization of local events ● Donations to disaster-affected areas; and support for reconstruction efforts

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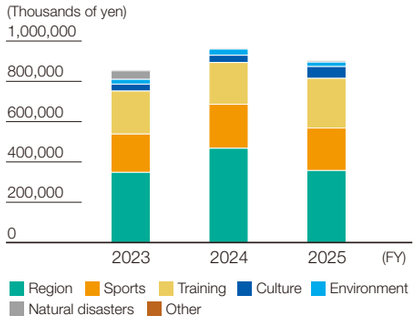
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Social Contribution Activities

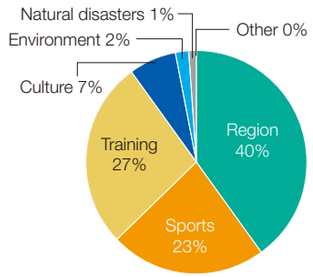
The Kobelco Group carries out various social contribution activities, including support for children through the Kobelco Community Contribution Fund and social contributions through sports. In fiscal 2025, we spent approximately 900 million yen for social contribution activities expenses, such as donations through UNICEF and donations to local governments in areas where our business sites are located.

In fiscal 2025, we made donations to the areas affected by the earthquake that struck Myanmar in March 2025 and to UNICEF's natural disaster emergency fund. We will continue to engage in social contribution activities while taking into account the future situation.

Kobelco Group's Social Contribution Spending



Breakdown of Social Contribution Activities Expenses (FY2025)



Launched Kobelco's Neo-Haru Action (Social Contribution Activity Website)

We launched a website called Kobelco's Neo-Haru Action to showcase our social contribution activities. This webpage mainly lists activities that are rooted in the community (neo-haru) and are carried out by Group employees.



Kobelco's Neo-Haru Action (in Japanese only)

Social Contributions for Communities

Nadahama Garden Baden

Nadahama Garden Baden is a bathing facility that utilizes the energy of the nearby Kobe Power Plant. Local residents use it as a place for health promotion and relaxation.

In addition, in the event of a disaster, the facility can use pool water for fire prevention, fire extinguishing, and daily use, giving consideration to local disaster prevention.



Kobelco Community Contribution Fund

In fiscal 2006, the 100th anniversary of the Company's founding, we established the Kobelco Community Contribution Fund, which carries out support activities for children. In fiscal 2025, the Company and its Group companies donated approximately 5.5 million yen in total to various facilities and organizations. Please visit our corporate website for an overview of the fund's support results and initiatives.



Kobelco Community Contribution Fund

Social Contributions through Sports

Activities Rooted in the Comprehensive Partnership Agreement with Hyogo Prefecture

To promote sports and revitalize local communities, we signed a comprehensive partnership agreement with Hyogo Prefecture on November 9, 2023 covering the following objectives. Since then, we have carried out such initiatives as inviting children to watch matches and regional revitalization in collaboration with universities in the prefecture.

1) Promotion of sports through rugby;
2) Regional revitalization through collaboration between industry, government, and academia;
3) Remembering the lessons of major earthquakes; and
4) Disseminating the importance of food by athletes.

The 12th match of the season between the KOBELCO KOBE STEELERS and YOKOHAMA CANON EAGLES on March 20, 2026 (Friday; national holiday) was held as "Hyogo Prefecture Appreciation Day." Booths related to Hyogo Prefecture were set up at the venue, selling products made in the prefecture, promoting tourism, and introducing Hyogo Prefecture's government.

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Communities (Communication with Stakeholders)

Activities Rooted in the Business Cooperation Agreement with Kobe City

The KOBELCO KOBE STEELERS, whose host town is Kobe City, signed the business cooperation agreement with the city on September 28, 2021 containing the following objectives, in order to further strengthen collaboration in the future.

1) Promote sports through rugby and create a legacy for the Rugby World Cup;
2) Improve the health of citizens, promote the sound development of young people, and realize a prosperous society;
3) Promote regional revitalization; and
4) Disseminate the attractiveness of Kobe City both in Japan and overseas.

In fiscal 2025, we conducted the following projects in cooperation with related departments of the Kobe municipal government.

- [Culture and Sports Bureau] Held tag rugby and real rugby classes at 30 elementary schools in Kobe City
- [Forestry Section, Construction Bureau] Ryota Funabiki appeared in a promotional video for Kobe as a city of the future of forests
- [Kobe Industrial and Employment Support Foundation] Hosted Kobe Selection booth at the venue
- [Community Cooperation Section, Suma Ward, Kobe City] Participated in the Sumahama Project to Nurture Children: KOBELCO KOBE STEELERS at Suma Beach

Kobelco Cup for Spreading and Developing High School Rugby in Japan



In response to the decline in the number of rugby players in recent years due to the declining birthrate and aging population, the Kobelco Cup is held with the desire to contribute to expanding and revitalizing the sport of rugby in Japan. The Kobelco Cup, which celebrates its 22nd anniversary this year, plays an extremely important role in strengthening Japanese rugby and developing players.
To commemorate the 120th anniversary of Kobe Steel's founding, this tournament was held with an expanded scope, including the invitation of a Taiwanese high school team and the participation of selected domestic club teams, as a first-time initiative. We created opportunities for players to interact with each other and provided a platform for international exchange through rugby clinics hosted by the KOBELCO KOBE STEELERS. The KOBELCO KOBE STEELERS sent a total of 17 people, including 14 current players and three staff members, to provide coaching for the participating teams.

The Group is also a special sponsor of the National High School Rugby Tournament, which is held in the Hanazono Rugby Stadium, every year during the year-end and New Year holidays.

As Team KOBELCO, we believe in the power of rugby and will continue to do our utmost to further popularize and develop high school rugby in Japan.

Community Child Watch Activities

Since 2019, we have watched over children walking to elementary schools near the Kobe Head Office.

Support for the Activities of Various Groups Through Rugby

(Support for Activities of the Hyogo Guide Dogs Association)



The KOBELCO KOBE STEELERS have been supporting the activities of the Hyogo Guide Dogs Association, a social welfare corporation whose mission is to train guide dogs and deepen understanding of the local community about accepting guide dogs, and, since 2020, have cooperated in raising funds to support guide dogs and selling charity goods at match venues. In 2026 as well, many visitors came to the booth to participate in our activities.

Elementary School Graduation Exchange Match



On March 14, 2026, before the match against Mitsubishi Sagamihara Dynaboars in Round 11 of NTT Japan Rugby League One 2025–26, Harvest Global Presents KOBELCO KOBE STEELERS Elementary School Graduation Exchange Match was held at the Kobe Sports Park Universiade Memorial Stadium Auxiliary Field. This year marks the fifth time the tournament has been held since 2022 based on the desire of Ambassador Daisuke Ohata to "make good final memories of elementary school among all his sixth-grade teammates, regardless of whether they are a regular player or not, to wear the team's uniform and take part in matches without worrying about winning or losing."

Participation in Social Contribution Activities

This year, four players from the KOBELCO KOBE STEELERS visited Child Chemo House, a facility where children receiving treatment for pediatric cancer and other rare diseases and their families can stay together at Hyogo Prefectural Children's Hospital and other locations. Head coach Dave Rennie and five players also visited the Pediatric Medical Center at Kobe University Hospital, where they interacted with the children.

Community Exchange Facility: Nadahama Sports Zone

The Nadahama Sports Zone has tennis courts and artificial turf fields that are open to the public and used by local community members.

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Communities (Communication with Stakeholders)

Social Contributions for Education

Nadahama Science Square

Nadahama Science Square connects the four themes of "steelmaking," "power generation," "energy," and "the environment."

In the exhibition room, visitors can experience the fun and wonder of science and technology while playing, and on weekends, fun events such as experiments are held. In addition, the green space and the biotope in the facility are made available to local residents as places to relax.

Since its opening in 2004, the facility has become a beloved part of the local community, and in August 2025, it welcomed its one millionth visitor.



Social Contributions for People Affected by Disasters

Supporting Areas Affected by Disasters

The Kobelco Group provides support to people following earthquakes and other natural disasters. After the Noto Peninsula Earthquake occurred in January 2024, we donated 30 million yen through the Japanese Red Cross Society.

Kobelco World Children Support Program

This program was established in fiscal 2021 to support children in need around the world due to natural disasters such as earthquakes and volcanic eruptions, as well as conflicts. In fiscal 2025, we donated 5 million yen to the Japan Committee for UNICEF's natural disaster emergency relief fund and for support of those affected by the earthquake that struck Myanmar in March 2025. Going forward, we will continue to make donations every year to support activities carried out by the UN and other international organizations.

Social Contributions for Culture

We support the performing arts through the naming rights* of various facilities.

- Hyogo Performing Arts Center (Kobelco Grand Hall)
- Moka Civic Hall (Kobelco Moka Strawberry Hall)
- Hyogo Prefectural Museum of Art (Kobelco Museum Hall)

* Refers to the naming of public facilities by companies, such as theaters and libraries, that are part of a company's support for cultural promotion activities







Contribution to Preservation of the Environment

Kobelco Green Project

The Kobelco Group aims to coexist and cooperate with society from an environmental perspective as well. Since fiscal 2013, we have been promoting the Kobelco Green Project, an environmental contribution activity that fosters a desire to care for the environment, throughout the Group to conserve and maintain forests that are a sink for CO_2, along with the Kobelco Forest Fairy Tale Prize to foster children's feelings for nature, as well as forest development activities and environmental education outreach to children's centers led by Group employees.

• Kobelco Forest Fairy Tale Prize

For the Kobelco Forest Fairy Tale Prize, the Kobelco Group solicits stories about forests from elementary, junior high, and senior high school students across Japan with the aim of helping children, who will lead the next generation, develop a feeling of cherishing the forest that offers various blessings of nature.

The winning stories are transformed into picture books with illustrations by picture book authors, with approximately 2,000 sets having been donated to elementary schools, junior high schools, high schools, special needs schools, and public libraries run by the sponsoring municipality. In fiscal 2025, we received 705 entries, and Haya Wakasa's "Rainy Forest" won the Gold Prize in the elementary school category, and Keiji Fujitani's "The 400th Birthday of the Forest" won the Gold Prize in the junior high and high school category.





13th Gold Prize-winning picture books

• Forest Development Activities

Since 2011, we have been working to develop forests in Kobe and Miki cities in Hyogo Prefecture. These activities contribute to preventing landslides, creating a good urban environment, maintaining and improving scenic landscapes, and conserving and fostering ecosystems and biodiversity.



• Environmental Education Outreach to Children's Centers

Kobe Children's Eco Challenge 21 Club, run by the City of Kobe, offers environmental education outreach to children's centers so that children can develop an interest in the environment and continue to practice environmentally friendly activities.

Since 2011, we have been providing programs to learn about the importance of the environment and electricity, and the convenience of iron under the theme of iron and electricity.



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Participation in Sustainability Initiatives and External Evaluations

Listed below are major initiatives and evaluations as of August 2026.

Participation in and Endorsement of Sustainability Initiatives

SDGs

SUSTAINABLE DEVELOPMENT GOALS

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

30 Challenge #HereWeGo203030

White Logistics Movement

「ホワイト物流」推進運動

賛同企業

Leaders Coalition for Empowerment of Women

行動宣言 輝く女性の活躍を加速するリーダーの会

United Nations Global Compact

UN GLOBAL COMPACT 2026 PARTICIPANT

Our company is committed to upholding the Ten Principles of the **United Nations Global Compact**. Please refer to our **Communication on Progress.**

GX Future Consortium

GX FUTURE CONSORTIUM

Declaration of Partnership Building

パートナーシップ構築宣言

External Evaluations

FTSE4Good Index Series

FTSE4Good

FTSE JPX Blossom Japan Index

FTSE JPX Blossom Japan Index

FTSE JPX Blossom Japan Sector Relative Index

FTSE JPX Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

S&P/JPX Carbon Efficient Index

MSCI Japan Empowering Women (WIN) Select Index

2026 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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MSCI Japan ESG Select Leaders

2026 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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CDP

CDP

Kobe Steel received “A” rating for climate change

Platinum Kurumin

プラチナくるみん 子育てサポートしています

PRIDE Index

work with Pride Gold 2025

2026 Outstanding Organization of KENKO Investment for Health

2026 健康経営優良法人 KENKO Investment for Health 大規模法人部門

10th selection

DBJ Environmentally Rated Loan Program

DBJ 環境格付 2024

In January 2025, Kobe Steel secured financing from the Development Bank of Japan Inc. (DBJ) through its Environmentally Rated Loan Program, receiving the highest rating awarded to “companies with excellent advanced environmental initiatives.”

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Independent Practitioner's Limited Assurance Report

September 30, 2026

To the President,
CEO and Representative Director of Kobe Steel, Ltd.

/s/ Shinnosuke Kayumi, Engagement Partner
KPMG AZSA Sustainability Co., Ltd.
Osaka Office, Japan

Conclusion

We have performed a limited assurance engagement on whether selected environmental performance indicators (the "subject matter information" or the "SMI") presented in Kobe Steel, Ltd.'s (the "Company") ESG Data Book 2026 (the "Data Book ") for the year ended March 31, 2026 have been prepared in accordance with the criteria (the "Criteria"), which are established by the Company and are explained in the Data Book. The SMI subject to the assurance engagement is indicated in the Data Book with the symbol"★".

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Company's SMI for the year ended March 31, 2026 is not prepared, in all material respects, in accordance with the Criteria.

Basis for Conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other information

Our conclusion on the SMI does not extend to any other information that accompanies or contains the SMI (hereafter referred to as "other information"). We have read the other information but have not performed any procedures with respect to the other information. We do not express any form of conclusions thereon.

Responsibilities for the SMI

Management of the Company are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation of the SMI that is free from material misstatement, whether due to fraud or error;
- selecting or developing suitable criteria for preparing the SMI and appropriately referring to or describing the criteria used; and
- preparing the SMI in accordance with the Criteria.

Inherent limitations in preparing the SMI

As described in Calculation method in the Data Book, GHG emissions quantification is subject to uncertainty when measuring activity data, determining emission factors, and considering scientific uncertainty inherent in the Global Warming Potentials. Hence, the selection by management of a different but acceptable measurement method, activity data, emission factors, and relevant assumptions or parameters could have resulted in materially different amounts being reported.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the SMI is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management.

Summary of the work we performed as the basis for our conclusion

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the SMI that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the SMI and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- assessing the suitability of the criteria applied to prepare the SMI;
- conducting interviews with the relevant personnel of the Company to obtain an understanding of the key processes, relevant systems and controls in place over the preparation of the SMI;
- performing analytical procedures including trend analysis;
- identifying and assessing the risks of material misstatements;
- performing site visits at two of the Company's factories which were determined through our risk assessment procedures;
- performing, on a sample basis, recalculation of amounts presented as part of the SMI;
- performing other evidence gathering procedures for selected samples; and
- evaluating whether the SMI was presented in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Notes to the Reader of Assurance Report: This is a copy of the Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

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