

Business Foundation

The KOBELCO Group's Business Foundation



Environmental Management and Reduction of CO₂ Emissions

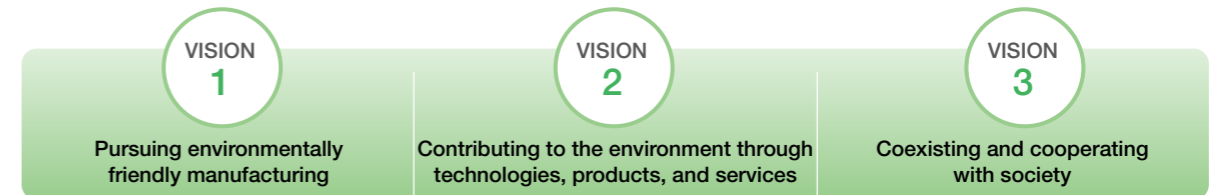
Through environmental management based on three corporate visions,
We aim to contribute to a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives. In realizing that vision, we assume the important responsibility of passing on to future generations a healthy global environment in which all forms of life can thrive. We wholeheartedly acknowledge this obligation and are moving forward with concrete initiatives that align with the Six Pledges of KOBELCO Men and Women. In addition, we have established the Six Initiatives for Environmental Management and are practicing environmental management accordingly.

The KOBELCO Group has been and will continue to utilize its individuality and technologies and care for the environment in all aspects while taking on the challenge of resolving social issues including those facing the global environment.

Basic Environmental Management Policy

As a leading environmental corporate group, the KOBELCO Group will fulfill its social responsibilities as described in this policy, improve its environmental capabilities, and enhance its corporate value.



Enhance corporate value further through Group environmental management (improving Group environmental capabilities)

Six Pledges of KOBELCO Men and Women and Six Initiatives for Environmental Management

Based on its Basic Environmental Management Policy, the KOBELCO Group has identified the following initiatives for environmental management that align with the Six Pledges of KOBELCO Men and Women, which embody its standards of conduct.

Six Pledges of KOBELCO Men and Women	Six Initiatives for Environmental Management	
1 Heightened Sense of Ethics and Professionalism	Comprehensive risk management procedures	In addition to thorough compliance with environmental laws and regulations, properly implement environmental management by identifying environmental risks in business activities and striving to mitigate these risks.
2 Contribution to the Society by Providing Superior Products and Services	Contributing to the environment through technologies, products, and services	Contribute to the environment by providing environmentally friendly technologies, products, and services.
3 Establishing a Comfortable but Challenging Work Environment	Promoting environmental initiatives with full employee participation	Initiatives are taken to foster a workplace culture where all employees participate in environmental education and study to ensure that they always conduct themselves by taking the environment into consideration, and eco-office activities are undertaken to create work environments that conserve energy and are conducive to work.
4 Living in Harmony with Local Community	Coexisting and cooperating with society	Through forest preservation activities and the KOBELCO Forest Fairy Tale Prize, we engage in activities to contribute to the environment in each region and contribute to local communities by cleaning up areas near business locations.
5 Contribution to a Sustainable Environment	Environmentally friendly manufacturing	We take a comprehensive approach to environmentally friendly manufacturing, including reducing environmental load, preventing global warming, and promoting resource recycling.
6 Respect for Each Stakeholder	Disclosure of environmental information	Activities related to environmental management are accurately conveyed to stakeholders through the disclosure of environmental information and facilitation of communication with local communities and customers.



Please visit our website for a list of organizations subject to reporting under our "Environmental Management and Reduction of CO₂ Emissions."
https://www.kobelco.co.jp/english/about_kobelco/outline/integrated-reports/subordinate2020/index.html

Environmental Management and Reduction of CO₂ Emissions

Medium- to Long-Term Environmental Objectives and Initiatives

	Initiatives for Implementation	Long-Term Policies	Medium-Term Targets
VISION 1 Environmentally friendly manufacturing	Measures against global warming	Save energy, reduce CO ₂ emissions, and combat global warming in every aspect of the Group's operations	<ul style="list-style-type: none"> Continue implementing energy-saving initiatives, working toward achievement of each industry's Commitment to a Low Carbon Society
	Promoting resource recycling	Continue activities aimed at zero landfill waste	<ul style="list-style-type: none"> Continue reducing the amount of waste disposed and achieve the industry's voluntary action plan targets. Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products
	Appropriate management of chemical substances	Reduce hazardous substances in accordance with the "Kobe Steel Group Policy on Controlling Hazardous Chemical Substances"	<ul style="list-style-type: none"> Properly manage and reduce or replace chemical substances, and properly comply with the PCB Special Measures Law and the Law Concerning the Discharge and Control of Fluorocarbons
	Reducing environmental impact	Make continuous efforts toward reducing the impact on the environment through comprehensive voluntary controls	<ul style="list-style-type: none"> Continue meticulous operational management and facility management in an effort to reduce environmental impact from air emissions, etc.
	Comprehensive risk management procedures	Pursue systematic and deliberate efforts to reduce risks	<ul style="list-style-type: none"> Continue on-site environmental audits by the Head Office and expand audits to Group companies and affiliated companies in an effort to improve independent environmental management systems Instill in overseas Group companies the same level of environmental management as in Japan and improve risk management through such activities as on-site environmental inspections
	Promoting environmental initiatives with full employee participation	Constantly improve the environmental awareness of all KOBELCO Group employees	<ul style="list-style-type: none"> Continue initiatives such as stratified training, e-learning, and environmental training for Group companies, and encourage use of the KOBELCO Eco-Life Notebook (household eco-account book), in efforts to increase environmental awareness
VISION 2	Contributing to the environment through technologies, products, and services	Keep all product and technical development environmentally friendly, and create environmentally sustainable products and new businesses	<ul style="list-style-type: none"> Contribute to the creation of a low-carbon society through the efforts of the entire KOBELCO Group by working on issues in 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
	Coexisting and cooperating with society	Promote coexistence and cooperation with local communities in regard to the environment	<ul style="list-style-type: none"> Promote the KOBELCO GREEN PROJECT, centered on the three key activities of the KOBELCO Forest Fairy Tale Prize, forest development, and environmental education outreach to children's centers, in an effort to cooperate and coexist in harmony with local communities
VISION 3	Disclosure of environmental information	Take active steps to disclose environmental information and improve communication with stakeholders	<ul style="list-style-type: none"> Continue disclosing information in an effort to communicate with all stakeholders

The KOBELCO Group is committed to environmentally friendly business practices. We established the Fiscal 2016–Fiscal 2020 Medium-Term Environmental Management Plan and are implementing initiatives in the six key areas of our Basic Environmental Management Policy.

Self-assessment ○: Progressing as planned ▲: Some issues remaining ✕: Plan not achieved

Fiscal 2019 Results	Initiatives for Fiscal 2020
<ul style="list-style-type: none"> Established CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group; set fiscal 2030 target for reducing CO₂ emissions from production processes Steadily implemented energy conservation initiatives while conducting energy-saving investments to achieve targets <ul style="list-style-type: none"> Target for reducing CO₂ emissions from production processes: Fiscal 2030 target: Reduction of 1.1 million tons of CO₂ (vs. BAU in fiscal 2013) Fiscal 2019 performance: Reduction of 0.68 million tons of CO₂ (actual value, vs. BAU in fiscal 2013) 	<ul style="list-style-type: none"> Begin formulating a long-term vision centered on the CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group Steadily continue energy conservation initiatives while conducting energy-saving investments to achieve targets
<ul style="list-style-type: none"> Made steady progress in the waste treatment plans established by each business, with good prospects for achieving the targets of the fiscal 2020 voluntary action plan Implemented proper operations following the guidelines for Kakogawa Works and Takasago Works; conducted internal audits at all business locations regarding proper treatment of slag 	<ul style="list-style-type: none"> Implement waste treatment plans established by each business Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products
<ul style="list-style-type: none"> Conducted disposal of transformers, fluorescent lamps, and other high-concentration PCB waste according to plans (disposal anticipated to be completed by legally mandated deadline); disposed some of the low-concentration PCB waste and conducted surveys to identify low-concentration PCBs contained in equipment currently in use; appropriately responded to the requirements of the Act on Rational Use and Proper Management of Fluorocarbons 	<ul style="list-style-type: none"> Continue to carry out disposal of high-concentration PCB waste based on plans; continue to conduct surveys to identify low-concentration PCBs contained in equipment currently in use and formulate plans for disposal by legally mandated deadline; properly manage equipment using fluorocarbons
<ul style="list-style-type: none"> Continued thorough management of soot/smoke and wastewater Achieved voluntary targets every month (3t/km²/month) for dust fall at Kakogawa Works 	<ul style="list-style-type: none"> Continue meticulous operation management and facility management, with efforts to reduce the environmental impact from soot/smoke, etc.
<ul style="list-style-type: none"> Aimed to increase environmental management levels at production sites through use of environmental management systems and carried out environmental audits and other measures to confirm progress Carried out on-site environmental assessments for Group companies in Thailand, India, and Vietnam and raised environmental management levels at each company 	<ul style="list-style-type: none"> Increase environmental management levels through training for employees at production sites, implement environmental audits and confirm progress. Carry out on-site environmental assessments for Group companies in Malaysia, Singapore, China, and U.S., and increase environmental management levels at each company
<ul style="list-style-type: none"> Increased employees' environmental awareness and knowledge through environmental conferences, stratified training, and e-learning Promoted environmental awareness at employees' homes through the KOBELCO Eco-Life Notebook 	<ul style="list-style-type: none"> Raise environmental awareness by continuing measures such as stratified training and environmental training for Group companies, as well as promoting the use of the KOBELCO Eco-Life Notebook
<ul style="list-style-type: none"> Established CO₂ Reduction Promotion Subcommittee and CO₂ Reduction Technology Study Working Group; set fiscal 2030 target for contribution to reduction of CO₂ emissions through technologies, products, and services Helped reduce CO₂ emissions by providing MIDREX® Process, which uses raw materials with low CO₂ emissions, and by improving fuel economy with ultra-high-strength steel <ul style="list-style-type: none"> Targets for contribution to reduction of CO₂ emissions through technologies, products, and services: Fiscal 2030 target: Contribution to reduction of 49 million tons of CO₂ emissions Fiscal 2019 performance: Contribution to reduction of 32.62 million tons of CO₂ emissions 	<ul style="list-style-type: none"> By expanding sales of technologies, products, and services and conducting technical development of multi-materials, undertake measures to reach targets for reduction of CO₂ emissions and help reduce CO₂ emissions in society
<ul style="list-style-type: none"> Received more than 600 submissions for the seventh annual KOBELCO Forest Fairy Tale Prize, with backing from all municipalities in which our 12 domestic business locations are located Performed environmental education outreach to children's centers in three locations; conducted forest development activities in two locations 	<ul style="list-style-type: none"> Continue to promote KOBELCO GREEN PROJECT (comprising KOBELCO Forest Fairy Tale Prize, forest development activities, and environmental education outreach to children's centers*) to better coexist and cooperate with local communities <p>* Environmental education outreach to children's centers has been suspended due to the COVID-19 pandemic.</p>
<ul style="list-style-type: none"> Disclosed environmental information via <i>Integrated Report 2019</i>, Company website, environmental monitors, and other sources; introduced Group environmental technologies and products at exhibitions Launched a website providing monthly environmental data for Moka Power Plant, which commenced operation in fiscal 2019 	<ul style="list-style-type: none"> Continue disclosing information and enhance communication with all stakeholders

Environmental Management and Reduction of CO₂ Emissions

Initiatives to Reduce CO₂ Emissions

The KOBELCO Group views initiatives to reduce CO₂ emissions as one of its most important management issues. Targets for fiscal 2030 have been set to further the advancement of these initiatives. (See pages 18 and 62 for information on targets.)

Going forward, the KOBELCO Group will continue to pursue reduction of CO₂ emissions in order to contribute to “a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives” as envisioned in KOBELCO’s View of the Future.

Governance and Risk Management

Kobe Steel has a structure in place whereby important matters related to CO₂ reduction that could have a major impact on management are deliberated and decided by the Executive Council and monitored by the Board of Directors. In fiscal 2019, the Company established the CO₂ Reduction Promotion Subcommittee under the CSR Committee, which is an advisory body to the Executive Council, to examine methods for reducing CO₂ emissions. The Company also created the CO₂ Reduction Technology Study Working Group under the R&D Committee, which also advises the Executive Council, to examine technological methods for reducing CO₂ emissions. This put into place a structure for facilitating Companywide activities to reduce CO₂ emissions.



Board of Directors	Monitors measures related to CO ₂ reduction that could have a major impact on management	Quarterly
Executive Council	Deliberates and decides important matters related to CO ₂ reduction measures	At least once per year
CSR Committee	Deliberates important matters related to CO ₂ reduction measures (Hajime Nagara, Director, Senior Managing Executive Officer; Chairman of the CSR Committee)	At least once per year
R&D Committee	Deliberates plans and strategies for developing new products and technologies for reducing CO ₂ emissions	At least once per year

Process for Identifying and Managing Risks from Climate Change

The KOBELCO Group, centered on the CO₂ Reduction Promotion Subcommittee, examines both risks and opportunities associated with climate change, based on the flowchart shown below.

The results of these examinations are reported to and deliberated by the CSR Committee, and then determined by the Executive Council.



Strategy

Kobe Steel analyzes the medium- to long-term risks and opportunities associated with climate change based on consideration for the social scenarios proposed by the International Energy Agency; the long-term visions formulated and announced by the Japan Iron and Steel Federation, the Japan Aluminium Association, and other industry organizations; and the energy policies of Japan.

The appropriateness of the measures implemented by the Company is assessed based on these analyses.

Materials-related initiatives	➔ Pages 37–40
Machinery-related initiatives	➔ Pages 41–43
Electric Power-related initiatives	➔ Pages 44–46

Climate-related risks: As exemplified by the introduction of carbon pricing schemes, environmental regulations on climate change are becoming stricter and have the potential to significantly impact the Company’s performance and financial position. In addition, given the increasing severity of damages from floods and typhoons, it is anticipated that the increase of natural disasters due to climate change may cause declines in production volumes and disruptions of supply chains.

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

Short-to-Medium- and Long-Term Climate Change-Related Risks and Opportunities

	Risks		Opportunities	
	Short-to-medium term (by FY2030)	Long term (by FY2050)	Short-to-medium term (by FY2030)	Long term (by FY2050)
Policy and legal systems	Higher costs stemming from regulatory tightening		Growing demand for technologies, products, and services that contribute to reduction of CO ₂ emissions (automotive weight reduction, MIDREX® Process, etc.) ➔ See special feature (Pages 18–23)	
Market and technology transitions	Rising capital investments, research and development expenses, and operating costs associated with low-carbon technologies			
Reputation	Deterioration of corporate reputation due to insufficient or delayed information disclosure		Differentiation from other companies by establishing a reputation as a front-runner in combating climate change	
Physical risks (natural disasters, etc.)	Reduction of production volumes and disruptions of supply chains due to increases in floods, typhoons, and other natural disasters		Growth in product demand due to higher public investment and capital investments for disaster prevention purposes	
			Increases in countermeasure costs and reductions in production volumes at factories in coastal locations due to damage from rising sea levels and high tides	

■ High risk ■ Low risk ■ Large opportunity ■ Small opportunity

Responses to Risks and Opportunities (R&D)

Reduction of CO₂ Emissions in Production Processes

Japan’s steelmaking technologies are already at the most advanced levels in the world. Kobe Steel is participating with other steelmakers in the three development projects outlined below that are being promoted by the New Energy and Industrial Technology Development Organization (NEDO) in a bid to further reduce CO₂ emissions in the blast furnace ironmaking process and to realize practical application of these developments. In addition, the Company is advancing research and development with the aim of increasing energy efficiency in its reduction and melting processes.

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

The KOBELCO Group is engaged in ongoing R&D projects to realize further benefits of CO₂ emissions reductions in its existing lineup of products that contribute to emissions reductions, such as materials for automotive weight reduction and heat pumps. Midrex Technologies, Inc., has formed a joint-development agreement with ArcelorMittal, S.A., pertaining to a direct reduction ironmaking technology that utilizes hydrogen (see page 23). In addition, we are moving ahead with the development of an energy storage system using compressed air among other proactive efforts to develop new technologies, products, and services that help reduce CO₂ emissions.

Innovative Technology Development	Participating Companies	Technologies Being Developed
CO ₂ Ultimate Reduction in Steelmaking Process by Innovative Technology for Cool Earth 50 (COURSE 50)	Nippon Steel Corporation JFE Steel Corporation Kobe Steel, Ltd. Nippon Steel Engineering Co., Ltd.	① Hydrogen-reduction technology that reduces iron ore by increasing the hydrogen concentration in high-temperature coke oven gas (COG) emitted during coke production as a partial alternative to coke ② Technology for separating and capturing CO ₂ from blast furnace gas (BFG) with underutilized waste heat within steelworks
Technological Development of Ironmaking Process Utilizing Ferro-coke	JFE Steel Corporation Kobe Steel, Ltd. Nippon Steel Corporation	Energy-saving technology that can reduce the amount of coke fed into blast furnaces by dramatically increasing reduction efficiency within blast furnaces by utilizing the catalytic reaction of metallic iron contained in ferro-coke formed from the blend molding and carbonization of thermal coal and low-grade iron ore
Technology Development for Realizing Zero-Carbon Steel	Nippon Steel Corporation JFE Steel Corporation Kobe Steel, Ltd. The Japan Research and Development Center for Metals	Super-innovative technologies, such as hydrogen reduction without using blast furnaces, to realize zero-carbon steel

Scenario Analysis

In fiscal 2019, the Company began examining measures based on socio-economic scenarios. Examinations will be advanced in conjunction with medium- to long-term strategies, and the appropriate analysis results will be disclosed.

Environmental Management and Reduction of CO₂ Emissions

Initiatives to Reduce CO₂ Emissions

Metrics and Targets

Metric A Reduction of CO₂ Emissions in Production Processes

1 Targets

The KOBELCO Group seeks to conserve energy and reduce CO₂ emissions in its production processes.

Based on the Commitment to a Low Carbon Society, promoted by industry groups to which the Group belongs, we have defined a target for reducing CO₂ emissions from production processes for fiscal 2030. (See page 19 for information on the target.)

2 Past Emissions of CO₂

Following 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 collection systems and conserving energy by switching to continuous processes and shorter processes. From the 1990s, the steel industry focused on upgrading waste heat collection systems and increasing the efficiency of equipment while taking steps to effectively use waste materials. In recent years, industry players have installed highly efficient gas turbine power plants.

Kobe Steel has maintained a consistent approach in advancing various energy conservation and CO₂ reduction measures through proactive capital investments. For example, highly efficient gas turbine power generation facilities that use gas from blast furnaces were installed at Kakogawa Works over the period from fiscal 2009 to fiscal 2014, resulting in a substantial reduction of CO₂ emissions.

In fiscal 2019, CO₂ emissions from production processes decreased by 1.17 million tons (vs. BAU in fiscal 2013) due to reductions associated with temporary factors, such as the COVID-19 pandemic. Excluding these temporary factors, we achieved a reduction of 0.68 million tons of CO₂ (vs. BAU in fiscal 2013).

With the goal of accomplishing its targets for fiscal 2030, the KOBELCO Group is engaging in thorough energy conservation efforts and capital investments. To this end, the Group is working to build and achieve a steelmaking industry with low CO₂ emissions through collaboration between the Steel & Aluminum Business, which belongs to the materials businesses, and the Engineering Business, which is part of the machinery businesses.

3 CO₂ Emissions from Energy Use

In fiscal 2019, CO₂ emissions from energy use totaled 16.5 million tons for the entire Group. Of this amount, 93% was emitted from the Iron & Steel Business, 4% from the Aluminum & Copper Business, and 2% from the Electric Power Business.

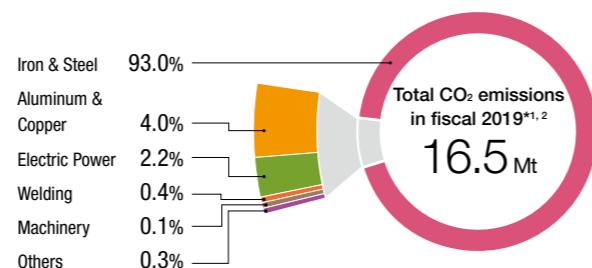
For more information on the KOBELCO Group's CO₂ emissions, please visit the Company's corporate website.
https://www.kobelco.co.jp/english/about_kobelco/outline/integrated-reports/subordinate2020/index.html

Fiscal 2030 Target
 Reduction of CO₂ emissions in production processes
 Reduction of **1.1** Mt (vs. BAU in fiscal 2013)*^{1, 2, 3}

Fiscal 2019 Performance (actual value)
 Reduction of CO₂ emissions in production processes
 Reduction of **0.68** Mt (vs. BAU in fiscal 2013)^{1, 2, 3, 4}

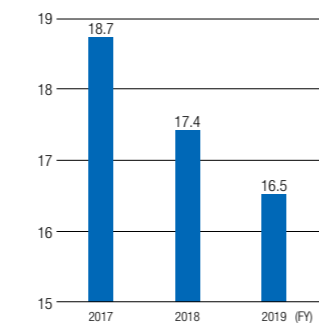
*1 Total of Scope 1 and Scope 2
 *2 Scope: Business locations of Kobe Steel, Ltd., and Kobelco Construction Machinery Co., Ltd. (covers approximately 95% of CO₂ emissions of the entire Group)
 *3 BAU (Business as usual): Emissions of greenhouse gases assuming no additional measures are taken
 *4 Emission coefficients for fiscal 2018 used, as the emission coefficients for fiscal 2019 have yet to be published

CO₂ Emissions from Energy Use
 (Total of Scope 1 and Scope 2, excluding some areas*)
 (Includes domestic and overseas Group companies)



*1 CO₂ emissions in the electric power business calculated based on the Ministry of the Environment's Manual for Calculating and Reporting Greenhouse Gas Emissions (Version 4.6, released in June 2020) and excluding CO₂ emissions (approximately 7.2 million tons) related to electricity transmitted from power plants
 *2 Emission coefficients for fiscal 2018 used, as the emission coefficients for fiscal 2019 have yet to be published

CO₂ Emissions from Energy Use*
 (Total of Scope 1 and Scope 2, excluding some areas)
 (Includes domestic and overseas Group companies)
 (Mt-CO₂)



* For a list of Group companies surveyed for each fiscal year, see the annual report for the corresponding fiscal year.

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

1 Targets

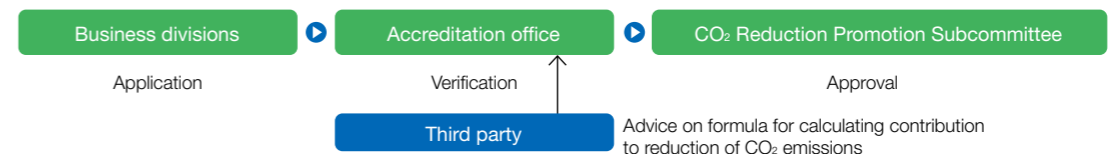
The KOBELCO Group contributes to reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services. The Group set a target for these contributions in fiscal 2030 (see page 19 for information on the target).

Regarding the contributions to reduction of CO₂ emissions through technologies, products, and services, the Group has instituted an internal accreditation system. For the formulas used in accreditations, we receive advice from Kiyotaka Tahara, the laboratory leader of the Research Laboratory for IDEA at the Research Institute of Science for Safety and Sustainability at the National

Institute of Advanced Industrial Science and Technology.

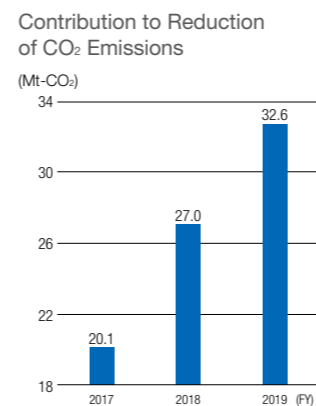
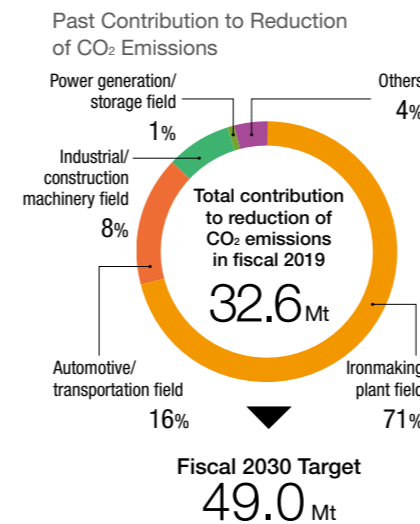
Fiscal 2030 Target
 The KOBELCO Group's technologies, products, and services contributed to a reduction of **49.0** Mt of CO₂ emissions

Accreditation Flow



2 Contribution to Reduction of CO₂ Emissions

The CO₂ Reduction Promotion Subcommittee estimates that the KOBELCO Group's technologies, products, and services contributed to a reduction of CO₂ emissions totaling 32.62 million tons.



Technologies, Products, and Services	Contribution to Reduction (10,000 tons/year)	Concept behind Reduction	
Ironmaking plant field	MIDREX®	2,328	New ironmaking process using low CO ₂ materials
Automotive/transportation field	Ultra-high-strength steel for automobiles	420	Improvements in fuel economy by using high-strength materials to reduce weight of automobiles and transportation equipment
	Wire rods for suspension springs	21	
	Wire rods for automotive valve springs	53	
Industrial/construction machinery field	High-strength steel for ships	29	Energy conservation by achieving higher efficiency and using underutilized energy
	Heat pumps, standard compressors, SteamStar, binary generators, Eco-Centri	239	
Power generation/storage field	Fuel-efficient construction machinery	20	Improvements in fuel economy by using fuel-efficient construction machinery
	Wood biomass power generation, waste-to-energy (WTE)	25	
Others	Blast furnace cement	127	Reduction in volume of fossil resources used by utilizing carbon-neutral resources

In addition, Kobe Steel plans to calculate the contributions made by the following technologies, products, and services to reducing CO₂ emissions.

Key Technologies, Products, and Services That Contribute to Reduction of CO₂ Emissions (contribution amounts to be calculated at a future date)

Technologies, Products, and Services	Concept behind Reduction
Automotive/transportation field	Fuel-cell separator materials, aluminum shapes for rolling stock, titanium for aircraft components, crankshafts for ships, compressors for LNG carriers, microbinary generators for ships*
Hydrogen utilization field	High-purity Hydrogen Oxygen Generator (HHOG)
Power generation/storage field	Conversion of sludge to fuel, utilization of coal-fired thermal power plants, compressed air energy storage system*

* Products and services planned to be provided to customers in the future

Environmental Management and Reduction of CO₂ Emissions

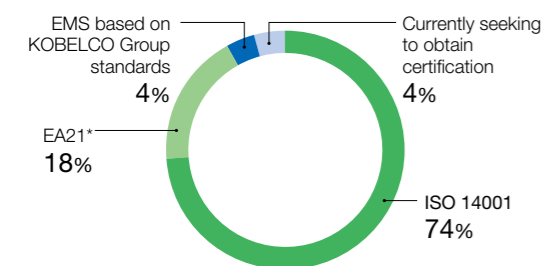
Thorough Risk Management

Kobe Steel 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 Company continues to ensure thorough compliance with laws and regulations and reinforces environmental management.

Strengthening Environmental Management (Promoting an environmental management system)

The KOBELCO Group employs environmental management systems (EMSs) based on ISO 14001 and reinforces environmental management through a PDCA cycle. Kobe Steel has acquired certification at all 12 business locations and for the Engineering Business, in addition to 19 domestic Group company business locations and 14 overseas Group companies. The percentage of major production business sites that have EMS certification is 92% among 49 business locations.

Percentage of Total Business Locations with EMS Certification (Domestic and Overseas Group Companies)



* EA21 (Eco Action 21): An environmental management system accredited by the Ministry of the Environment for which certification is easier to obtain than ISO 14001

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.



Drill on setting out sandbags and oil absorbent mats in preparation for leakages (Shinko North Co., Ltd.)

Implementation of Environmental Audits

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

On-site environmental audits are conducted at 12 business locations of Kobe Steel and 28 business locations of 20 domestic Group companies with high environmental risks. 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 managers.

The results of audits conducted in fiscal 2019 are as follows.

Results of Audits Conducted in Fiscal 2019

Paper audits: 12 business locations of Kobe Steel, 411 business locations of 96 domestic Group companies

On-site environmental audits: 6 business locations of Kobe Steel, 12 business locations of 8 domestic Group companies



On-site environmental audit (Ibaraki Plant)

Promoting Environmental Initiatives with Full Employee Participation

KOBELCO Group Environmental Meeting

The KOBELCO Group Environmental Meeting is held every year for the purposes of sharing environmental information and promoting cross-development of environmental initiatives. In fiscal 2019, participants shared useful examples of ways to reduce environmental burden at the business locations where they work and reviewed changes to environmental laws and regulations.



KOBELCO Group Environmental Meeting

Environmental Training and Study

Since fiscal 2006, Kobe Steel has continually incorporated environmental training and study into its stratified training program for employees in specific positions at business locations. Additionally, the Company provides e-learning programs regularly via the intranet to raise environmental awareness among employees and guarantee a thorough knowledge of environmental laws and regulations.

In fiscal 2019, study sessions on environmental laws and regulations were held three times and training sessions for persons in charge of waste management were held four times. A total of 133 people took part in these study and training sessions.



Study session on environmental laws and regulations

Environmental Management Systems at Overseas Locations

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

In the United States and China, where many Group production sites are located, the regional headquarters for 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.

Environmental Audits

Kobe Steel implements on-site environmental audits once every two to five years at overseas business locations. 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 and recommend steps to reduce risks.

A total of 32 overseas Group companies are subject to on-site environmental audits, comprising seven in the United States, 10 in China, 14 in Asia (excluding China), and one in Europe. In fiscal 2019, we conducted on-site audits at a total of six companies in Thailand, India, and Vietnam to review the state of environmental management and to identify problems. Based on the results of these audits, we implemented necessary corrective measures. Kobe Steel will continue to conduct these audits in order to strengthen its environmental management at overseas business sites.

Environmental Training and Study at Overseas Locations

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



Networking event in China



On-site environmental audit at Thai-Kobe Welding Co., Ltd.

Monitoring of Environmental Risks in Investment Projects

The KOBELCO Group has established systems for checking compliance with environmental laws and regulations as well as environmental risks associated with capital investment projects at each business location. In addition, we employed an environmental checklist system through which the head office double-checks 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 to check whether or not effective measures are in place for preventing leaks in cases when storage tanks are located near drainage channels.

Environmental Management and Reduction of CO₂ Emissions

Environmentally Friendly Manufacturing

Reduction of Environmental Impacts

Water Pollution Measures

The KOBELCO Group strives to conserve water through such measures as improvements to manufacturing processes and wastewater recycling. Additionally, by purifying drainage from manufacturing processes using specialized treatment systems, we reduce levels of polluting substances in public water resources. At Kobe Steel's business locations, drainage from production processes undergoes coagulative precipitation, sand filtration, and other purification processes and is reused on-site. As a result, approximately 96% of the water is recycled on premises.

Air Pollution Measures

We take measures to limit SOx (sulfur oxide) 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 NOx (nitrogen oxide) emissions, we have implemented low NOx combustion technology and energy-saving measures.

Promotion of Resource Recycling

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.

In fiscal 2019, a total of 4.12 million tons of by-product materials were generated by the KOBELCO Group, and approximately 0.18 million tons were disposed of in landfills. The recycling ratio was 98.7% for the major by-products of slag, dust, and sludge, reflecting aggressive efforts to improve yields and reduce the use of secondary materials in the Iron & Steel Business, the main producer of by-products. These measures will also contribute to the achievement of new targets (350,000 tons in fiscal 2020) based on voluntary action targets set by Japan's steelmaking industry (numerical targets for final landfill disposal volume and recycling).

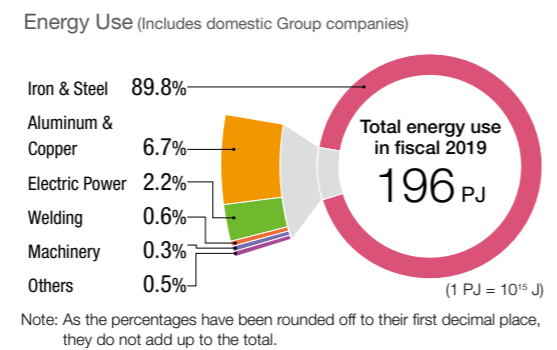
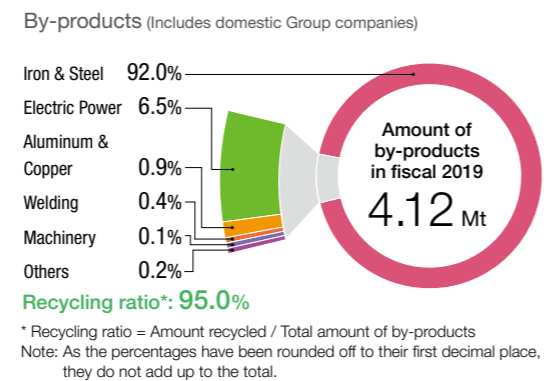
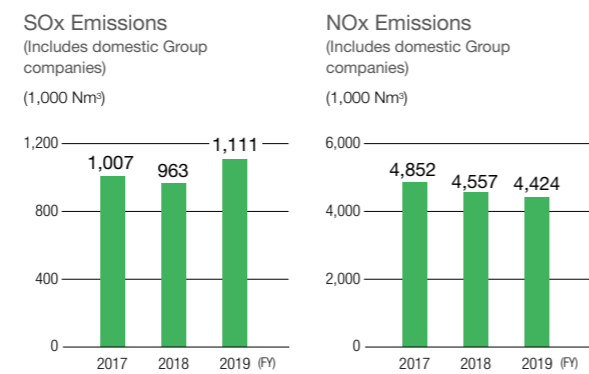
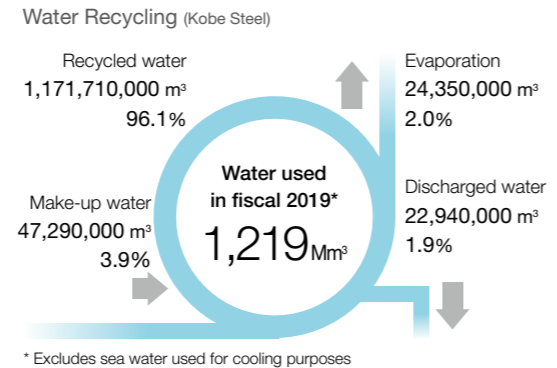
The recycling ratio for the KOBELCO Group (Japan) was 95.0%. We will continue to reduce final landfill disposal volume by controlling the amount of waste produced, increasing recycling, and developing and adding value to new recycling technologies.

Measures against Global Warming (Energy use in production processes)

In response to global warming, the KOBELCO Group promotes streamlining and R&D to reduce energy consumption throughout its operations.

In fiscal 2019, we took measures to conserve energy by installing inverters, upgrading to high-efficiency equipment, and switching to LED lights at business sites.

The KOBELCO Group used 196 PJ of energy in fiscal 2019 (equivalent to 5.06 million kl of crude oil). Of this total, approximately 90% was used in the Iron & Steel Business and approximately 7% in the Aluminum & Copper Business.



→ For details on initiatives to reduce CO₂ emissions, please see [p. 60-63](#).

Coexisting and Cooperating with Society

The KOBELCO Group aims to coexist and cooperate with society, from an environmental perspective as well. With the aim of preserving and maintaining CO₂-absorbing forests for the environment, we have been implementing the KOBELCO GREEN PROJECT since fiscal 2013 as a Groupwide program for contributing to the environment. Our initiatives also include the KOBELCO Forest Fairy Tale Prize, which is designed to foster environmental awareness in children, forest development programs carried out by Group employees, and environmental education outreach to children's centers.

KOBELCO GREEN PROJECT

Forest Development Activities to Preserve and Promote Biodiversity

The KOBELCO Group has established biodiversity guidelines and promotes biodiversity activities. Since 2011, employee volunteers have been engaging in forest development activities in two locations.

At the KOBELCO Forest in Miki City, we participate in the Corporate Forest Creation Project promoted by the *Hyogoken Ryokka Suishin Kyokai* (Hyogo Greening Promotion Association) and help with activities at the Hyogo Prefectural Mikiyama Forest Park to create more abundant forests.

At the ECOWAY Forest in Kobe's Nada Ward, we participate in the Ministry of Land, Infrastructure, Transport and Tourism's Rokko Mountain Range Green Belt Development Project to help prevent landslide disasters, to preserve and nurture diversity in ecosystems and seeds, and to promote better urban environments and scenic views. These activities are carried out with guidance from the NPO Rokko Nature Learning with the aim of developing forests with a good balance between tall trees and undergrowth and a diverse mix of tree ages and varieties. By trimming trees, clearing out undergrowth, and planting new trees, we help preserve and promote biodiversity in forests.



Environmental Education Outreach to Children's Centers

Kobe Steel is a member of the Kobe Children's Eco Challenge 21 Club, sponsored by the city of Kobe. The club operates environmental education outreach programs to get children interested in the environment so that environmentally friendly activities will continue.

Since 2011, Kobe Steel has offered programs for learning about steel and electricity, the importance of the environment and electricity, and the conveniences provided by steel. In fiscal 2019, these learning programs were offered in three locations (Rokkou

Island After-school Childcare Corner, Akibadai Children's Center, and Tamatsu Children's Center) and attended by 121 children.

Seventh KOBELCO Forest Fairy Tale Prize

The KOBELCO Group collects fairy tale stories about forests from students in elementary, junior high, and senior high schools across Japan with the aim of raising a generation of children who will carry with them an appreciation for all the many blessings that forests have to offer. The winning stories are transformed into picture books with illustrations by professional picture book authors. Around 2,000 sets of the finished picture books were donated to elementary schools, junior high and senior high schools, special needs schools, and public libraries in jurisdictions supported by local governments.

The seventh annual award, held in fiscal 2019, garnered a total of 605 submissions. *Satoyama no Jyusuya-san* ("The Woodland Juice Shop"), written by Sorano Okawa (Elementary School Division), and *Oishii Mori no Tsukurikata* ("How to Make a Delicious Forest"), written by Harune Shakudo (Junior High and Senior High School Division), were selected as the grand prize winners.



Judge's Comments

We live surrounded by forests of all sizes. Forests are places to nurture life and protect it as seen in the process of the green trees growing thick with leaves, their flowers blooming, and their fruits ripening. Forests bestow many blessings, not only on the birds and animals that live therein but also on us.

The KOBELCO Forest Fairy Tale Prize is a contest that encourages children to craft fairy tales based on the theme of forests while gaining accurate knowledge about forests. It is incredibly difficult to combine real-life knowledge about forests with fantastic imaginary stories to make a fairy tale. Nevertheless, we received numerous amazing works in this year's contest. Thank you to everyone who joined the contest. I hope we will get many wonderful submissions next year as well.



Disclosure of Environmental Information

Communication with Local Communities

In order to gain the understanding of local residents in the area of Kakogawa Works and the Kobe Wire Rod & Bar Plant regarding its environmental preservation efforts, Kobe Steel held information sessions, which were attended by a total of 114 people.

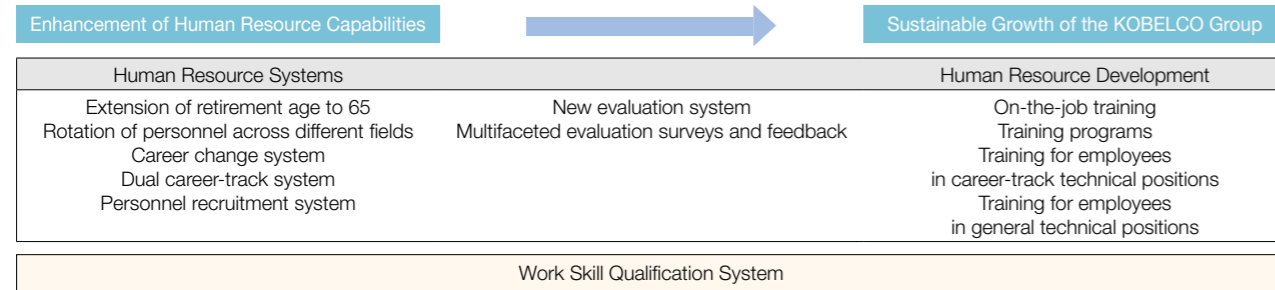
Toll-free (within Japan) phone numbers have also been set up at Kakogawa Works and the Kobe Wire Rod & Bar Plant to answer environment-related questions. We will continue to value the opinions of people in local communities.

Management and Development of Human Resources

To fulfill its social responsibilities as a company and further improve its corporate value, the KOBELCO Group believes it is important to develop personnel who can tackle social issues and respond to change. Equally important for the Group is enabling its diverse employees to utilize their individuality and expertise while being motivated and working with pride.

To foster employees in such ways, we are promoting diversity and engaging in other forward-looking initiatives, developing workplace environments and human resource systems based on the results of employee awareness surveys, and taking other steps to further strengthen the development of human resources.

Human Resource Systems and Training



Human Resource Systems

The basis for Kobe Steel's human resource systems is the work skill qualification system. Under this system, employees are divided into employee categories, such as management, career-track, and general technical and administrative employees, based on their work fields and the training policies for them. Job grades are assigned to individual employees based on the extent to which they exercise the skills expected of their employee category. This system makes it possible to cultivate human resources over the medium to long term by offering employees a varied range of experience and thereby contributes to improved employee motivation.

Career Change System

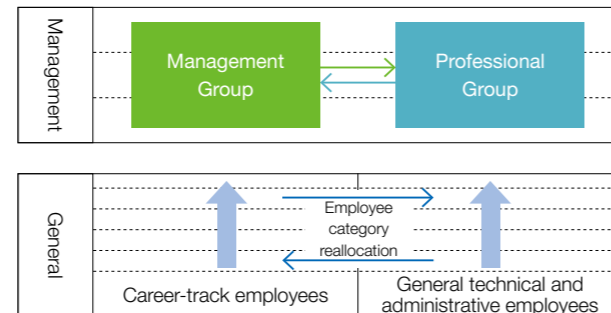
The employee category reallocation system allows ambitious, talented, and applicable employees to change their employee category (career-track or general technical/administrative position) as they desire.

Dual Career-Track System

Kobe Steel has introduced a dual career-track system for managers. Under this system, managers are divided into the management group, which comprises organizational heads, and the professional group, which is for individuals expected to exercise their specialized skills in specified areas. Individuals belonging to both groups are evaluated and compensated based on the degree to which they have performed the duties expected of their roles.

Previously, managers were highly compensated based on their role in management. The dual career-track system was introduced in fiscal 2019 based on the recognition that winning out against intense competition as a manufacturer would require us to also reward employees that exhibited a high degree of speciality.

Work Skill Qualification System and Dual Career-Track Compensation System



TOPICS

Change in Mandatory Retirement Age

As birthrates decline and populations age, it is becoming increasingly difficult to secure human resources. In response to this trend, Kobe Steel is preparing to change its mandatory retirement age from 60 to 65 in fiscal 2021 with the aim of improving the motivation of seasoned employees, heightening *monozukuri* capabilities, and fostering a sense of solidarity in the workplace.

The change in the mandatory retirement age will enable employees to work from the time they join the Company until they reach the age of 65 under the same employment conditions while allowing us to develop continuous compensation systems. In addition, human resource systems will be revised in conjunction with this change to create frameworks that reflect individual skills and success in compensation to an even greater degree to spark employees' desire for career growth and raise their motivation.

Rotation of Human Resources across Different Fields

The Company began promoting the rotation of employees across business divisions, positions, and different fields in fiscal 2019. This move is aimed at improving the personnel fluidity of the organization, fostering human resources (enhancing human resource capabilities), and stepping up coordination.

Human Resource Development

Our Approach to Human Resource Development

We aim to have all employees share a diverse sense of values and to take pride and have enthusiasm in their daily work. To this end, we established the "Vision for Human Resources at Kobe Steel" (to the right).

For human resource development, Kobe Steel offers training programs that complement on-the-job training, the basis of employee education. We have created tiered training systems for managers, career-track employees, and general technical and administrative employees, and we revise the contents of the training programs annually.

Kobe Steel also provides a full range of support for employee growth, as it is important that all employees have their own specific goals for professional development and to constantly progress to achieve them.

In response to the global COVID-19 pandemic, we began offering certain training programs online at the end of fiscal 2019 to enable employees to continue learning even under emergency circumstances.

"As employees, we will continually strive to establish trust in KOBELCO on a global scale."



TOPICS

New Evaluation System and Evaluator Training

In fiscal 2020, the Company revised its human resource evaluation system. In addition to enabling employees to demonstrate their performance and work capabilities, the revised system clarifies the degree of exercising the Core Values of KOBELCO and the implementation of human resource development programs as areas for evaluation.

At the same time, an evaluator training program was instituted to allow managers to offer more constructive feedback in order to drive the improvement of employee skills and motivation.

Training for Technical Personnel

A forklift training facility has been constructed at the Group's Kakogawa Technical Training Center, a training facility for technical personnel. The new facility, which commenced operation in June 2020, features an environment that enables trainees to concentrate on their training regardless of the weather, thereby contributing to expedited improvement in technical skills. We will continue to develop environments that allow employees to focus on acquiring technical skills with the aim of heightening the Group's overall *monozukuri* capabilities.

Work-Style Reforms

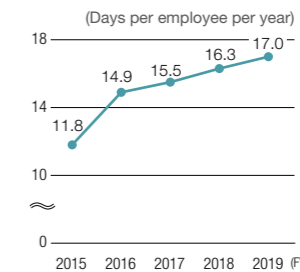
The KOBELCO Group has taken a three-pronged approach to reforming work styles—comprising changes to work styles, changes to employment rules, and changes to work practices—in an effort to enhance its workplace environments.

During the two years of the first stage of this initiative, from fiscal 2016 to fiscal 2017, we targeted an increase in the number of days of paid leave taken by employees. In fiscal 2017, our target was to have employees take an average of 15 or more days of paid vacation per year. We have achieved ongoing success in this regard, as indicated by the average of 17.0 days of paid leave taken by employees in fiscal 2019.

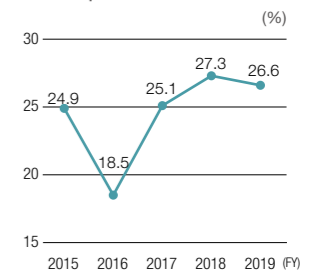
Over the three-year period from fiscal 2018 to fiscal 2020, positioned as the second stage of this initiative, we aim to create 50 hours of allocable time per employee per year and to invigorate communication. To those ends, we are implementing workplace improvement activities, establishing meeting and email protocols, and promoting telecommuting. In addition, free dress codes have been instituted at our Kobe and Tokyo head offices, branch offices, and sales offices to foster more comfortable workplace cultures.

By advancing these initiatives, we aim to heighten employee motivation while invigorating the organization to create greater levels of value.

Number of Days of Paid Leave Taken (Days per employee per year)



Number of Days Worked Past 7 p.m.* (%)



* Ratio of working days past 7 p.m.

TOPICS

Promotion of Telecommuting

In response to the global COVID-19 pandemic, certain restrictions for using our work-from-home system were relaxed in March 2020 to promote the use of telecommuting. Looking ahead, we plan to formulate new rules and guidelines to develop and establish work styles that effectively utilize telecommuting.

Management and Development of Human Resources

Diversity

In promoting diversity, the KOBELCO Group strives to create work environments in which all employees respect diversity and are able to use their skills to the fullest, based on three approaches: employment continuation support, workplace improvement, and activity support.

Employment Continuation Support

- Extended leave for raising children (until they turn three years old)
- Consideration of flexible work hours for childcare (allow shorter work hours during elementary school age, etc.)
- Extension of caregiving leave (up to three years)
- Paid child and family care leave
- Complimentary points for child-rearing items in employee cafeteria plan
- Reemployment system (reemployment within five years after resigning due to spouse's work relocation, childbirth, or caregiving purposes)
- Career sabbatical program (up to three years in the case of spouse's work relocation)

Workplace Improvement

- Support for men to help with child-rearing
- Reduction of long working hours, encouragement of employees to take more paid vacations, and other initiatives and collaborative efforts for work-style reforms
- Diversity training at all business locations to create pleasant workplace environments

Activity Support

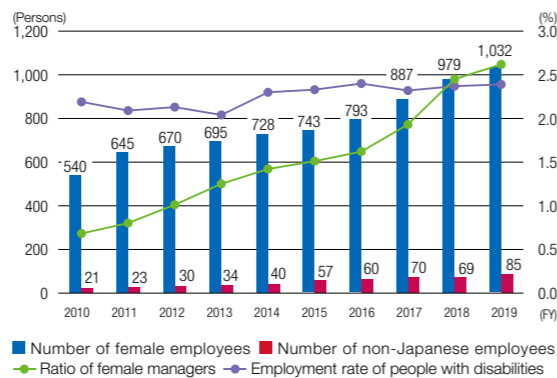
- Setting of numerical targets for hiring new graduates (30% for career-track administrative positions, 10% for career-track technical positions, and 10% for general technical positions)
- Networking events for female employees and non-Japanese employees
- Mentor system for female employees and non-Japanese employees
- Management training for managers of female employees and non-Japanese employees

TOPICS

The KOBELCO Group is promoting diversity while enhancing its workplace environment to make greater use of diversity.

Diversity of Human Resources

- The KOBELCO Group's base of human resources is growing ever more diverse, with increasing numbers of female employees, non-Japanese employees, and employees with disabilities.



Diversity Initiatives and Results

Initiatives

- Diversity training at all business locations: The Group has been conducting training at all business locations to improve communication within the organization by dispelling gender biases and increasing understanding with regard to the differences between age groups, employee categories, and perspectives.
- Cross-cultural communication training: Training is provided for non-Japanese employees and their managers to teach both parties about the other's culture and thereby foster mutual understanding.

Results

These initiatives have resulted in yearly increases in the number of items on employee awareness surveys with regard to gender bias, the ability to consult with supervisors or colleagues, and other items pertaining to communication and teamwork. These increases are indicative of the cultivation of a corporate culture that capitalizes on the individuality and values of diverse human resources.

Respect for Human Rights

One of the Core Values of KOBELCO is "We value each employee and support his and her growth on an individual basis, while creating a cooperative and harmonious environment." In addition, one of the Six Pledges of KOBELCO Men and Women is "Establishing a comfortable but challenging work environment." These principles indicate our commitment to becoming a corporate group in which everyone can feel empowered in their work.

Steps to accomplish this goal thus far have included the establishment of consultation helplines and annual human rights training. Seeking to further clarify our stance toward fulfilling the important responsibility of respecting human rights, we established the Kobe Steel Group's Basic Policy on Human Rights in October 2019.

Workplace posters highlighting this policy were created to raise awareness and entrench understanding of this policy throughout the organization.

Going forward, we will continue to advance initiatives for ensuring human rights are respected based on the International Bill of Human Rights and other international standards.



The Kobe Steel Group's Basic Policy on Human Rights
https://www.kobelco.co.jp/english/about_kobelco/csr/files/policy_en.pdf



Workplace poster

Health and Safety

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

Occupational Safety and Health

Based on our Companywide Safety and Health Management Policy, each business location formulates its own safety and health management policy, safety and health performance targets, and safety and health activity plans and promotes improvements by implementing the PDCA (plan-do-check-act) cycle. The Safety and Health Management Policy applies not only to Kobe Steel but also to its subcontractors. We carry out activities through the joint efforts of the Company, Group companies, and subcontractors.

As a result, we have been able to reduce the number of accidents and maintain a low frequency rate of lost time injuries. We recognize that protecting the lives and health of our employees is the utmost priority in fulfilling our corporate social responsibilities.

The Health & Safety Department plays a central role in on-site confirmations and audits based on Occupational Safety and Health Management Systems (OSHMS) for all business locations, Group companies, and related cooperative companies. The department

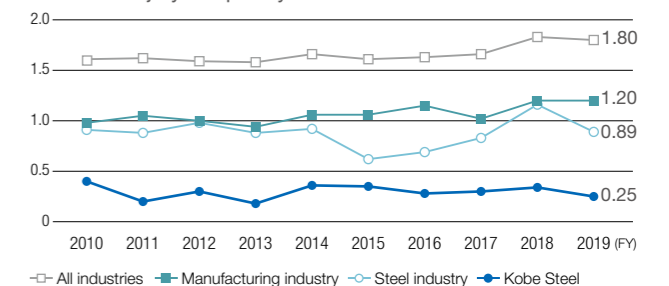
identifies weaknesses and provides cross-sectional support from the perspectives of personnel, facilities, and management, in an effort to improve the level of safety and health management.

Code of Conduct for Safety Based on the Core Values of KOBELCO

- ▶ I shall follow workplace rules and be someone trusted by my coworkers and family.
- ▶ I shall care for my coworkers and show respect to them.
- ▶ I shall aim for higher levels of safety and well-being by improving workplace facilities and systems.

Key Objectives (FY2020) Accidents leading to death or serious injury (involving three or more people at the same time): Zero
 Lost time injury frequency rate (LTIFR): 0.10 or less

Lost Time Injury Frequency Rate*



* Lost time injury frequency rate (LTIFR) = $\frac{\text{Number of injuries requiring absence from work}}{\text{Number of total hours worked}} \times 1,000,000$
 Injuries requiring absence from work: Injuries that result in at least one day of missed work

Initiatives to Help Employees Maintain and Improve Their Health

We aim to create comfortable work environments where employees can maintain and improve their mental and physical well-being.

Mental Healthcare Activities

- ▶ All of our business locations have consultation offices staffed by industrial counselors.
- ▶ Efforts are made to create more comfortable workplace environments with consideration paid to work engagement based on the results of organization-wide stress checks.

Augmenting Health Checkups (Cooperation with health insurance association)

- ▶ Blood tests are given at certain ages (20, 25, and 30 years old) when undergoing periodic health checkups.
- ▶ Employees aged 35 and older receive regular blood tests and endoscopic checkups (stomach camera), and all employees found to be infected with *Helicobacter pylori* bacteria are treated.
- ▶ Employees reaching 50 years of age receive full compensation for optional checkups at health screening clinics (tumor markers, breast cancer checkups, brain disease checkups, etc.) (KOBELCO Medical Check 50). In addition, employees of at least 50 years of age and their dependents are partially compensated for medical costs (Spouse Health Check 50).

Activities to Help Employees Maintain and Improve Their Health

- ▶ Health challenges: Employees who achieve their health goals, such as for exercising, quitting smoking, and losing weight, over a certain period of time will receive gifts.
- ▶ Health classes: A qualified health and exercise instructor provides guidance on stretching, relaxation, and office yoga.

Inclusion in Health & Productivity Stock Selection and Certified Health & Productivity Management Organization Recognition Program—White 500

The Company was approved for inclusion in the Health & Productivity Stock Selection organized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for three consecutive years, since first being included in fiscal 2015. In addition, we were selected for inclusion in the Certified Health & Productivity Management Organization Recognition Program in both fiscal 2017 and fiscal 2020.



Communication with Stakeholders

The KOBELCO Group engages in proactive communication with stakeholders. We are earnestly listening to our stakeholders through engagement activities targeting shareholders and other investors and surveys of customers and business partners. In addition, we recognize that improving management transparency is a top management priority, and we are engaging in timely, appropriate, and extensive disclosure accordingly.

We also carry out various activities that contribute to local communities. Our efforts range from contribution to society through sports to initiatives undertaken by respective business locations, which include environmental activities, regional development, and community interaction centered on supporting the next generation of athletes.

Shareholder and Investor Engagement

■ Institutional Investors

- Financial results briefings (held four times a year)
- Theme-based briefings (May 2019)
- Small meetings with the President (June 2019)
- Plant tours (April 2019)
- Meetings with institutional investors (held about 120 times a year)
- Discussions with institutional investors (representatives responsible for ESG and the exercise of voting rights) and advisors on the exercise of voting rights (held about 20 times a year)
- Individual meetings with overseas investors (held several times a year)
- Integrated Report (issued annually)

■ Individual Investors

- Briefings for individual investors (November 2019)
- Plant tours for shareholders (November 2019)
- Issuance of shareholder newsletter "To Our Shareholders" (twice a year)
- Disclosure of information on our website

Information for shareholders and other investors
<https://www.kobelco.co.jp/english/ir/index.html>

Customers and Business Partners

The KOBELCO Group conducts customer surveys with questions covering a wide range of subjects, including product quality, services, and delivery periods, as part of its efforts to improve product and service quality. We earnestly accept the results of these surveys, and we use this feedback to improve our products and services.

Employees

We are implementing the Next 100 Project in which the President and other members of management visit business locations in Japan and overseas to speak with employees. In addition, employee awareness surveys are conducted to develop an understanding of current conditions and issues with regard to employees' feelings toward their work and their company as well as the state of organizations.

Community Members

Contributions to Society through Sports

"SDGs Match" by Kobelco Steelers

The Kobe Steel Rugby Club, the Kobelco Steelers, invited 10 people with visual impairments to its match with the NTT Docomo Red Hurricanes as part of the Japan Rugby Top League. Held on February 2, 2020, this match was dubbed an "SDGs Match" dedicated to the United Nations Sustainable Development Goals.

The invited guests were able to enjoy the unique atmosphere of a rugby game by listening to the dynamic clashes between players and the cheers in the stadium as well as to commentary and explanations transmitted through audio receivers supplied thanks to the support of ABC Radio and NTT DOCOMO, INC.

After the match, guests were greeted by players from both teams. After touching the hands of the athletes, many guests expressed surprise at the size and strength of their hands.

Prior to the match, we ran a promotional booth together with the Hyogo Guide Dogs for the Blind Association to promote guide

dog awareness. Offering the opportunity to interact with special public relations dogs, as well as a campaign drive by athletes, this booth attracted a wide range of visitors, including many young children.

The Kobe Steel Rugby Club will continue to take part in such social contribution activities.



Tag Rugby Workshops

The Kobe Steel Rugby Club aims to communicate the joy of rugby by providing children with opportunities to become more familiar with sports through activities that promote community and social interaction and popularize sports via rugby. As a part of these activities, the Kobe Steel Rugby Club has coordinated with the Kobe City Board of Education since fiscal 2015 to conduct tag rugby workshops for elementary school children in Kobe. In fiscal 2019, we visited 10 elementary schools and one junior high school and provided around 1,200 students with the opportunity to enjoy playing tag rugby.



Social Contributions in Japan and Overseas

Nadahama Science Square (Hyogo Prefecture)

• Classes on Nature Held to Familiarize Students with Nature and Science

Nadahama Science Square, a community exchange facility operated by the KOBELCO Group, holds biotope walks, nature craft classes, and other classes on nature for children with a view to fostering an appreciation of the importance of the environment through contact with nearby natural areas. We have been conducting these classes for 16 years, since the opening of the Nadahama Science Square in 2004. In fiscal 2019, around 1,400 people participated in the classes.

Furthermore, we conduct facility tours of the Kobe Power Plant and Kobe Works and offer other opportunities for members of local communities to learn about the environment.

Kobelco Construction Machinery Co., Ltd. (Gifu, Hyogo, Hiroshima)

• Dispatch Science Classes at Schools

Each year, Kobelco Construction Machinery arranges science classes in which employees are dispatched to schools. First started by the Hiroshima Factory in fiscal 2010, these classes are aimed at addressing the issue of children losing interest in science.

In fiscal 2019, the Ogaki Office and the Okubo Office held dispatch science classes for the first time. The Ogaki Office arranged a class that gave children the opportunity to experience making and programming safety sensor mechanisms used in cranes. Meanwhile, the class led by the Okubo Office used miniature excavator replicas to explain the movement of levers. Students expressed positive opinions for these classes and how they were able to have fun while learning. We therefore intend to continue these activities.



Kobe Precision Technology Sdn. Bhd. (Malaysia)

• Career Support for Students and Mangrove Planting

Kobe Precision Technology accepts students for internship programs and makes donations to special support schools. It also conducts mangrove planting activities.



Thai-Kobe Welding Co., Ltd. (Thailand)

• Participation in Mangrove Restoration Project

Thai-Kobe Welding has been participating in a mangrove restoration project jointly with Kobe MIG Wire (Thailand) Co., Ltd., since 2016.



Initiatives in Response to the Novel Coronavirus Pandemic

We offer our heartfelt prayers for the quick conclusion of the novel coronavirus pandemic, and we are sincerely thankful for the many people, including healthcare professionals, who are at the forefront of the fight against COVID-19.

The KOBELCO Group's basic policy and initiatives for responding to the COVID-19 pandemic are as follows, and the Group will continue to carry out initiatives in response to a situation that changes from day to day.

Basic Policy

1. We place the highest priority on the safety and health of all stakeholders in Japan and overseas, including customers, business partners, community members, employees of the KOBELCO Group, others working on Company premises, and their respective families.
2. In order to fulfill our social responsibility, we continue to provide the products and services necessary to maintain social infrastructure while carrying out thorough preventive measures against infection.
3. We implement timely and appropriate information disclosure to fulfill our accountability to stakeholders.

Measures to Prevent Infection (As of August 31, 2020)

1. Commuting

Employees will continue to work at home on the condition that the necessary coordination and arrangements have been made without having any detrimental effect on business operations.



2. Business trips

Business trips in Japan: Trips using airplanes and bullet trains are prohibited, in principle.
Business trips from Japan to other countries: Business trips from Japan to other countries are prohibited, in principle.

3. Health management

Employees who need to go to the Company must wear masks at all times and wash their hands and gargle frequently.
Employees are urged to avoid closed spaces, crowded places, and close-contact settings, and to maintain social distancing.

Social Contribution Activities

1. Open COVID-19 Declaration

Kobe Steel has joined the IP Open Access Declaration Against COVID-19 to support measures to contain the COVID-19 pandemic. In accordance with the intent of the declaration, Kobe Steel declares that it will not assert any intellectual property rights with respect to activities implemented solely for the purpose of stopping the spread of COVID-19.

2. Supporting Healthcare Field

Kobe Steel has donated medical supplies to support the healthcare field in its fight against COVID-19.

TOPICS

KENIFINE™ Multi-function Antibacterial Coating Technology

KENIFINE™ is a proprietary special nickel alloy coating technology developed in 2001 in response to an incident of large-scale food poisoning caused by *Escherichia coli* O157:H7. This technology exhibits an antibacterial effect that is 10 times stronger than conventional antibacterial stainless steel or tile and an antifungal effect that is 50 times stronger than pure silver or pure copper sheets. It can also be used in dark environments, making it effective at limiting sliminess in plumbing.

KENIFINE™ has been confirmed by Iwate University's Faculty of Agriculture for its suppression effect on the severe acute respiratory syndrome (SARS) virus that spread centered on Hong Kong in 2003 as well as a similar type of coronavirus. Currently, the effectiveness of KENIFINE™ at suppressing COVID-19 is being verified by a third-party institution.

KENIFINE™ is used for coating and anodizing handrails and door handles as well as for various other applications, such as being rubbed into tatami mats in a powdered form, applied to elevator buttons in sticker form, and mixed with paint to be applied to walls and floors.

With this technology, Kobe Steel hopes to help people live safer, more secure, and more fulfilling lives during and after the COVID-19 pandemic.

Risk Management

Risk Management Activities

In accordance with Risk Management Regulations, risk management activities identify factors that obstruct the sustainable development and the improvement of the corporate value of the KOBELCO Group, and we take measures accordingly against them. In terms of the scope of Companywide risk management, Top Risks and Significant Risks are defined as risks that would require a Groupwide action and that have a major impact on the Group and its stakeholders. Under this framework, the President is the person ultimately responsible for the Group's overall risk management, and the Director in charge of the Corporate Planning Department is the person responsible for overseeing risk management across the Group. Meanwhile, individual risks are managed by the relevant Directors in charge (the Risk Owners) as the persons responsible for Groupwide management activities, and the countermeasures to these risks are executed by the heads of businesses and the Directors in charge of the head offices to establish a risk management system that encompasses the entire organization.

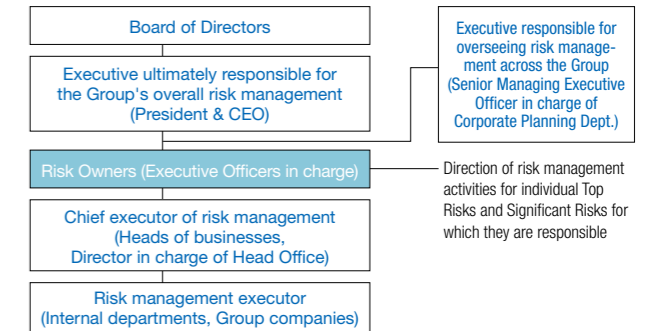
The Company applies an annual PDCA cycle to manage individual risks. Under the instruction of the Risk Owners, the heads of the businesses and the Directors in charge of the head offices who are the individuals responsible for risk countermeasures in each organization, identify and assess the risks faced in business activities, incorporating this information into annual risk management plans (Plan). Next, organizations implement these plans (Do) and evaluate the results together with the Risk Owners (Check). The areas requiring improvement identified through these evaluations are reflected in the risk management plan for the following year (Act).

To ensure the effectiveness of risk management activities, the Board of Directors manages and supervises these activities, and confirms the annual activity results of organizations. This process is actively adopted at Group companies.

Types and Definitions of Risk

Type of Risk	Definition
Top Risks	Of Significant Risks, risks that are likely to have a rather large impact if they materialize
Significant Risks	Risks that have a major impact on the Group and its stakeholders
Business Risks	Risks identified by departments and companies that are not Top Risks or Significant Risks

Framework

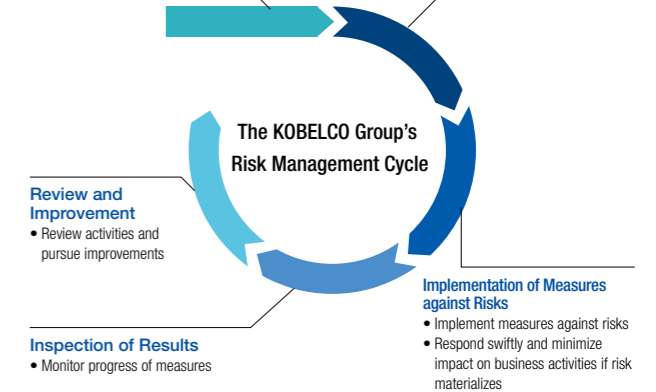


Identification of Risks

- Identify risks requiring response based on operating environment changes and examples of risk materialization inside and outside the Company
- Select risks to be managed based on potential level of impact

Establishment of Risk Management Plans

- Establish management plans for individual risks
- Formulate risk measures based on management plans



Business and other risks that may impact Kobe Steel and have the potential to influence investor decisions are described in the Company's annual securities report (Japanese only).

To the right is a list of the risks described in the annual securities report for fiscal 2019.

1. Changes in Operating Environment	1) Economic trends in major markets 2) Product supply and demand conditions 3) Fluctuations in prices of raw materials, etc.
2. Factors with Potential to Materially Impact Group Management	1) Occupational accidents, equipment accidents, etc. 2) Natural disasters, pandemics, wars, and acts of terrorism 3) Quality-related risks 4) Impact of environmental regulations, etc. 5) Legal and public regulations 6) Litigation risks 7) Human rights-related risks 8) Financial risks 9) Factors affecting progress of current medium-term management plan 10) Protection of intellectual property rights and violations of rights of third parties 11) Information management issues and information leaks

Progress of Measures to Prevent Recurrence of the Quality Misconduct

As part of measures to prevent a recurrence of the quality misconduct, in April 2018 the KOBELCO Group launched the Project for Restoring Trust, led by President Yamaguchi. The Group formed various subcommittees and task forces to implement preventive measures and is currently implementing concrete measures.

Established to monitor the progress of the Company's preventive measures, the Independent Quality Supervision Committee concluded its activities upon submission of a final opinion in March 2019. These activities have been assumed by the newly established Quality Management Committee.

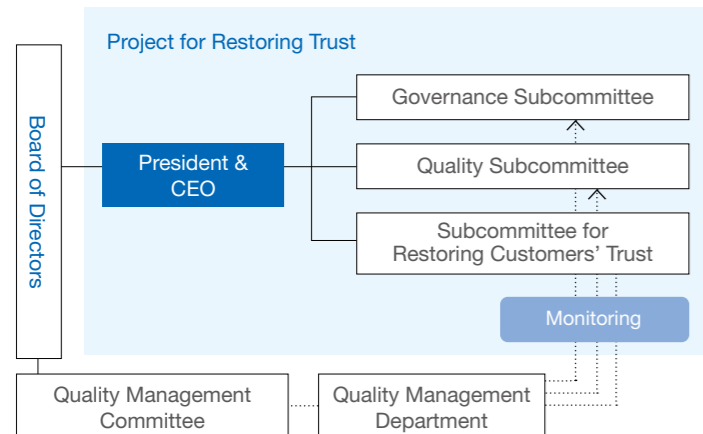
By maintaining its "quality first" commitment, the Group will continue its efforts to prevent a recurrence of the quality misconduct.

For more details, please see "Our response to the misconduct."
<https://www.kobelco.co.jp/english/progress/index.html>

For details on the final opinion, please see "Notice on the Receipt of the Final Opinion of the Independent Quality Supervision Committee on the Progress of the Preventive Measures," announced on March 29, 2019.
https://www.kobelco.co.jp/english/releases/1201033_15581.html

	Until FY2018	FY2019	FY2020	
Governance	1 Penetration of the Group's Corporate Philosophy	Next 100 Project Continue dialogues with President and Dialogue Platforms at department level		
	2 Desirable state of the Board of Directors	Continue review of structure, including composition of Board of Directors		
	3 Restructuring of the risk management system		Strengthen governance at Group companies	
	4 Reforming of insular nature of organizations	Rotate personnel among business divisions		Reorganize Iron & Steel Business and Aluminum & Copper Business
	5 Restructuring of quality assurance system	Create Quality Charter, invite outside quality senior executive, set up Quality Management Department, etc.		
	6 Restructuring of management indicators		Establish and start using seven management indicators, including ROIC	
Management	Continue quality audits and Quality Caravan Team			
Process	Automate testing and inspection equipment and visualize process capabilities, etc.			

Framework for Implementing Preventive Measures



Outline of Quality Management Committee

Established April 2019 (as an advisory body to the Board of Directors)

Purpose

- 1 Monitor and advise on activities to strengthen quality management throughout the KOBELCO Group
- 2 Continuously monitor measures to prevent a recurrence of the quality misconduct

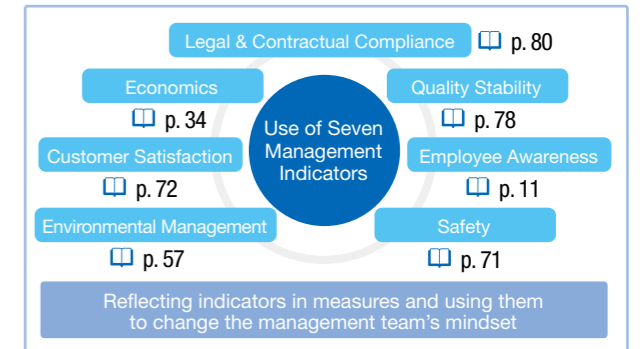
Members Three external experts, two internal executives (an external expert chairs the committee)

1 Governance—Building Quality Governance System

- 1) **Penetration of the Group's Corporate Philosophy** p. 10
The new Group Corporate Philosophy was established in May 2020. p. 3
- 2) **Desirable State of the Board of Directors** p. 86
- 3) **Restructuring of the Risk Management System**
Measures for strengthening Groupwide risk management are currently underway. p. 75
- 4) **Restructuring of Business Divisions**
The Iron & Steel Business and the Aluminum & Copper Business were reorganized in April 2020 to form the Steel & Aluminum Business and the Advanced Materials Business.
- 5) **Restructuring of Group Companies**
A reorganization is underway to strengthen Group governance and reinforce businesses.
- 6) **Rotation of Personnel between Divisions**

- 7) **Understanding of Issues Occurring at Worksites**
Employee and compliance awareness surveys are being implemented on an ongoing basis. Activities for detecting issues at worksites through the Quality Caravan Team included visits to 60 locations in fiscal 2019. A total of 110 locations will be visited over the two years beginning in fiscal 2019. We plan to conduct surveys investigating issues pertaining to quality assurance and tracking and improving process capabilities.
- 8) **Establishment of the Quality Charter (February 2018)**
- 9) **Revision of the Quality Assurance System**
- 10) **Restructuring of Management Indicators**
We have established management indicators with the aim of realizing the commitments stated in the *Report on Misconduct in Kobe Steel Group*, issued on March 6, 2018, by reforming management approaches that overemphasize profitability and realizing the sustainable enhancement of corporate value. Since April 2019, we have been steadily introducing the use of these management indicators with a

view to conducting business management that takes into account goals and indicators that enables the internal control system to function throughout the organization, the early detection of risks, and the implementation of appropriate measures.



2 Management—Ensuring Quality Management

- 1) **Measures for Quality Management**
The Quality Management Committee was established in April 2019. This committee met four times in fiscal 2019 and is scheduled to meet around four times in fiscal 2020. p. 78
- 2) **Rotation and Development of Quality Assurance Personnel**
We reviewed and systematized our quality education programs. In July 2019, we held the Quality Exchange Meeting with personnel in charge of quality assurance at affiliates in China.
- 3) **In-House Education Programs Regarding Quality**
- 4) **Support by the Head Offices**
The Quality Audit Section of the Quality Management Department conducts quality audits at all target locations. The section conducted quality audits at 81 locations in fiscal 2019 and will continue to conduct quality audits in fiscal 2020 and beyond.

3 Process—Strengthening Quality Control Processes

- 1) **Elimination of Opportunities for Mishandling Test/Inspection Data**
With respect to ongoing efforts to automate test and inspection devices, we had completed the automation of approximately 60% as of April 2020. We plan to complete the automation of 100% of devices by the end of fiscal 2020.
- 2) **Understanding of Process Capabilities and Their Utilization (with respect to materials businesses)**
We are promoting the visualization of inspection data through graphs and indexing to better understand the levels of inconsistency in the quality of our manufacturing processes relative to required specifications.
- 3) **Review of the Approval Process for Accepting New Purchase Orders**
- 4) **Review of the Approval Process When Changing the Manufacturing Process**
- 5) **Promotion of Quality Risk Assessment in Capital Investments**

Quality

The KOBELCO Group is undertaking initiatives to strengthen quality management and improve the quality management process in line with its foremost priority of advancing measures to prevent recurrence of the quality misconduct.

While striving to instill the Quality Charter of the Six Pledges of KOBELCO Men and Women in all employees, from the standpoint of customers and business partners, the Company aims to deliver quality that is trusted by and satisfies the expectations of its customers and all other stakeholders.

Quality Charter

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

Quality Management Committee

The Quality Management Committee, which comprises three external experts and two internal directors, was established in April 2019 as an advisory body to the Board of Directors. The committee constantly monitors the progress of measures to prevent recurrence of the quality misconduct in the Group and of activities to

strengthen quality management across the Group and provides advice regarding these activities. In fiscal 2019, this committee met a total of four times, at the Tokyo Head Office and at manufacturing sites. The committee is scheduled to meet around four times in fiscal 2020.

Companywide Quality Management Review Meeting

In December 2019, Kobe Steel held its first Companywide Quality Management Review Meeting for senior management, business division heads, and quality assurance managers. At this meeting, the participants reviewed the progress of measures to prevent

recurrence of the quality misconduct and other quality-related activities and discussed future measures to form consensus. We plan to hold another such meeting in fiscal 2020.

Rotation and Development of Quality Assurance Personnel / In-House Education Programs on Quality

Rotation and Development of Quality Assurance Personnel

Rotation of Quality Assurance Personnel

As the first step for our new personnel rotation practices encompassing Kobe Steel's head offices, business divisions and locations, and Group companies, the Company relocated staff from the Quality Management Department to each business division effective May 2019. These practices are ongoing.

Development of Quality Assurance Personnel

In fiscal 2018, we defined the skills required for quality assurance staff throughout the Company, established evaluation frameworks for related skill levels, and systematized quality-related education, including specifying qualifications. The applicability of these frameworks was expanded to include non-quality assurance staff in fiscal 2019, and we have since been revising and systematizing general and quality education programs from the perspective of human resource development and reflecting the results in training and education programs.

Also in fiscal 2019, we held the Quality Exchange Meeting for personnel in charge of quality assurance at affiliates in China, and we began exchanging information related to quality education and

the initiatives of specific companies based on themes that will be selected for each fiscal year.

As for quality risk management and preventive measures in fiscal 2019, we launched a training program on failure mode and effects analysis (FMEA), fault tree analysis (FTA), and design review (DR). In fiscal 2020, we plan to deploy training programs designed to promote total quality management activities.

In-House Education Programs on Quality

In fiscal 2018, line managers (about 600 people) at Kobe Steel and domestic Group companies received quality and compliance training. This training is also being developed for overseas Group companies.

A "Quality" page was opened on the KOBELCO Group's intranet in September 2018, on which progress reports on the Project for Restoring Trust are shared periodically.

Education on quality is offered via e-learning each year, and relevant information is circulated via internal newsletters.

A video message from the Director in charge of quality is produced and shown to employees of Kobe Steel and domestic and overseas Group companies during Quality Month each November.

Quality Control Circle Activities

We proactively promote on-site quality control circle activities. In particular, we hold the KOBELCO Quality Control Circle Conference once a year to promote cross-functional information sharing and education on a Groupwide basis to improve the level of activities. As the basis for its manufacturing capabilities, the KOBELCO Group considers 5S* activities to be of utmost importance and is working to strengthen such activities at all manufacturing workplaces.

* 5S stands for *seiri* (sort, classify), *seiton* (set in order, straighten up), *seiso* (shine, clean), *seiketsu* (standardize cleanups), and *shitsuke* (sustain discipline). 5S activities stress the importance of improving the work environment on the manufacturing floor.



KOBELCO QC Circle Conference

Audits by the Quality Audit Section of the Quality Management Department

Audit Item	Schedule
i) Review of compliance status (audit focused on actual data/records)	On-site audits at all 117 locations, which were subject to quality audits, completed in fiscal 2018; on-site audits at 81 sites completed in fiscal 2019; and on-site audits at 62 sites planned in fiscal 2020 despite the impact of the COVID-19 pandemic
ii) Review of quality management systems from the perspective of preventing misconduct	
iii) Assessment of compliance awareness	
iv) Review of progress and implementation status of preventive measures	

Quality Caravan Team

The Quality Caravan Team comprises Head Office departments, such as the MONODZUKURI (Production System Innovation) Planning and Promotion Department, the IT Planning Department, and the Technical Development Group, and is tasked to provide consultation to business divisions on issues faced.

The team visited 60 locations in fiscal 2019 and proposed solutions to various challenges and issues. The team will continue its activities in fiscal 2020, aiming to follow up on existing inquiries and identify new issues, such as the visualization/improvement of process capabilities, through efforts to help each business location overcome various challenges.

Elimination of Improper Handling Opportunities and Unification of Shipping Standards / Monitoring and Utilization of Process Capabilities

Elimination of Improper Handling Opportunities in Tests/Inspections and Unification of Shipping Standards

Automation of Test/Inspection Recording and Elimination of Manual Data Entry by Individuals

As of April 30, 2020, only about 60% of the automation plan for the period spanning fiscal 2018 to fiscal 2020 had been completed following delays to system launches and the impact of the COVID-19 pandemic in fiscal 2019. However, construction in general is steadily advancing on schedule, and we expect to complete 100% of the plan by March 31, 2021.

We are continuing to conduct extra measures, such as the confirmation of work logs and the double-check process for tests and inspections not yet automated.

Adjustment of the Shipping Standards

We are in the process of eliminating opportunities for any improper conduct caused by the existence of double standards

(customer specifications and internal standards). >>Under the new rules, customer specifications are used as the default standard for shipment approval in lieu of Kobe Steel's internal standards. (Internal standards are used for the objective of stabilizing quality management.)

Monitoring and Utilization of Process Capabilities (in materials businesses)

Application and Utilization of Process Capability Index

Monitoring the Process Capability Index: Understand how quality properties deviate from the required standards in manufacturing processes for each category (i.e., production lines, product types, tests/inspections, and customers).

Utilizing the Process Capability Index: The degree of deviation found in the quality properties of manufacturing processes will be used for deciding whether to accept or reject orders.

Review of Approval Process / Promotion of Quality Risk Assessment

Review of Approval Processes for New Orders and Changes in Manufacturing Process

Review of Approval Process for New Orders

In addition to tracking process capabilities for each product, we have completed the adoption and restructuring of DR (design review as defined by the JIS and ISO 9000), and have promoted its implementation.

Review of Approval Process for Changes in Manufacturing Process

We will prevent potential defects by assessing beforehand the effect on quality when the 4Ms (man, machine, material, method)

are changed and ensuring conformity with customer specifications. Specifically, we will assess risks and clarify the authorization process when changing the 4Ms in the manufacturing process.

Promotion of Quality Risk Assessment in Capital Investments

Some plants and offices have begun considering quality-related capital investment by evaluating quality risks from quantitative factors, such as impact, frequency, and detection rate. The Company started utilizing the quality assessments in decisions for key capital investments in fiscal 2019.

Compliance

The KOBELCO Group believes that the essence of compliance is to meet the expectations of society. Meeting society's expectations in regard to compliance with laws and social norms is a prerequisite to maintain trust in the Group as well as to continue to take on the challenge to resolve social issues. Based on this understanding, we have positioned compliance as a top management priority. We are developing systems and implementing initiatives outlined below to ensure rigorous compliance accordingly.

Compliance Code and Standards

The KOBELCO Group established the Corporate Code of Ethics, a concrete code of conduct for ensuring legal compliance, in June 2000. This code sets standards to be observed by all Group companies, directors, and employees to ensure good corporate citizenship through compliance with laws and social norms and contributions to society and through the provision of superior products and services while exercising environmental mindfulness. The code continues to be revised as necessary based on changes in the business environment. Today, we are guided by a new Group

Corporate Philosophy that integrated new statements consisting of KOBELCO's View of the Future and KOBELCO's Mission in May 2020. With this philosophy as our compass, we are pursuing sustainable growth based on our compliance standards: the Core Values of KOBELCO, which represent our commitments to society and the shared values of the Group, and the Six Pledges of KOBELCO Men and Women, a code of conduct for all Group members based on the corporate ethics standards contained in the Corporate Code of Ethics.

Compliance Committee

The Compliance Committee has been established as an advisory body to the Board of Directors. This committee comprises the President, two other internal members, and five external members, constituting a majority to provide a fair and impartial position, with

one of the external members serving as the Committee Chair. The committee drafts plans for Groupwide compliance activities, confirms the progress of these plans, and implements the necessary revisions and improvements.

Compliance Program

Compliance activity plans are implemented based on the KOBELCO Group's Compliance Program. The Compliance Management Department serves as the dedicated organization for carrying out the program in coordination with business divisions and Group companies under the supervision of the Director overseeing Companywide compliance and the Executive Officer in charge of

Companywide compliance. The progress of the compliance activities of Group companies is assessed in the following five areas. These activities are implemented based on the characteristics of the respective business and region to reinforce initiatives for more effective and comprehensive compliance activities throughout the Group.



Status of Compliance Activities

Risk Assessment and Commitment	<ul style="list-style-type: none"> Messages illustrating management's proactive stance toward compliance are distributed internally and externally. In addition, the KOBELCO Group's Anti-Bribery Policy has been made available for viewing on the Company's corporate website. Compliance risks associated with the Group's business and organization are analyzed and assessed regularly based on internal and external trends. Risks pertaining to fair competition laws, anti-bribery, and trade security management have been identified as Top Risks for the Group, and related compliance systems have been established.
Setting Rules and Procedures and Securing Resources	<ul style="list-style-type: none"> The necessary compliance rules and procedures are being developed at domestic and overseas Group companies centered on fair competition laws, anti-bribery, and other Top Risks. Domestic and overseas Group companies are requested to appoint compliance representatives to enhance compliance promotion systems.
Training and Communication	<ul style="list-style-type: none"> The Company and domestic and overseas Group companies continuously conduct stratified compliance training as well as group training and e-learning programs on fair competition laws, anti-bribery laws, and other specific laws. Awareness regarding the internal reporting system is promoted on an ongoing basis through the distribution of cards and posters, the intranet, and Group newsletters.
Monitoring and Response to Reports	<ul style="list-style-type: none"> The Company and domestic and overseas Group companies conduct ongoing monitoring and auditing pertaining to fair competition laws, anti-bribery, and trade security management. Systems are put in place to ensure that all domestic and overseas Group employees can use the internal reporting system, and frameworks are being developed to ensure the swift discovery and remediation of compliance issues. <p>[Number of reports received via the internal reporting system in fiscal 2019: 119 (including domestic and overseas Group companies)]</p> <p>Establishment of new system for reporting to Audit & Supervisory Committee To more thoroughly implement compliance management, the Company established a new internal reporting system in July 2020 that can be used to report to the Audit & Supervisory Committee. This system is independent from management.</p>
Review and Improvement	<ul style="list-style-type: none"> The Company has been conducting the Compliance Awareness Survey targeted at employees of the Company and of domestic Group companies. The Company has been reviewing activities conducted under the KOBELCO Group's Compliance Program based on internal and external trends and the results of the Compliance Awareness Survey.



For more information on the Group's compliance activities, please refer to the Company's corporate website. https://www.kobelco.co.jp/english/about_kobelco/kobesteel/ethics-compliance/index.html



Compliance Top Seminar about domestic and overseas bribery risks, launched in October 2019 and attended by 185 members of management across the KOBELCO Group

Directors (Including Audit & Supervisory Committee Members)



President, CEO and Representative Director

Mitsugu Yamaguchi 1

Number of Company shares owned: 39,200

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

Executive Vice President and Representative Director

Fusaki Koshiishi 2

Number of Company shares owned: 34,400

Apr. 1984 Joined the Company
Apr. 2012 Officer
Apr. 2014 Senior Officer
Jun. 2015 Managing Director
Apr. 2016 Director, Senior Managing Executive Officer
Apr. 2018 Executive Vice President and Representative Director (incumbent)

Duties

Oversees the Health & Safety Department, Quality Management Department, Environmental Control & Disaster Prevention Department, and MONODZUKURI (Production System Innovation) Planning and Promotion Department. Oversees Companywide health and safety. Oversees Companywide quality. Oversees Companywide environmental control and disaster prevention.

Executive Vice President and Representative Director

Koichiro Shibata 3

Number of Company shares owned: 31,400

Apr. 1984 Joined the Company
Apr. 2012 Officer
Apr. 2014 Senior Officer
Apr. 2016 Senior Managing Executive Officer
Apr. 2018 Executive Vice President and Representative Director (incumbent)

Duties

Oversees the materials businesses. Head of the Steel & Aluminum Business.

Executive Vice President and Representative Director

Makoto Mizuguchi 4

Number of Company shares owned: 33,300

Apr. 1982 Joined the Company
Apr. 2011 Officer
Apr. 2013 Senior Officer
Apr. 2016 Senior Managing Executive Officer
Apr. 2020 Executive Vice President and Representative Director (incumbent)

Duties

Oversees the Research & Development Planning Department, Intellectual Property Department, and IT Planning Department. Oversees Companywide technical development. Oversees Companywide IT systems. Oversees Companywide automotive projects.

Executive Vice President and Representative Director

Kazuto Morisaki 5

Number of Company shares owned: 25,900

Apr. 1983 Joined the Company
Apr. 2012 Officer
Apr. 2014 Senior Officer
Apr. 2018 Senior Managing Executive Officer
Apr. 2020 Executive Vice President and Representative Director (incumbent)

Duties

Oversees the machinery businesses. Head of the Engineering Business. Responsible for the Companywide construction business.

Director, Senior Managing Executive Officer

Jiro Kitagawa 6

Number of Company shares owned: 26,000

Apr. 1982 Joined the Company
Apr. 2014 Officer
Apr. 2016 Managing Executive Officer
Apr. 2018 Senior Managing Executive Officer
Jun. 2018 Director, Senior Managing Executive Officer (incumbent)

Duties

Oversees the electric power business. Head of the Electric Power Business.

Director, Senior Managing Executive Officer

Yoshihiko Katsukawa 7

Number of Company shares owned: 21,100

Apr. 1985 Joined the Company
Apr. 2015 Officer
Apr. 2017 Managing Executive Officer
Apr. 2018 Senior Managing Executive Officer
Jun. 2018 Director, Senior Managing Executive Officer (incumbent)

Duties

Oversees the Audit Department, Corporate Planning Department (excluding the Automotive Materials Planning Section), Accounting Department, Finance Department, Marketing Planning Department, domestic branch offices and sales offices (including Takasago Works), and overseas locations (under the Head Office).

Director, Senior Managing Executive Officer

Hajime Nagara 8

Number of Company shares owned: 19,800

Apr. 1985 Joined the Company
Apr. 2015 General Manager of Planning & Administration Department, Iron & Steel Business
Apr. 2016 Executive Officer
Apr. 2018 Managing Executive Officer
Apr. 2020 Senior Managing Executive Officer
Jun. 2020 Director, Senior Managing Executive Officer (incumbent)

Duties

Oversees the Compliance Management Department, Legal Department, Corporate Communications Department, General Administration Department, Human Resources Department, Civil Engineering & Construction Technology Department, Machinery & Materials Procurement Department, and the Rugby Administration Office. Oversees Companywide compliance.

Directors (Including Audit & Supervisory Committee Members)



Independent Director

Takao Kitabata 9

Number of Company shares owned: 6,600

Apr. 1972 Joined the Ministry of International Trade and Industry
 Jun. 2004 Director-General, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry (METI)
 Jul. 2006 Vice-Minister of Economy, Trade and Industry
 Jul. 2008 Retired from METI
 Jun. 2010 Director of the Company (incumbent)
 Jun. 2013 Outside Corporate Auditor of Marubeni Corporation
 Apr. 2014 Chairman of SANDA GAKUEN Junior High School-Senior High School (incumbent)
 Jun. 2014 Outside Director of Seiren Co., Ltd. (incumbent)
 Jun. 2014 Outside Director of Zeon Corporation (incumbent)
 Mar. 2019 Retired from Chairman of SANDA GAKUEN Junior High School-Senior High School
 Apr. 2020 President of Kaishi Professional University (incumbent)

Independent Director

Hiroyuki Bamba 10

Number of Company shares owned: 4,800

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

Independent Director

Yumiko Ito 11

Number of Company shares owned: 1,200

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

Director, Audit & Supervisory Committee Member

Hiroshi Ishikawa 12

Number of Company shares owned: 16,300

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

Director, Audit & Supervisory Committee Member

Yasushi Tsushima 13

Number of Company shares owned: 11,900

Apr. 1982 Joined the Company
 Apr. 2013 Officer
 Jun. 2015 Director, Managing Executive Officer of Kobelco Construction Machinery Co., Ltd.
 Apr. 2018 Director of Kobelco Construction Machinery Co., Ltd.
 Jun. 2018 Director, Audit & Supervisory Committee Member (incumbent)

Independent Director, Audit & Supervisory Committee Member

Yoshiiku Miyata 14

Number of Company shares owned: 12,000

Apr. 1977 Joined Matsushita Electric Industrial Co., Ltd.
 Jun. 2011 Senior Managing Director, Member of the Board, Panasonic Corporation
 Jun. 2014 Corporate Advisor, Panasonic Corporation
 Mar. 2015 Outside Director, TonenGeneral Sekiyu K.K.
 Dec. 2015 Retired from Corporate Advisor, Panasonic Corporation
 Jun. 2016 Director, Audit & Supervisory Committee Member (incumbent)
 Apr. 2017 Outside Director, JXTG Holdings, Inc. (incumbent)

Independent Director, Audit & Supervisory Committee Member

Kunio Miura 15

Number of Company shares owned: 0

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

Independent Director, Audit & Supervisory Committee Member

Masaaki Kono 16

Number of Company shares owned: 0

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

Corporate Governance

Basic Policy

The KOBELCO Group recognizes that corporate value includes not only business results and technological capabilities but also the stance on social responsibility to all stakeholders affected by its business activities, such as shareholders, other investors, customers, suppliers, employees in the KOBELCO Group, and local communities. Earnestly undertaking efforts to improve all 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 KOBELCO Group is undertaking. In building the framework, the Group recognizes the importance of establishing a system that contributes to improving corporate value by taking appropriate risks; acting in cooperation with stakeholders; promoting appropriate dialogue with investors in the capital market; maintaining the rights of and fairness for shareholders; and securing transparency in business dealings.

In keeping with this basic policy, the KOBELCO Group pursues medium- to long-term improvements in corporate value, with the Group Corporate Philosophy positioned as the foundation for all its business activities.

For information about the Company's basic policy on corporate governance and policy on management structure, please see *Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.*
https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/files/Basic_Policy_and_Initiatives.pdf

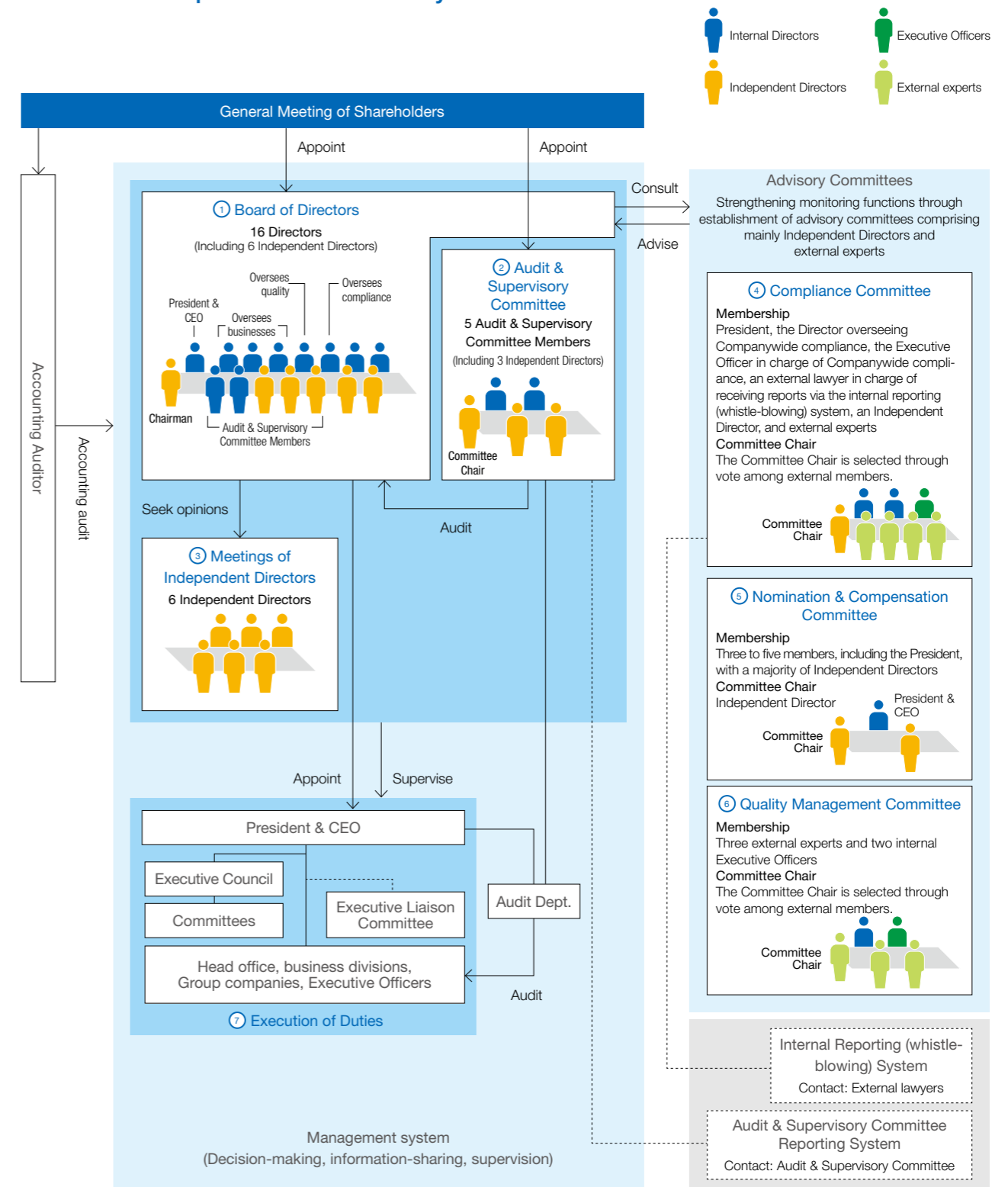
Policy regarding Management Structure (Management structure and the range of delegation of management)

The Company believes the basis of its corporate value is the promotion of its integrated management of diverse businesses covering a wide range of segments—various demand fields, business environments, sales channels, and business scales—and the leveraging of that synergy. We also recognize the importance of having discussions with manufacturing sections and making our united efforts for promoting technical development and innovation, which form the foundation for the Company's continued growth.

Furthermore, to advance its integrated management of diverse businesses, the Company believes it is necessary to promote active discussions and undertake appropriate decision-making with regard to the risk management of its various businesses and the allocation of management resources as well as to flexibly oversee business execution through the Board of Directors. It is desirable to maintain certain cohesion between execution and oversight and to have the Board of Directors served by members with a correct understanding of the Company's business execution.

In line with this approach, the Company has shifted to adopting 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 with regard to management without completely separating the oversight and execution functions.

Features of Corporate Governance System



Initiatives to Strengthen Corporate Governance

1999	• Introduced internal company system and adopted executive officer system
2000	• Established Corporate Code of Ethics
2003	• Established Compliance Committee as advisory committee to the Board of Directors
2006	• Established Corporate Philosophy
2007	• Appointed two Independent Directors
2010	• Abolished internal company system and introduced business unit system • Established <i>Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.</i>
2015	• Established the Meetings of Independent Directors • Established principles on appointment of Directors/Audit & Supervisory Board Members and established standards for Independent Directors/Auditors • Launched Kobe Steel's Fiscal 2016–Fiscal 2020 Group Medium-Term Management Plan • Became a company with Audit & Supervisory Committee
2016	• Revised executive remuneration system (introduced stock-type remuneration) • Established training policy for executives • Introduced evaluation system for the Board of Directors
2017	• Turned the Corporate Philosophy into the Core Values of KOBELCO and established Six Pledges of KOBELCO Men and Women
2018	• Reassessed the role of the Board of Directors from the standpoint of enhancing its oversight functions
2019	• Appointed the Company's first female Director
2020	• Established a new Group Corporate Philosophy by integrating the newly formulated KOBELCO's View of the Future and KOBELCO's Mission

Outline of Corporate Governance System

Organizational form	Company with Audit & Supervisory Committee
Number of Directors	16
Of whom are Independent Directors	6 (37.5%)
Of whom are Non-Executive Directors	8 (50.0%)
Of whom are women	1 (6.3%)
Audit & Supervisory Committee Members	5
Of whom are Independent Directors	3
Term of Directors	One year (two years for Audit & Supervisory Committee Members)
Accounting Auditor	KPMG AZSA LLC

Note: All six of the Independent Directors are currently registered as Independent Directors with a Financial Instruments Exchange.

Corporate Governance

1 Board of Directors

The number of Directors (excluding Directors who are Audit & Supervisory Committee Members) shall be not more than 15 as stipulated under the Articles of Incorporation of the Company. The Company conducts the following actions 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.

Purpose	Measure
Reflect the fair and neutral perspectives of external parties and the viewpoints of stakeholders, including minority shareholders	Invite several Independent Directors (six including three Directors who are Audit & Supervisory Committee Members)
Strengthen the monitoring functions of the Board of Directors	In addition to the President, appoint Directors to oversee the head office division, each business division in materials, machinery, and electric power, and the technical development division; a Director to oversee compliance; and a Director to oversee quality assurance
Enhance fairness and transparency of the Board of Directors and advance growth strategies as a company	Appoint Independent Directors so that they will account for one-third or more of the Board of Directors
	In principle, the Chairman of the Board of Directors is selected from among the Independent Directors

2 Audit & Supervisory Committee

In principle, the Audit & Supervisory Committee of Kobe Steel consists of five members, including two Internal Directors and three Independent Directors. This membership is not only in accordance with the rules on audit and supervisory committees of Japan's Companies Act, which requires at least three Non-Executive Directors (a majority of whom must be Independent Directors), but it also ensures transparency and fairness and encourages satisfactory auditing for the diversified management of a wide range of business segments. The Chair of the Audit & Supervisory Committee is selected from among the Independent Directors.

Full-time Internal Audit & Supervisory Committee Members are mainly responsible for acting as liaisons between the management team and the Audit & Supervisory Committee

and for coordinating with the internal audit departments. Independent 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 must have a considerable degree of knowledge on finance and accounting in order to improve the effectiveness of audits.

Moreover, a new internal reporting system that allows employees to contact the Audit & Supervisory Committee was put in place in fiscal 2020.

3 Meetings of Independent Directors

The Company has established the Meetings of Independent Directors to maximize the roles of Independent Directors. The meetings are a platform where the Company shares with Independent Directors information regarding the Company's businesses other than nomination and compensation of executives.

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

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

4 Compliance Committee

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

The Compliance Committee consists of the President, the Director overseeing Companywide compliance, the Executive Officer in charge of Companywide compliance, an external lawyer (without a retainer agreement executed by the Company) in charge of receiving reports via the Internal

Reporting (whistle-blowing) System, an Independent Director, and external experts. The majority of the committee consists of members from outside of the Company.

The Compliance Committee plans fundamental policies regarding Groupwide compliance activities, monitors the progress of compliance activities, and submits reports and recommendations on necessary actions to the Board of Directors.

The Compliance Committee holds regular meetings biannually and ad-hoc meetings when necessary.

5 Nomination & Compensation Committee

The Company has established the Nomination & Compensation Committee as an advisory body to the Board of Directors on important matters concerning nomination and compensation of Directors and Executive Officers, including a successor to the Chief Executive Officer, in order to enhance fairness and transparency in the management of the Board of Directors. The Nomination & Compensation

Committee consists of three to five members appointed by the Board of Directors, including the President, with the majority of members comprising Independent Directors. Meetings are held at least once per fiscal year and as needed. The Board of Directors fully respects the opinions of the Nomination & Compensation Committee and its decisions on relevant matters.

6 Quality Management Committee

The Company has established the Quality Management Committee as an advisory body to the Board of Directors. The committee constantly monitors the effectiveness of measures to prevent a recurrence of the quality misconduct in the Group, in addition to continuously monitoring and advising on activities to strengthen quality management

across the Group. Members of the Quality Management Committee comprise two internal executives of the Company and three external experts selected by the Board of Directors who have technical knowledge or legal knowledge on quality control. The committee is chaired by one of the external members.

7 Execution of Duties

The Board of Directors is responsible for deliberating and deciding on matters concerning the execution of important business and legal matters as well as for overseeing business execution.

However, to ensure prompt decision-making, the Company has established deliberation standards for meetings of the Board of Directors and delegated authority, within a certain scope, to persons responsible for specific duties, including the President and other executives.

In addition, by appointing Executive Officers as assistants to Directors who execute duties, the Company has established a system that enables the delegation of business management responsibilities and prompt decision-making with respect to business management.

The term for Directors (excluding Audit & Supervisory Committee Members) and Executive Officers shall be one year to enable the Company to respond flexibly to a volatile business environment.

Background and Experience of Directors (As of June 24, 2020)

	Age	Length of service as Director (years)	Planning/project management	Finance/accounting	Materials businesses	Machinery businesses	Electric power business	Technical development/manufacturing/facility technology	Overseas business	Legal/risk management	Insights into other industry sectors
Mitsugu Yamaguchi President, CEO and Representative Director	62	4	○	○	○	○			○		
Fusaki Koshiishi Executive Vice President and Representative Director	60	5	○		○			○			
Koichiro Shibata Executive Vice President and Representative Director	61	2	○		○			○			
Makoto Mizuguchi Executive Vice President and Representative Director	61	—	○		○			○			
Kazuto Morisaki Executive Vice President and Representative Director	62	—	○			○		○	○		
Jiro Kitagawa Director, Senior Managing Executive Officer	60	2	○		○		○	○			
Yoshihiko Katsukawa Director, Senior Managing Executive Officer	58	2	○	○		○				○	
Hajime Nagara Director, Senior Managing Executive Officer	58	—	○		○				○		
Takao Kitabata Independent Director	70	10								○	○
Hiroyuki Bamba Independent Director	66	3	○					○			○
Yumiko Ito Independent Director	61	1								○	○
Hiroshi Ishikawa Director, Audit & Supervisory Committee Member	62	2	○			○			○		
Yasushi Tsushima Director, Audit & Supervisory Committee Member	60	2	○	○	○	○	○				
Yoshiiku Miyata Independent Director, Audit & Supervisory Committee Member	67	4	○						○		○
Kunio Miura Independent Director, Audit & Supervisory Committee Member	67	—								○	○
Masaaki Kono Independent Director, Audit & Supervisory Committee Member	63	—	○	○							○

Evaluation of the Board of Directors

The Company's Board of Directors evaluated its effectiveness by conducting a survey targeting all 16 Directors who served in fiscal 2019. Based on the aggregated results of the survey and interviews, the Audit & Supervisory Committee submitted to the Board of Directors an initial

evaluation and recommendations for improvements in the future. The Board of Directors then reviewed the evaluation results and analyzed current issues and deliberated future initiatives for improving effectiveness.

Evaluation Results in Fiscal 2019

Evaluation Items

- 1 Structure of the Board of Directors
- 2 Agenda of the Board of Directors
- 3 Management of the Board of Directors
- 4 Documents for the Board of Directors
- 5 Monitoring and supervision of Directors
- 6 Provision of information to Independent Directors
- 7 Other items (status of measures to prevent a recurrence of the quality misconduct, sustainability management, etc.)

Summary of Analysis and Evaluation Results

- In fiscal 2019, it was confirmed that steady progress was being made in the implementation of improvement measures with regard to important topics pertaining to the effectiveness of the Board of Directors, namely strengthening mutual supervision functions among Directors; improving reporting on the status of business execution; and enhancing follow-up on items discussed at meetings of the Board of Directors to reinforce overall monitoring functions.
- In response to the misconduct concerning the quality of the Company's products discovered in fiscal 2017, the Board of Directors receives reports on a regular basis on the progress of measures to prevent a recurrence and activities of the Independent Quality Management Committee. The Board of Directors has concluded that the information necessary for monitoring has been properly shared.
- For the above reasons, the Company has determined that the effectiveness of the Board of Directors has steadily improved.

- Training and study sessions, including those for discussion between Directors, as well as forums for exchange of opinion between Independent Directors and Executive Officers will be arranged to foster mutual understanding among Independent Directors and other officers.
- Guidelines for preparing documents pertaining to meetings of the Board of Directors will be compiled by the secretariat and awareness regarding the guidelines will be promoted to improve the effectiveness of the documents.



For more information on the results of evaluations of the effectiveness of the Board of Directors, please refer to the Company's corporate website.
https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html

Future Initiatives for Improving Effectiveness

- To facilitate the formulation of the next medium-term management plan, opportunities for discussion on medium- to long-term management issues and sustainability management will be increased.

Remuneration of Directors and Accounting Auditor

Remuneration of Directors

The Company has set forth the following remuneration system for Directors in order to improve medium- to long-term corporate value, as well as to effectively offer incentives for Directors to carry out their expected roles to their fullest capacities.

1 Fundamental Policy for Remuneration of the Company's Directors

- 1) A system able to secure talented human resources who can contribute to the Company's continued growth, and appropriately compensate for such efforts.
- 2) A system able to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
- 3) In incentivizing the accomplishment of consolidated business result targets, the system must sufficiently consider the characteristics of each business so that Directors can fully carry out their roles.
- 4) In ensuring the objectivity and transparency of judgments regarding remuneration decisions, the Nomination & Compensation Committee, the majority of which consists of Independent Directors, deliberates on the state of the remuneration system and the necessity of its reevaluation.

2 Remuneration Framework

- 1) Remuneration for the Company's Directors (excluding Audit & Supervisory Committee Members) will consist of basic remuneration paid as fixed compensation, performance-based compensation linked to the achievement of business result targets for each fiscal year, and medium- to long-term incentive compensation principally in the form of stock compensation (hereinafter "stock compensation") with the goal of sharing value with shareholders. Taking into consideration their duties, part-time Internal Directors and Independent Directors will not be eligible for performance-based compensation, and Independent Directors will not be eligible for stock compensation.
- 2) The ratios of different types of performance for each category of officer are indicated in the table below. The ratios of performance-based compensation and stock compensation have been set high for officers expected to produce significant results and exercise strong responsibility.
- 3) The Company's Directors who are Audit & Supervisory Committee Members will only be paid basic remuneration as fixed compensation, taking into consideration their duties.

Category	Basic Remuneration	Performance-Based Compensation	Stock Compensation	Total
President; Executive Vice President and Representative Director; and Director, Senior Managing Executive Officer	Approx. 63%	Approx. 18.5%	Approx. 18.5%	100%
Director, Managing Executive Officer, and Director	Approx. 67%	Approx. 16.5%	Approx. 16.5%	100%
Independent Director	100%	—	—	100%

Note: The amounts of performance-based compensation and stock compensation granted vary depending on business results. The range of fluctuation is 0%–200% of the base amount for performance-based compensation and 0%–100% of the base amount for stock compensation. The percentages of performance-based compensation and stock compensation in the above table are based on each amount being 100% of the base amount.

Corporate Governance

3 Calculation Method

- 1) Basic remuneration consists of a fixed amount paid to each Director depending on rank in internal regulations taking into account an appropriate level of compensation in line with the capabilities and responsibilities expected of each Director.
- 2) The amount of performance-based compensation will be determined using net income attributable to owners of the parent (hereinafter "net income") and net income of each business division as evaluation indicators. In terms of target standards used in evaluations, raising the level of profit attained through the steady execution of strategic investments is an important management issue, and the Company places emphasis on how much profit is gained from its total assets, including strategic investments. Accordingly, these target standards will be based on the net income standard of the Company as a whole, which becomes "consolidated ROA of 5% or more" as stated in the Medium-Term Management Plan. Additionally, the target standards for each business division will be based on the same net income standard for each business division of "ROA of 5% or more in each business division," and depending on target standards for each business division and the accomplishment of these targets for both the Company as a whole and each business division, the amount paid is determined by multiplying a coefficient of 0%–200% to the base amount for each rank.

Calculation method for performance-based compensation
Performance-based compensation =
Standard pay amount by rank*1 ×
Coefficient based on evaluation index*2

*1 Standard pay amount by rank: The standard pay amount by rank is determined by internal regulations taking into consideration a level of compensation in line with the capabilities and responsibilities expected of each Director.

*2 Coefficient based on evaluation index: Net income over the given period is the indicator used for the coefficient for calculating performance-based compensation, and the calculation method is provided below.

The business division used for calculating the portion of compensation linked to division performance is determined based on actual duties assigned to each Director who is scheduled to receive performance-based compensation. Also, if the scope of duties assigned to a Director is the Head Office (including the Technical Development Group) or the electric power business, then said Director's performance-based compensation does not include the portion of compensation linked to division performance. Regardless of the formula directly below, the performance-based compensation for such Directors is calculated using the formula "Portion linked to Companywide performance × 1.0."

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

 (A) Portion linked to Companywide performance (%) =
 Companywide consolidated net income ÷ Net income equivalent to
 Companywide consolidated ROA of 5% × 100

 (B) Portion linked to division performance (%) =
 Net income of respective business division ÷ Net income of respective
 business division equivalent to consolidated ROA of 5% × 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%, then 0% is established as the value. In the event that the value goes above 200%, then 200% is established as the value.

- 3) For stock compensation, a system known as Board Benefit Trust has been adopted in order to raise the awareness of Directors for contributing to continuous improvements in corporate value. Payments based on this system will use a base point number established for each rank, and a number of points will be awarded by adjusting this amount using a coefficient of

0%–100%. On a fixed date during each trust period of three years, a number of the Company's shares and cash equivalent to the amount converted from the market price of the Company's shares will be provided according to the number of points awarded. The Company positions shareholder returns as an important management issue. Accordingly, the Company calculates a coefficient for shareholder returns based on consolidated net income and dividend payments in each fiscal year. The reference value used in this calculation is net income of ¥73.0 billion, which serves as a target for the dividend payout ratio the Company adopts in its dividend policy.

Calculation method for awarding stock compensation points
Number of points awarded =
Base points for each rank*1 ×
Coefficient based on evaluation index*2

*1 Base points for each rank: The base points for each rank are obtained by dividing the rank-based standard pay amount for stock compensation specified in internal regulations by the Company's share price used for calculating points (the share price available when the trust acquires the Company's shares). The rank-based standard pay amount is determined by internal regulations taking into consideration a level of compensation in line with the capabilities and responsibilities expected of each Director.

*2 Coefficient based on evaluation index: The coefficient based on evaluation index is determined according to actual dividends and net income.

4 Method to Determine Remuneration Standard

Data from a Director remuneration survey conducted by an external specialized agency will be used as a base to determine remuneration standards commensurate with the Company's corporate scale and the duties expected of Directors.

5 Determination of Remuneration Policy and Method for Verification

- 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 Audit & Supervisory Committee Members is determined by the Audit & Supervisory Committee.
- 2) The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee, a majority of which consists of Independent Directors. If it is necessary to revise the remuneration system, the Company will present a revised remuneration plan at a meeting of the Board of Directors for resolution. The Board of Directors has the duty to adopt such a resolution while fully respecting the opinions submitted by the Nomination & Compensation Committee.
- 3) The activities of the Board of Directors and the Nomination & Compensation Committee in recent fiscal years are as follows.

Board of Directors

February 2020: Resolution on revision of stock compensation coefficient calculation method and reduction of basic remuneration based on recommendations by the Nomination & Compensation Committee

May 2020: Resolution on further reduction of performance-based compensation, stock compensation, and basic remuneration for fiscal 2019 based on recommendations by the Nomination & Compensation Committee

Nomination & Compensation Committee

December 2019: Deliberation on and recommendation to the Board of Directors regarding revision of the stock compensation coefficient calculation method

February 2020: Deliberation on and recommendation to the Board of Directors regarding reduction of basic remuneration

May 2020: Deliberation on and recommendation to the Board of Directors regarding revision of coefficients for calculating performance-based compensation and stock compensation and further reduction of basic remuneration

6 Reference Values for Fiscal 2019 Used in Index Related to Performance-Based Compensation and Index Related to Stock Compensation and Results for Fiscal 2019

- 1) Index related to performance-based compensation
 Reference value for fiscal 2019: Consolidated ROA of 5.0%
 Results for fiscal 2019: Consolidated ROA of -0.3%
- 2) Index related to stock compensation
 Reference value for fiscal 2019: Net income of ¥73.0 billion
 Results for fiscal 2019: Net loss of ¥68.0 billion

Remuneration and Other Amounts Payable to Directors in Fiscal 2019

Category	Number of Directors (Persons)	Amount (Millions of Yen)	Breakdown of Total Remuneration (Millions of Yen)		
			Basic Remuneration	Performance-Based Compensation	Stock Compensation
Directors excluding Audit & Supervisory Committee Members (of whom are Independent Directors)	11 (3)	450 (37)	450 (37)	0 (-)	0 (-)
Directors who are Audit & Supervisory Committee Members (of whom are Independent Directors)	5 (3)	109 (44)	109 (44)	-	-
Total	16	560	560	0	0

Note: The Company will not issue performance-based compensation or stock compensation as the payment criteria based on the Company's Director remuneration system was not met given the profit level and the foregoing of dividend payments for fiscal 2019. In addition, taking seriously the large net loss attributable to owners of the parent and the foregoing of the annual dividend, the Company has reduced the fixed compensation of Directors (excluding Independent Directors and Directors who are Audit & Supervisory Committee Members) by 8% to 20% from February 2020 to April 2020 and by 13% to 25% for the time being from May 2020.

Remuneration of Accounting Auditor

In fiscal 2019, remuneration and other amounts payable to the Accounting Auditor by the Company totaled ¥151 million, and the total amount of money and other financial interests payable by the Company and its subsidiaries was ¥505 million.

Verification Results regarding Strategic Holdings of Shares

The Board of Directors has reviewed the necessity of all the strategic holdings of listed companies' shares held by the Company as of March 31, 2020. A summary of the results is as follows.

Scope of verification	All the strategic holdings of listed companies' shares held by the Company as of March 31, 2020 (42 companies)
Verification details	We verified whether the holding of each company's shares contributes to strengthening the Company's business foundation and to improving the Company's corporate value over the medium to long term, based on the following evaluation items, and comprehensively judged 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

In fiscal 2019, it was confirmed that all of 27 holdings and part of 15 holdings among the holdings of shares in 69 listed companies as of March 31, 2019, had been sold, after reaching a consensus with the counterparty, in reflection of the verification of the reasonableness of these holdings from the perspective of capital and asset efficiency.

The holdings of shares in 42 listed companies as of March 31, 2020, have been judged to be reasonable as they are contributing to strengthening the Company's business foundation and to improving the Company's corporate value over the medium to long term, based on the scale and importance of the companies as business partners (volume of transactions, share of transactions, and stable procurement) and the relationships as alliance partners.

Going forward, the Company will continue to verify the necessity of strategic holdings of listed companies' shares, and those holdings that are judged to have diminished significance will be reduced through sale or other means.



For more information on the verification results regarding strategic holdings of shares, please refer to the Company's corporate website.
https://www.kobelco.co.jp/english/about_kobelco/kobesteel/governance/index.html