

KOBELCO

KOBELCO Group ESG Initiatives

September 29, 2022
Kobe Steel, Ltd.

KOBELCO Group Sustainability Management

- The KOBELCO Group promotes sustainability management in the following framework, based on the Group Corporate Philosophy.
- We address key issues in the **Value Creation Area** and **Business Foundation Area**, with the aim of achieving sustainable growth and enhancing corporate value.

Group Corporate Philosophy

KOBELCO's View of the Future

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

KOBELCO's Mission

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

Core Values of KOBELCO

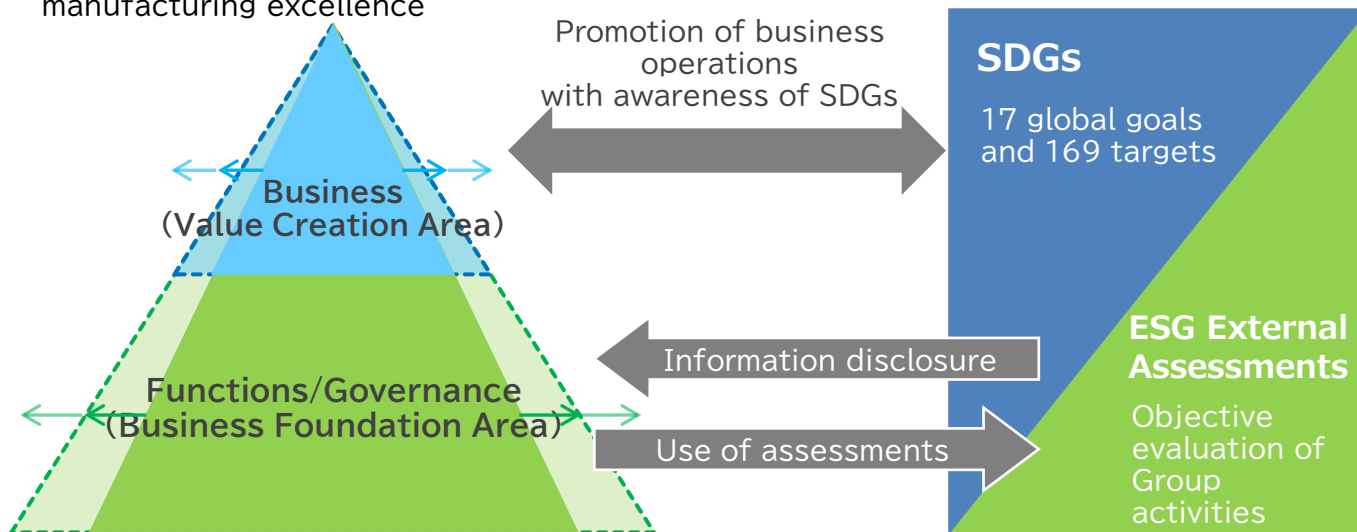
Six Pledges of KOBELCO

Key Issues to Address

■ Social Issues to be Solved through Core Businesses





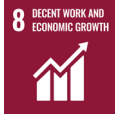







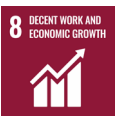

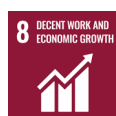



- Create new value by providing technologies, products and services through research and development and manufacturing excellence

Promotion Tools



KOBELCO Group Materiality

Medium- to long-term issues identified for promoting sustainability management more effectively

		Materiality of the KOBELCO Group	Related SDGs	
Value Creation Area	Business Foundation Area	Contributing to a green society	<ul style="list-style-type: none"> Response to climate change Response to resource recycling 	  
		Ensuring safety and security in community development and manufacturing	<ul style="list-style-type: none"> Supplying energy focused on S+3E* Providing materials and machinery that meet needs Improving safety and productivity 	   
		Providing solutions for the future connecting people and technology	<ul style="list-style-type: none"> Reforms in manufacturing and operations through digital transformation (DX) Integration and innovation of diverse intellectual assets 	  
	Promoting active participation of diverse human resources	<ul style="list-style-type: none"> Diversity and Inclusion (D&I) Work style reforms Human resources development 	   	
	Pursuing governance that supports sustainable growth	<ul style="list-style-type: none"> Compliance and risk management Human rights Safety and health Quality assurance Corporate governance 	   	

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

Outline of Today's Presentation

Today's presentation covers the following topics of ESG.



- 1) Current status of initiatives for CO₂ reduction
- 2) Examples of initiatives for CO₂ reduction
- 3) Climate-related disclosures based on TCFD recommendations



- 1) Promoting active participation of diverse human resources
- 2) Initiatives for human rights due diligence
- 3) Building responsible supply chains
- 4) Safety and health
- 5) Health and productivity management
- 6) Quality (Trust Improvement Project)
- 7) Social contribution



- 1) Management structure
- 2) Initiatives to ensure the effectiveness of the Board of Directors
- 3) Risk management
- 4) Strategic holding of shares



E

(Environment)

- 1) Current status of initiatives for CO₂ reduction
- 2) Examples of initiatives for CO₂ reduction
 - Low-CO₂ blast furnace steel product
—Kobenable Steel
 - Hybrid-type hydrogen gas supply system
- 3) Climate-related disclosures based on TCFD recommendations

Climate-related risks and opportunities over the short to medium and long terms

- To better understand future climate-related risks and opportunities, we conduct medium-term (2030) and long-term (2050) scenario analysis.
- In our scenario analysis, we use the International Energy Agency (IEA) 2°C scenario (SDS), the 1.5°C scenario (Net Zero by 2050), and the 4°C scenario in the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report. For our analysis and evaluations, we also refer to long-term visions announced by industry organizations to which we belong, such as the Japan Iron and Steel Federation and the Japan Aluminum Association.
- For the electric power business, which needs to keep in line with Japan’s energy policy, we conduct scenario analysis based on the energy policy of the national government.

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

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

 High risk
 Low risk
 Large opportunity
 Small opportunity

Reduction of CO₂ emissions in production processes

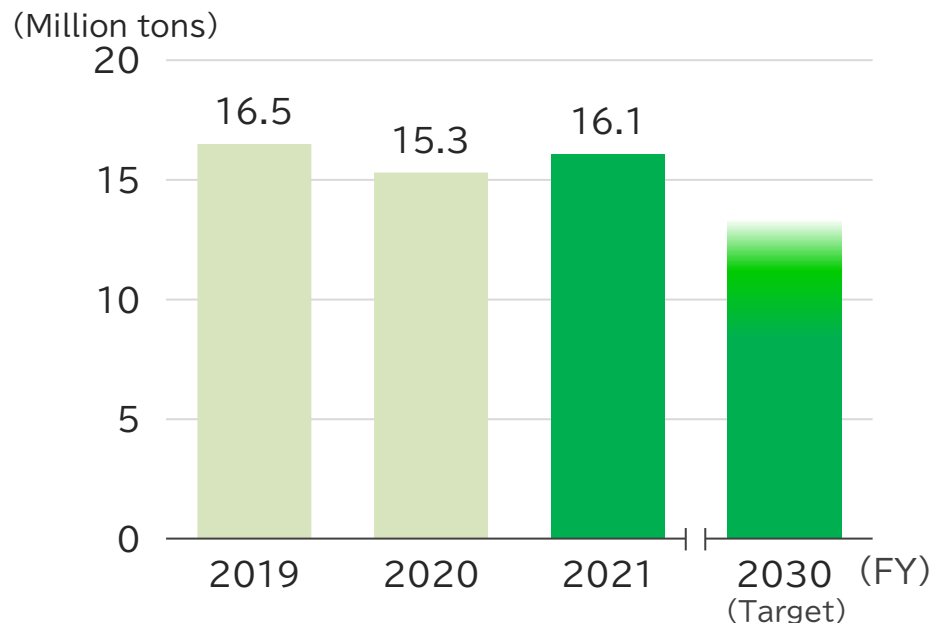
*1 Total of Scope 1 and Scope 2

2050 Vision	2030 Target
Take on the challenge of achieving carbon neutrality	Reduction of CO ₂ emissions in the production processes of the Group 30 to 40% reduction (from fiscal 2013 levels)*1

- Our Group's CO₂ emissions in fiscal 2021 increased with the recovery of production volume driven by the diminishing impact of the COVID-19 pandemic. The reduction amount was 16.1 million tons, **16% lower than fiscal 2013 levels.**
- For the ironmaking process, we conducted a demonstration test and verified that CO₂ emissions can be reduced by around 20% by charging a large quantity of HBI (direct reduced iron) manufactured with the MIDREX® Process.

CO₂ Emissions from Energy Use*2

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



*2 The above graph does not include CO₂ emissions from the electric power sold in the electric power business, whose CO₂ emissions are calculated in accordance with the calculation methods specified by the reporting system based on the Act on Promotion of Global Warming Countermeasures. In the electric power business, we are making bold efforts such as using biomass technology to improve the efficiency of energy use of the entire region and studying the use of external innovative technologies that use ammonia and other substances.

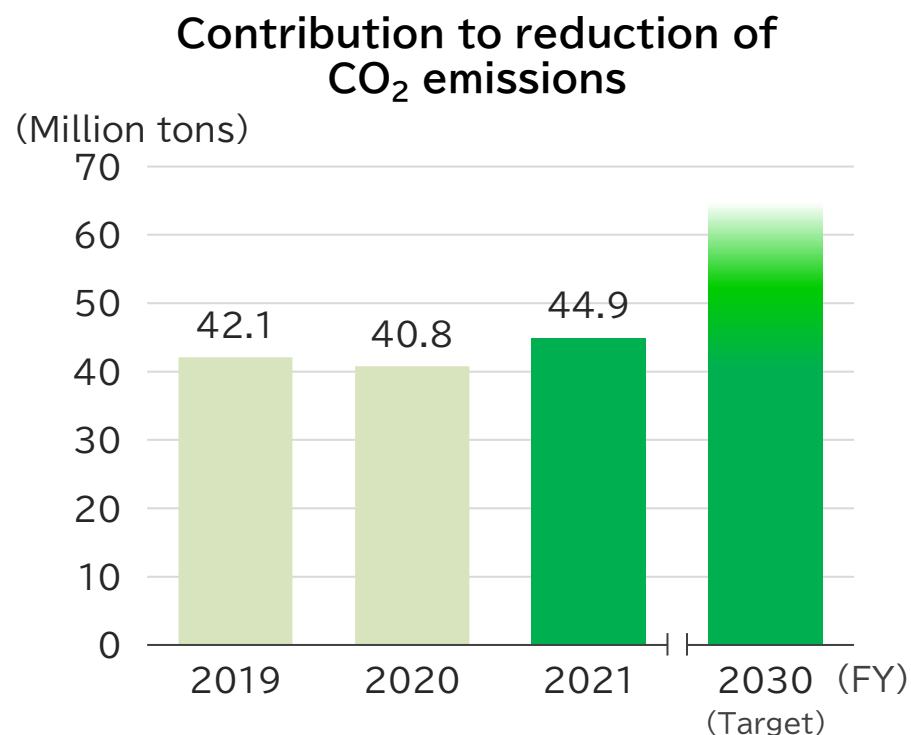
Current Status of Initiatives for CO₂ Reduction

Reduction of CO₂ emissions through technologies, products, and services

2050 Vision	2030 Target
Contribution of 100 million tons or more in CO ₂ emission reduction	Contribution of 61 million tons or more in CO ₂ emission reduction

- Our Group's contribution to reduction of CO₂ emissions through our technologies, products, and services in fiscal 2021, as approved by the CO₂ Reduction Promotion Subcommittee, is **estimated to be 44.91 million tons.**

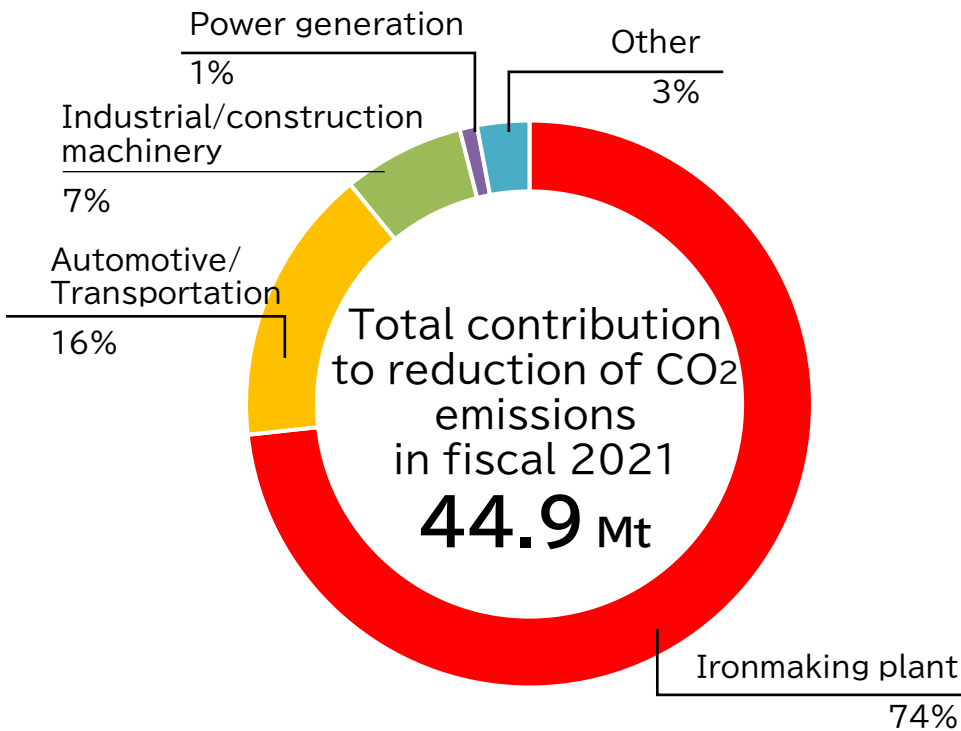
A list of the products contributing to CO₂ reduction and their contribution are given on the following page.



★ To ensure fairness and objectivity, calculation of the contribution to CO₂ reduction was carried out under the guidance of Kiyotaka Tahara, Director of the Research Laboratory for IDEA at the Research Institute of Science for Safety and Sustainability, Department of Energy and Environment, the National Institute of Advanced Industrial Science and Technologies (AIST).

Current Status of Initiatives for CO₂ Reduction

Contribution to reduction of CO₂ emissions through technologies, products, and services (breakdown)



Technologies, products, and services		Contribution to reduction (10,000 tons/year)
Ironmaking plant	MIDREX® Process	3,322
Automotive/transportation	Ultra-high-tensile strength steel for automobiles	608
	Wire rods for suspension springs	18
	Wire rods for automotive valve springs	56
	High-tensile strength steel for ships	26
	Aluminum materials for automobiles	17
	Aluminum materials for rolling stock	7
Industrial/construction machinery	Heat pumps, standard compressors, SteamStar, binary generators, Eco-Centri	246
	Fuel-efficient construction machinery	41
Power generation	Wood biomass power generation, waste-to energy (WtE)	22
Other	Blast furnace cement, wire rods and steel bars with no need for heat treatment process	128

Note: For details on the technologies, products, and services to be included in future calculations, please refer to the Integrated Report.

Low-CO₂ blast furnace steel product—Kobenable Steel

Announced in May 2022

- As announced in the **CO₂ Reduction Solution for Blast Furnace Ironmaking** in February 2021, we have achieved CO₂ reduction in the ironmaking process. Drawing on this technology, we launched **Kobenable Steel** and became Japan's first provider of low-CO₂ blast furnace steel products.

CO₂ Reduction Solution for Blast Furnace Ironmaking

Engineering Business

- HBI manufacturing technology using the MIDREX® Process

Steel Business

- HBI charging technology for BFs
- AI-based BF operation technology
- KOBELCO Group's original advanced pellet production technology

Approximately 20% reduction of CO₂ emissions verified



Low-CO₂ blast furnace steel product Kobenable Steel

Kobenable Steel

Steel sheets Steel plates Wire rods & bars

Drawing strong interest from customers

Application of low-CO₂ steel materials to a wider product range in our Group is under study (e.g., welding materials)

Low-CO₂ blast furnace steel product—Kobenable Steel

Announced in June 2022

- Toyota Motor Corporation has adopted **Kobenable Premier** steel sheet products, achieving 100% reduction in CO₂ emissions, in the suspension members of its hydrogen engine-equipped racing vehicle Corolla, the first commercial use in Japan.



(Photo credit: Toyota Motor Corporation)

The vehicle that uses Kobenable Steel competed in the ENEOS Super Taikyu Series 2022 Powered by Hankook, Round 2 NAPAC Fuji Super TEC 24 Hours Race (Fuji 24 Hours Race) held from June 3 to 5.

Kobenable Steel is drawing extensive attention of customers even outside the automotive field as well.

→ We will contribute to a green society by widely providing **Kobenable Steel** to various fields.

Examples of Initiatives for CO₂ Reduction

Hybrid-type hydrogen gas supply system

Machinery

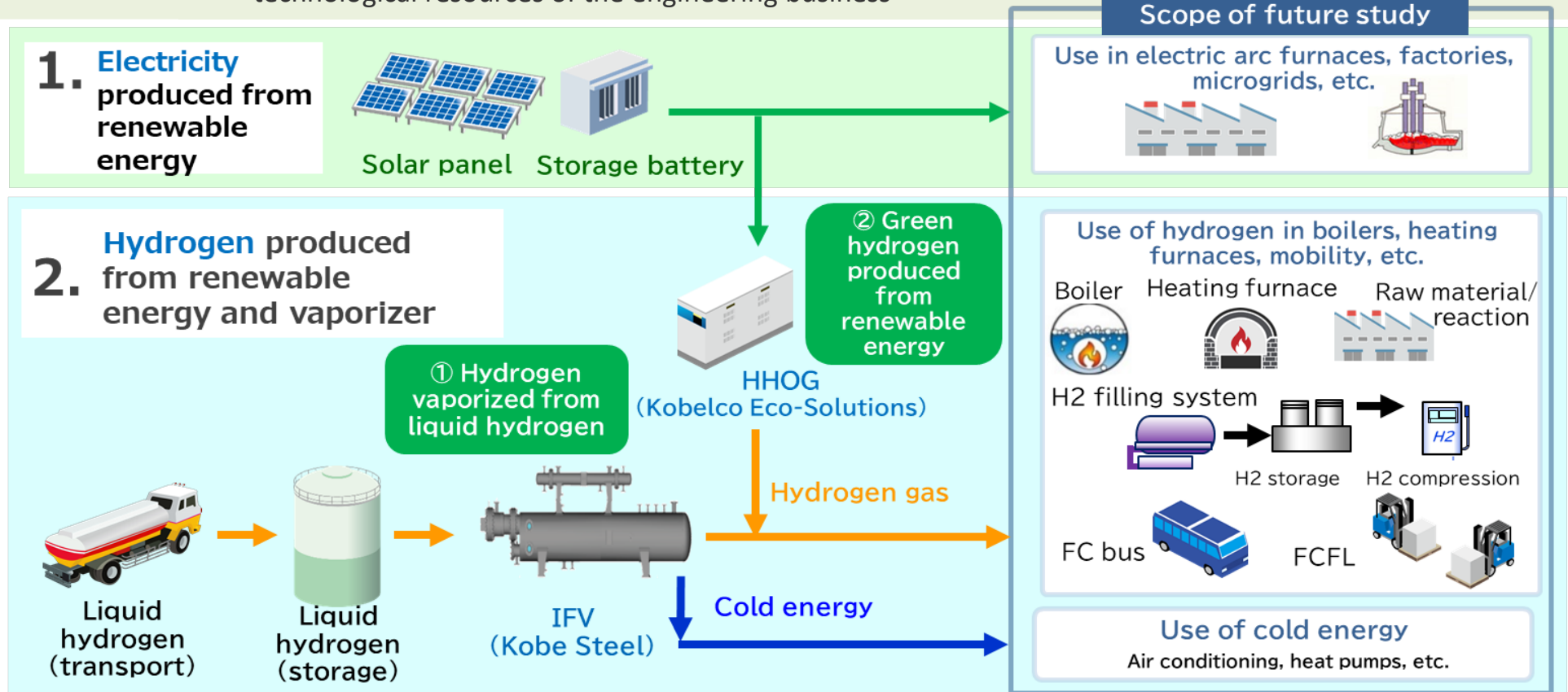
Engineering

Announced in May 2022

We will conduct a demonstration test of the hybrid-type hydrogen gas supply system at Takasago Works (from around March 2023).

Three Key Features

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





S
(Social)

- 1) Promoting active participation of diverse human resources
- 2) Initiatives for human rights due diligence
- 3) Building responsible supply chains
- 4) Safety and health
- 5) Health management
- 6) Quality (Trust Improvement Project)
- 7) Social contribution

Promoting Active Participation of Diverse Human Resources

- We have identified the “active participation of diverse human resources” as one of our key management issues and are promoting changes in the workplace environment and corporate culture with the aim of becoming a corporate group where each individual can demonstrate their full abilities.
- While providing full support to the growth of all employees, we are actively promoting work style reforms to encourage them to further demonstrate their potential.



(1) Diversity & Inclusion (D&I)

- We are working to enhance the growth potential of the entire organization by encouraging people with diverse backgrounds and values to make the most of their abilities in the workplace. We believe this will lead to vigorous development of our business.

■ Catchphrase

**“True to myself, true to KOBELCO,
for the full participation of all members”**

- Diverse individuals demonstrate their own individuality and play their part, creating KOBELCO’s unique value and contributing to a corporate culture that embraces full participation of all members.

■ Basic policies

Value the unique strength of individuals

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

Promote a variety of working styles

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

Take on the challenge of creating new value

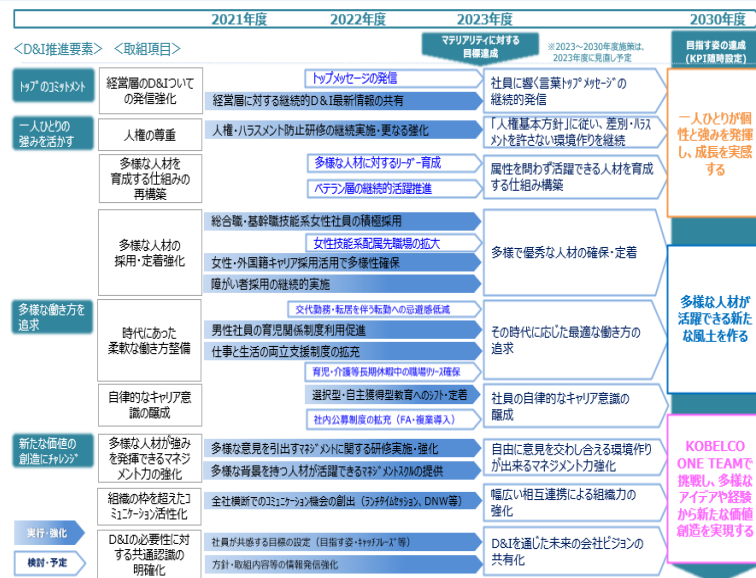
- Interact with and learn from each other beyond organizational boundaries.
- Respect new ideas that come from different standpoints and ways of thinking.
- Create a corporate culture where employees can take on challenges without fear of failure.

■ Vision for the future

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

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

■ D&I development roadmap



Promoting Active Participation of Diverse Human Resources

(1) Diversity & Inclusion (D&I)

- As more women are being hired, the number of female employees overall is on the rise.
- Initiatives are also being taken to raise the percentage of female managers.

Increasing the percentage of female employees (new graduates) Fiscal 2023 targets

Female administrative employees in career-track positions:
50% or more

Female technical employees in career-track positions:
15% or more

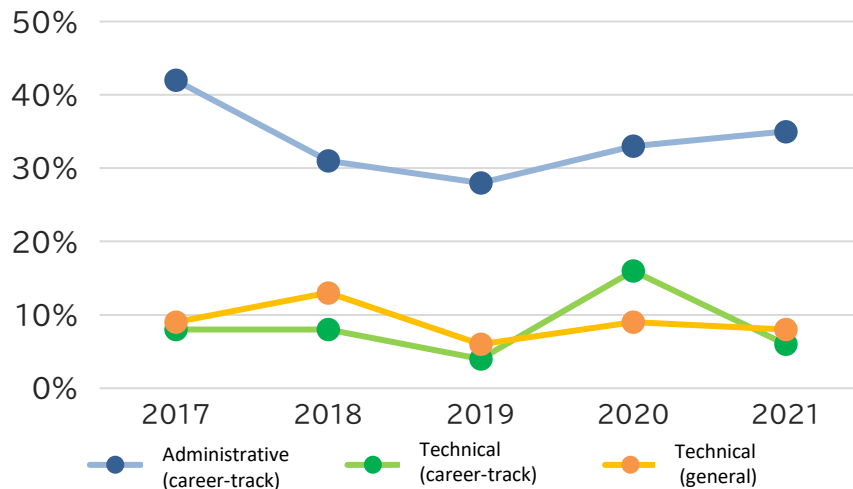
Female technical employees in general positions:
15% or more

Percentage of female managers/site supervisors Fiscal 2023 targets

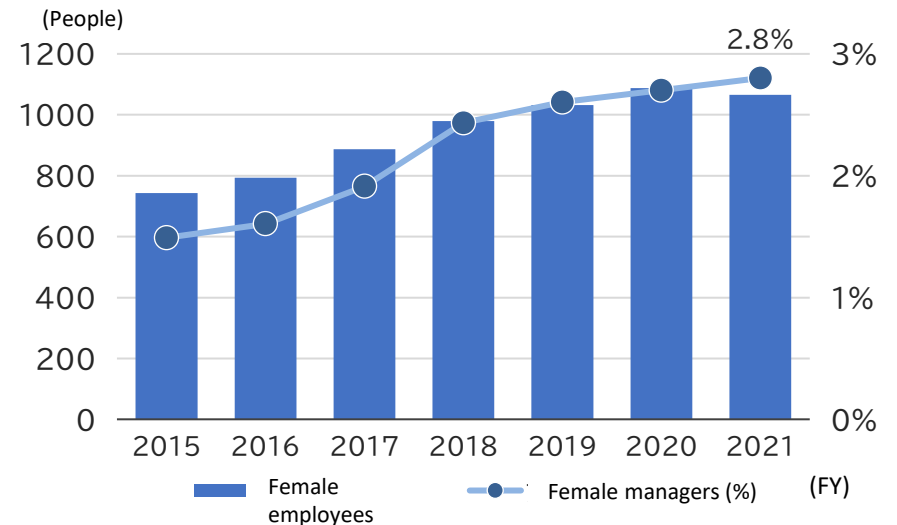
Percentage of female managers Compared to fiscal 2020
2 times

Number of site supervisors Compared to fiscal 2020
2 times

Female hiring rate



Number of female employees, percentage of female managers



(1) Diversity & Inclusion (D&I)

Examples of specific initiatives

Lunchtime sessions

- Online lunchtime events are held once a month to spark new awareness and energize communication.
- Top executives and outside guests are invited to talk about their own career and answer questions from participants, in an interactive forum.
- A total of 5,191 persons participated in these sessions during fiscal 2021.



Ren Naito,
Rainbow Kobe
representative



President and
CEO Mitsugu
Yamaguchi

Balancing work and childcare/nursing care

- To meet diversifying needs, we are working to provide support for balancing work and childcare/nursing care.
- We also encourage male employees to take childcare leave, as a result of which the percentage of those taking advantage of the support programs is rising year by year.
- The programs are being strengthened further by increasing the opportunities for provision of information, through individual explanations and seminars.



Think About LGBT

- Measures to promote understanding include training sessions for top executives and managers/supervisors, and e-learning for all employees.
- Since LGBT people do not yet have the right to legally marry in Japan, the KOBELCO Familyship Program has been established to create an environment that enables LGBT people to use the same in-company programs as married couples.
- These efforts were highly evaluated and led to the awarding of the highest “Gold” rating in the PRIDE Index in November 2021.



work with Pride



(1) Diversity & Inclusion (D&I)

Childcare support

- To support men's participation in childcare, we have been encouraging the use of childcare leave and other leave programs, aiming for **100% of male employees with a child under one year of age to take special leave for childcare or childcare leave** by the end of fiscal 2023.
- With the 2022 revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, we have created a **Childcare Leave after Birth** program, and made revisions to other programs, for example, enabling **Use of Childcare Leave in Installments**.

Use of main childcare support programs

■ Percentage of employees taking special leave for childcare*

	FY2019	FY2020	FY2021
Male	87.4%	77.8%	78.5%

*1 Special leave of 5 days per year can be taken for childbirth by the employee's spouse or for care of a child under the age of three.



■ Percentage of employees taking special leave for childcare*2 and average numbers of days taken*3

	FY2019	FY2020	FY2021
Male	6.4%	8.2%	16.5%
	80 days	76 days	57 days
Female	100.0%	97.3%	100.0%
	522 days	470 days	431 days

*2 The figures above indicate the percentage of employees, with a child born during the fiscal year, taking special leave for childcare.

*3 The period of our childcare leave program is limited to three years. Numbers include those taking leave continuing from the previous fiscal year.

(1) Diversity & Inclusion (D&I)

Other support programs

■ Nursing care support

- We have created a handbook to support the balancing of work and nursing care, nursing care counselors have been assigned to each work site to handle consultations from employees.
- Under this program, family care leave can be taken up to three years.
- We are working to create a work environment supportive of balancing work and nursing care.

■ Reemployment entry program

- This program allows employees who leave Kobe Steel due to marriage, child rearing, nursing care, or work transfer of their spouses to return to the Company, if they wish to do so within five years of leaving, according to the Company's reemployment needs. Application for this program is required at the time of leaving the Company.

★ Making various systems for supporting work-life balance known to all

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

■ Career continuation leave program

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

■ Support program for early return from childcare leave

- This program allows employees who have returned to work after childcare leave for a child under one year of age to receive a subsidy equal to the difference between the licensed and unlicensed nursery usage fees.



(2) Personnel system reform

- We aim to be an organization that encourages the spirit of making changes and taking on challenges, as set forth in the Group Corporate Philosophy by building a personnel system that responds to the needs of diverse human resources and diverse career views and thereby improving employee engagement.

Abolishing professional qualification system for managerial personnel

We have abolished the professional qualification system for managers, which has in some cases hindered agile assignment of personnel to management posts and begun to introduce a new system.

Flexible and agile personnel assignment

Management post assignment from a wide range of age groups

Promoting young employees to general manager positions

Flexible remuneration decision

Enhancing recruitment system

To support self-directed career formation by employees, we have begun to enhance the recruitment system such as by introducing a “free agent” system and in-company parallel post system.

Self-directed career formation

Response to diverse career views

Reviewing the operation on job changes and transfers

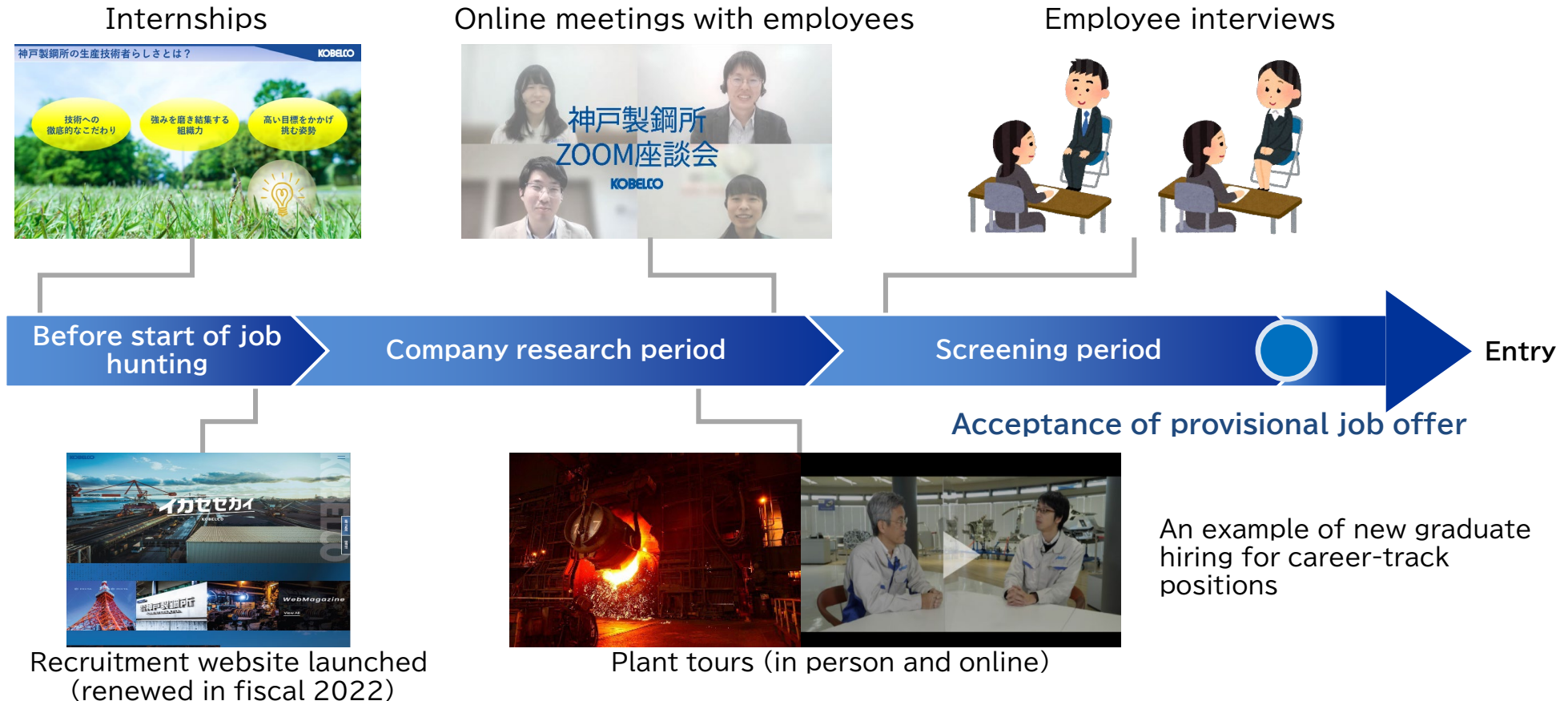
We have begun reviewing the operation procedures on job changes and transfers, such as by documenting specific conditions for job transfer, in order to create a safe and healthy work environment.

Response to diverse career views

Creating a safe and healthy work environment

(3) Obtaining and developing human resources

- We are developing recruitment activities aimed at increasing empathy for our corporate activities by combining face-to-face contact with the expanded digital contents that make use of the well-established online recruiting environment, and devising ways to visualize how our employees are connected with and contribute to society through work.



- ★ To obtain diverse human resources, referral hiring (hiring based on introductions from employees) and other new methods are being planned.

(3) Obtaining and developing human resources

- To fully support the development of all employees, we offer a variety of skill development training programs.
- While continuing to provide general/stratified training programs as before, we are also promoting a shift to a selective/autonomous education system.

Shift to a selective and autonomous education system (managers and career-track employees)

We are increasing opportunities for self-learning and growth by introducing video-based curriculum services and expanding career education.

[Steps for supporting selective and autonomous education]

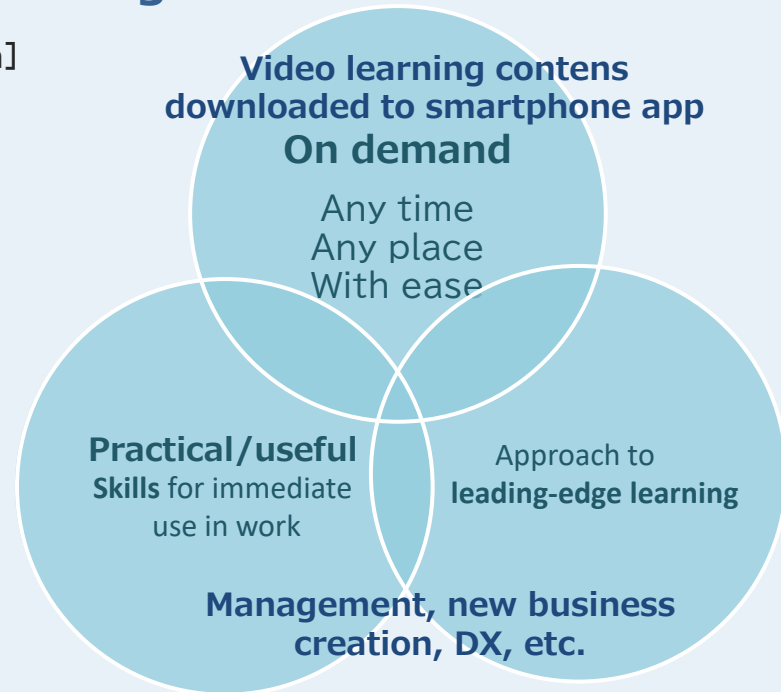
Step 3 Clarification of learning methods

Step 2 Identification of required skills

Step 1 Clarification of individual challenges



Employees create their training program for themselves
(Video-based curriculum services have been in place since July 2022.)



(4) Work style reform

- Since fiscal 2016, we have been working on work style reform activities so that all of our employees can work to the best of their abilities and continue to create new value.
- In fiscal 2022, we set up forums for labor-management discussions on how to address medium- to long-term issues such as improving the way shift work is carried out, and further enhancing work-life balance support programs.

■ Work style reform initiatives chronology

See P56 for details of each initiative.

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Work reform activities	Reform of interface operations		Energizing operational improvement activities in the workplace (providing awards for operational improvement)				
	Enhancement of video conference system		Use of IT tool (Teams)				
	Raising efficiency of meetings and email use					Operation standardization efforts	
Work style reform				Working from home (childcare support) widely practiced		Introduction of remote work system	
	Finishing work by 7:00 p.m.						
Reform of awareness and corporate culture	Addressing each other as equals						
	Effective use of dining and office spaces					Casual dress code (head offices and branch/sales offices)	

Initiatives for Human Rights Due Diligence

- We carry out human rights due diligence, which involves identifying and assessing any potential adverse impact on human rights that the KOBELCO Group's business activities may cause in society, and taking appropriate measures to prevent or mitigate such impact.

Conducting corporate activities based on international norms
→ Promoting initiatives for human rights due diligence

Kobe Steel Group's Basic Policy on Human Rights

(Formulated in October 2019)

UN

International Bill of Human Rights

UN

Guiding Principles on Business and Human Rights

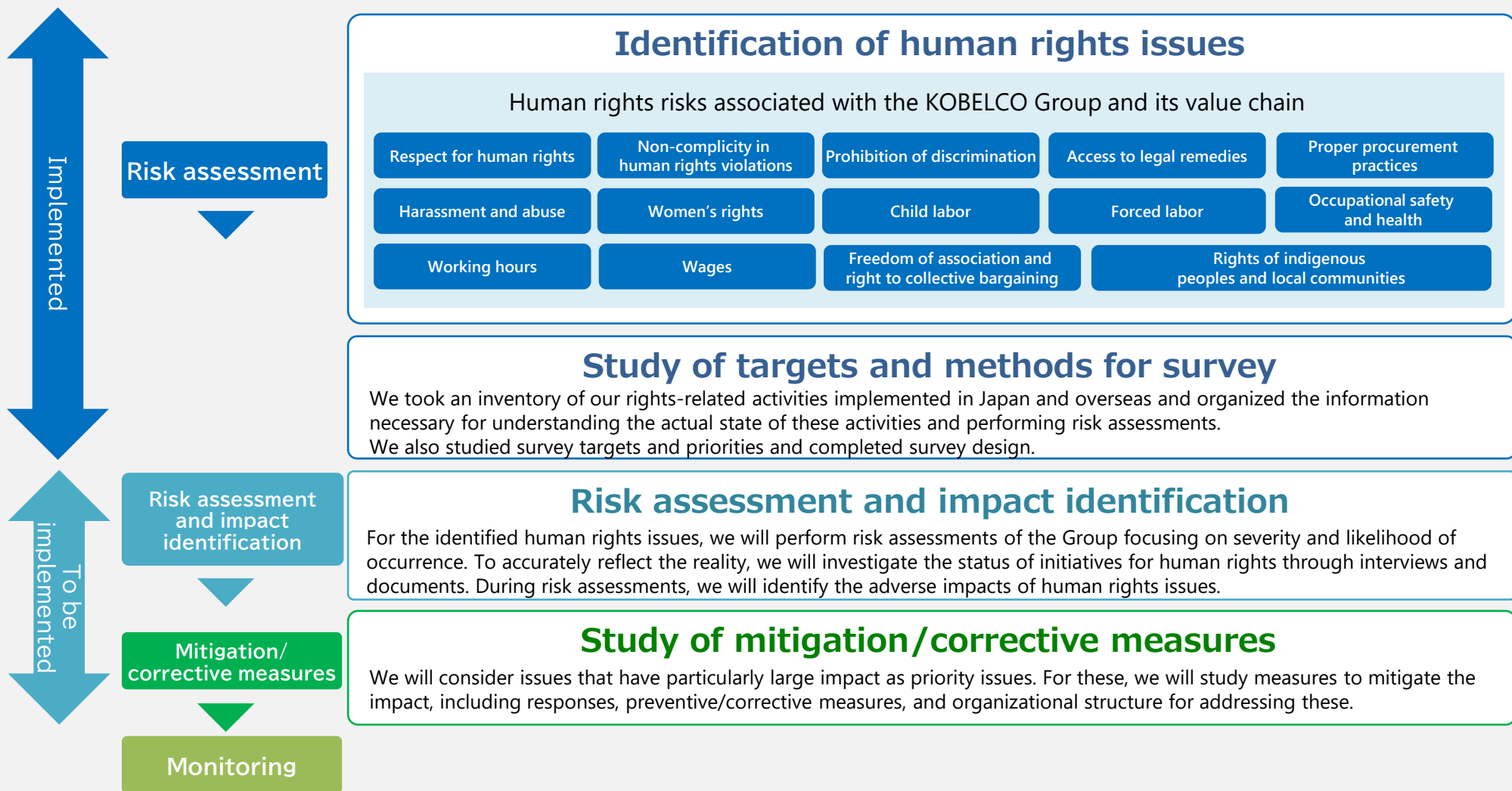
UN

United Nations Global Compact

*KOBELCO became a signatory in March 2001

Initiatives for Human Rights Due Diligence

- We are proceeding with our initiatives for human rights due diligence in the following steps and have completed risk assessment.
- Going forward, we will be proceeding with the steps of identifying impacts and studying mitigation and corrective measures.



Building Responsible Supply Chains

- The KOBELCO Group has formulated its basic procurement policy toward building responsible supply chains. We will fulfill our social responsibilities while working to identify supply chain issues in the procurement of raw and other materials to ensure the stable supply of our products and services.

Basic Procurement Policy

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

Requests to Our Business Partners

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

Compliance

Human rights and labor

Safety and health

Environment

Fair trade and ethics

Quality and safety

Information security

Business continuity plan

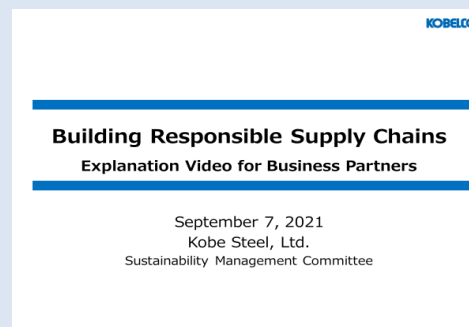
Social contribution

Our Group is carrying out (1) activities to promote a deeper understanding of the Group policies among our business partners and (2) surveys on the current status of their initiatives.

■ Main initiatives in fiscal 2021

(1) Distribution of explanatory video

- In September 2021, a video explaining the KOBELCO Group's approach to building responsible supply chains was made available to all our business partners.



(2) Surveys

- We conducted a questionnaire-based survey targeting Tier 1 suppliers in Japan and overseas to investigate the status of their initiatives.

- Period: February to May, 2022
- Target: 330 major suppliers of raw and other materials
- Responding companies: 271 (response rate: Approx. 82%)

Initiatives planned for fiscal 2022 and beyond

- We are considering surveys focusing on major issues such as human rights in order to understand the concerns of business partners and help them make improvements.

Safety and Health

- We believe that **occupational safety and health are fundamental to our business operations and take priority over all business activities**. In accordance with this principle, we carry out various safety and health activities to create vibrant workplaces where employees can work in a safe and secure environment.

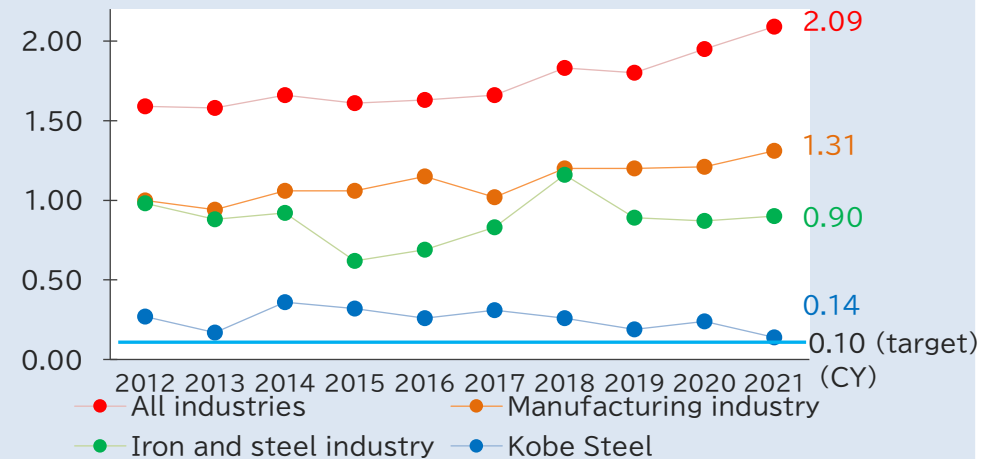
Review of fiscal 2021

Due to **a fatal accident***1, the lost time injury frequency rate target was not achieved.

[Lost time frequency rate in 2021: 0.14 (target 0.10)]

We will thoroughly investigate the causes, take measures, and accelerate activities to **prevent fatal accidents from happening again**.

Lost time injury frequency rate



Thorough implementation and enhancement of preventive measures for achieving zero fatal accidents

Strengthening initiatives for **preventing falls and entanglement**, two major causes of serious accidents

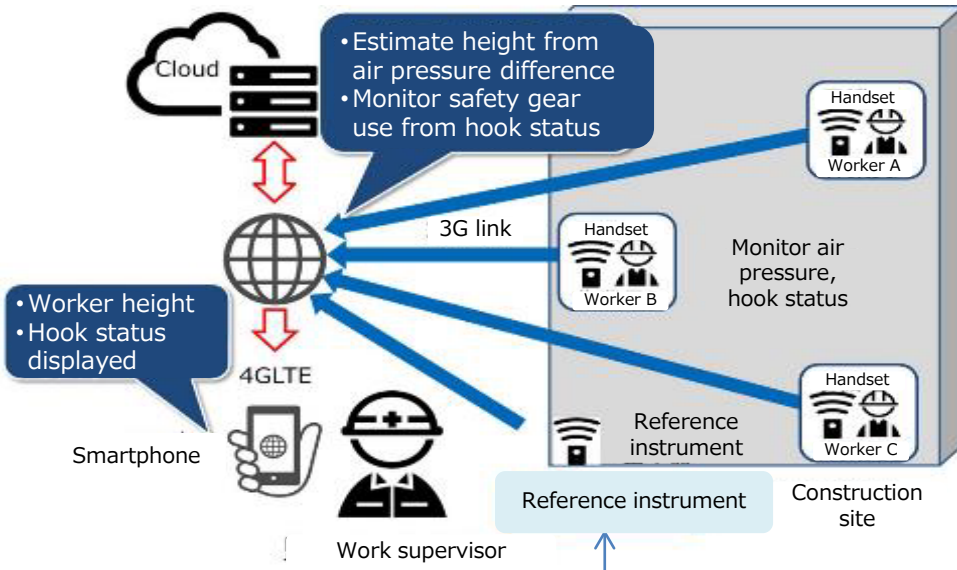
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| (1) Measures for eliminating falls: | Strengthen rules to make sure safety gear is worn and used, while building a support system for monitoring, supervising, and preventing unsafe behavior |
| (2) Preventing entanglement accidents: | Carry out planned maintenance of work environments with a shift in focus from “safety relying on people” to “ machine safety ” |

*1 Fatal fall reported by a Group company in August 2021 and another fatal accident reported by the Company in March 2022

[Examples of initiatives] Eliminating falls:

Trial introduction of a tool for confirming the use of fall prevention safety gear

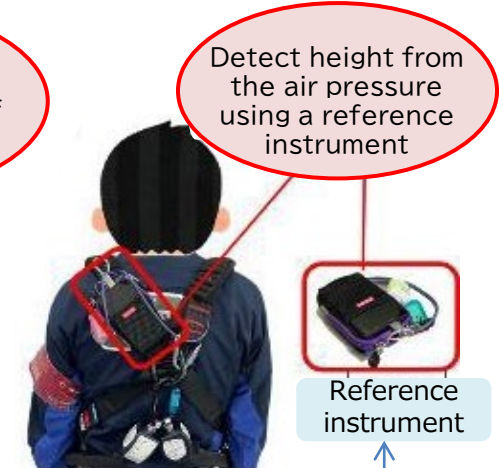
- We have introduced a tool for monitoring the use of fall prevention safety gear by workers. Sensors are attached to the hooks on the gear.



(1) Detection of hook use status



(2) Detection of height of working site



Monitor and notify use status of fall prevention safety gear

Timely guidance and deterrence effect

Data-based guidance
Regular use of safety gear



Check use status!!



Notification to smartphone!!



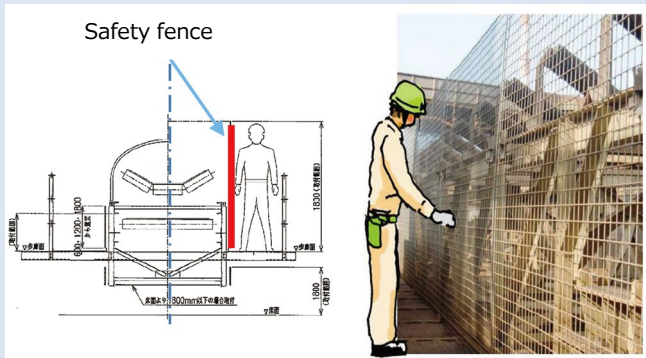
[Examples of initiatives] Separating people from forklift work

New safe passageways and safety fences have been installed to protect workers in the workplace where forklifts are operated in close quarters.



[Examples of initiatives] Safety fences around conveyor belts

To prevent entanglement accidents in conveyor belts, safety fences (FL+1.8m) have been installed. (Total length 56.5km)



[Examples of initiatives] Intrinsic equipment safety

Machinery stops automatically when someone comes within its operating range. Safety measures have been put in place to prevent people from entering if machinery did not stop.

(1) Principle of intrinsic safety

- Eliminate equipment dangers (risk sources), or prevent them from harming people, by eliminating tasks with potential risk, rounding off corners, widening the gap, reducing actuation energy, etc.

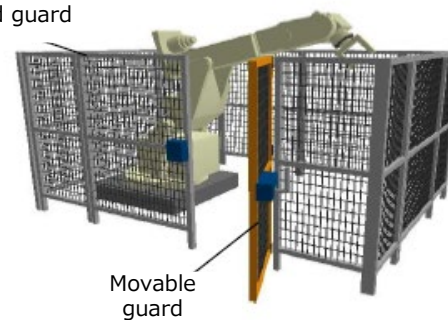
(2) Principle of separation

- Prevent people from nearing or contacting machinery risk sources, by setting up fences, enclosures, or other guards, etc.

(3) Principle of stopping

- Ensure that machinery stops automatically when people come within its operating range, or people are allowed to enter only after stoppage.
- When machinery malfunctions, it is stopped to be on the safe side.

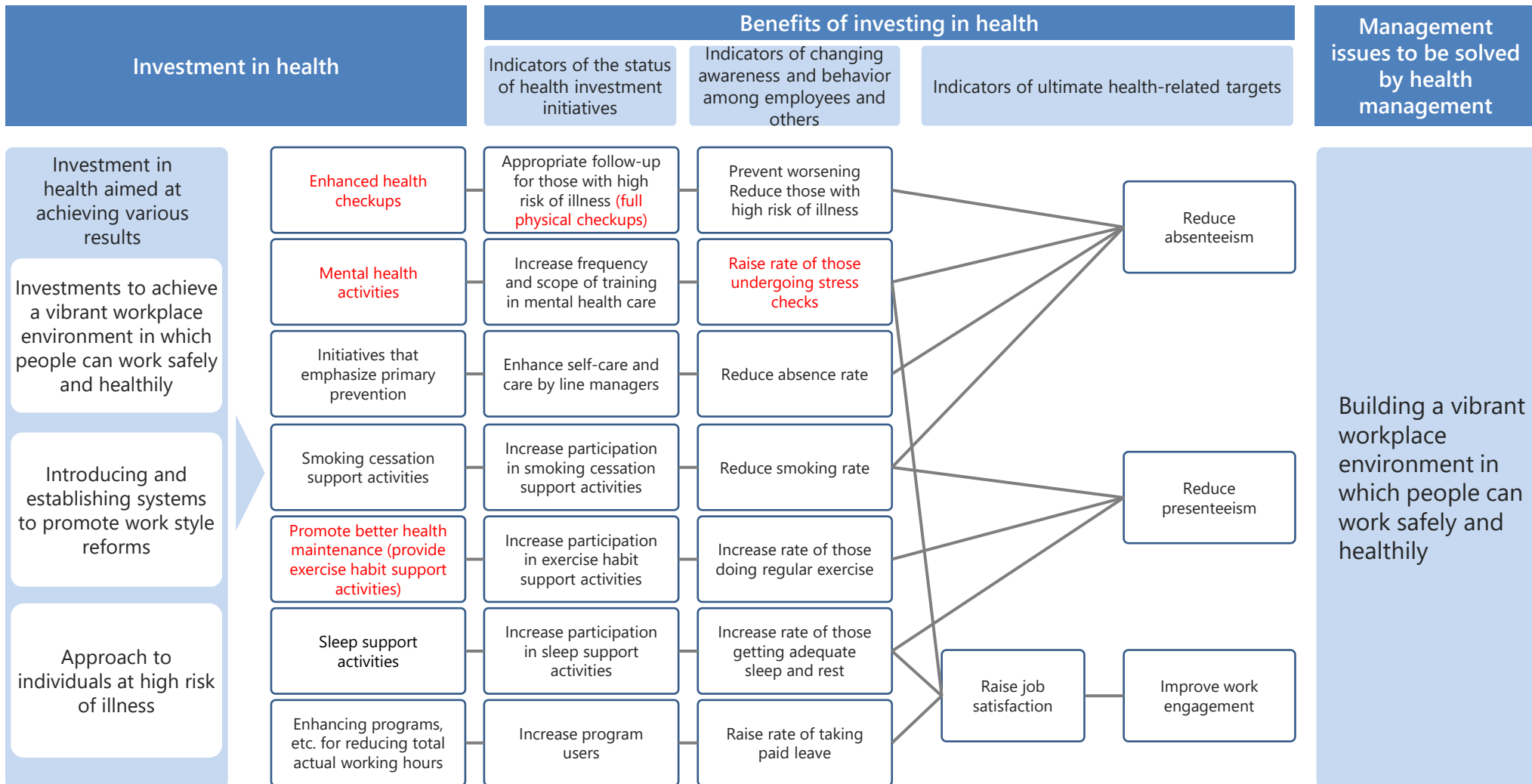
Fixed guard



Movable guard

Health Management

- Based on the strategy map below, we effectively carry out measures aimed at building a vibrant workplace environment where employees can work safely and healthily.



Health Management

- From the **standpoint of health management**, we are working to create a safe and secure work environment by promoting activities for both mental and physical health, enabling employees to work comfortably.

Mental health initiatives

- We are creating a healthy work environment with an emphasis on **work engagement** based on the results of stress checks.
- We added sleep-related items to the stress check diagnosis, and enhanced the diagnosis. We also developed an **educational video aimed at improving sleep**.
- All business sites have consultation offices staffed by industrial counselors.

Providing enhanced health checkups (in cooperation with Health Insurance Association)

- Full health checkups** are provided to employees and spouses upon turning 50 years old. (From next year, considering the raising of the retirement age, full health checkups are planned also at 60 years old.)
- Employees receive regular blood tests and endoscopic checkups, and those infected with Helicobacter pylori receive treatment.

Activities to help employees maintain and improve their health

- Joint initiatives with Health Insurance Association to improve exercise habits
(Introduction of Pep Up health promotion tool)
- As part of our efforts to address lack of exercise, we post videos of stretching and back pain prevention exercises on our intranet.

■“Health & Productivity Stock” and “Outstanding Health and Productivity Management Organization” recognition

- Outstanding Health and Productivity Management Organizations (“White 500”): Certified in **fiscal 2017, 2020, and 2021**.
- Health & Productivity Stock: We have been recognized **three years in a row** since the start of the program in fiscal 2015.

■ Received Best GP (Good Practice) Award from Japan Society for Occupational Health

- Our dental health management efforts were recognized by the **10th Japan Society for Occupational Health Best GP award**. (Award theme: Efforts in occupational dental health and health education by occupational health nurses)



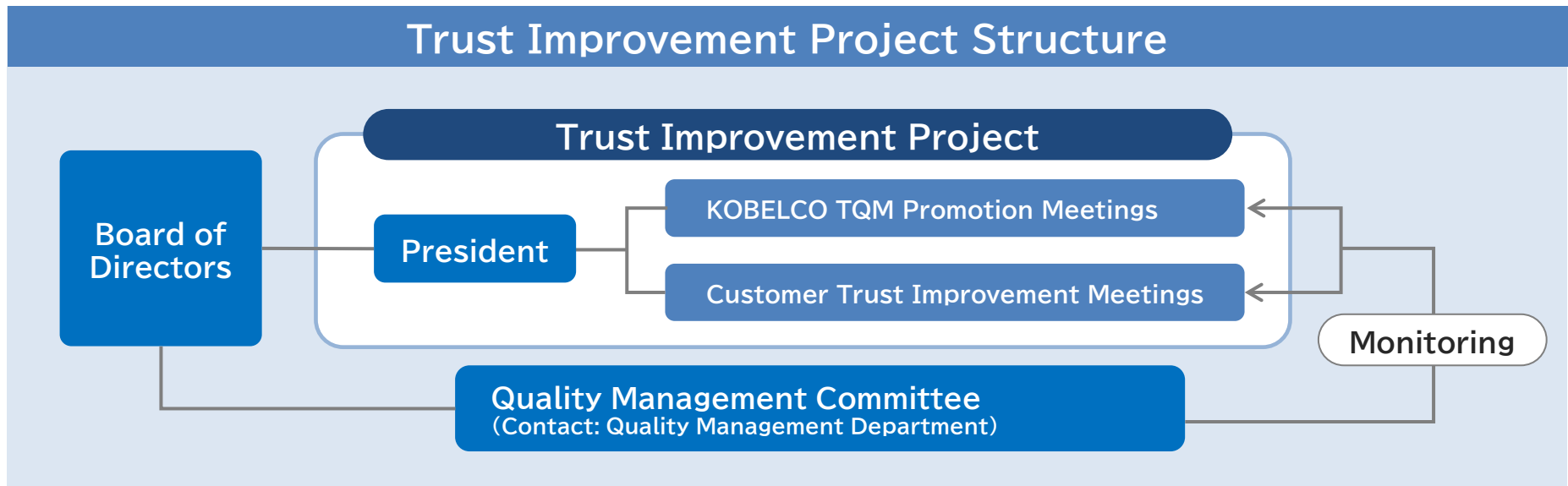
Best GP Award

Quality (Trust Improvement Project)

- The KOBELCO Group has implemented measures to prevent recurrence of quality misconduct since fiscal 2018 and has completed the planned activities. In fiscal 2020, we launched an initiative for **KOBELCO Total Quality Management (TQM)** to prevent the quality misconduct from fading away, achieve sustainable growth, and realize the Group Corporate Philosophy.
- In fiscal 2021, we reorganized **the Project for Restoring Trust** into **the Trust Improvement Project** to implement TQM activities throughout the Group.

■ What is TQM? (Total Quality Management)

- Activities in which all members participate in accomplishing tasks to contribute to customers and society
- Three activity elements: policy management, day-to-day management, small group activities



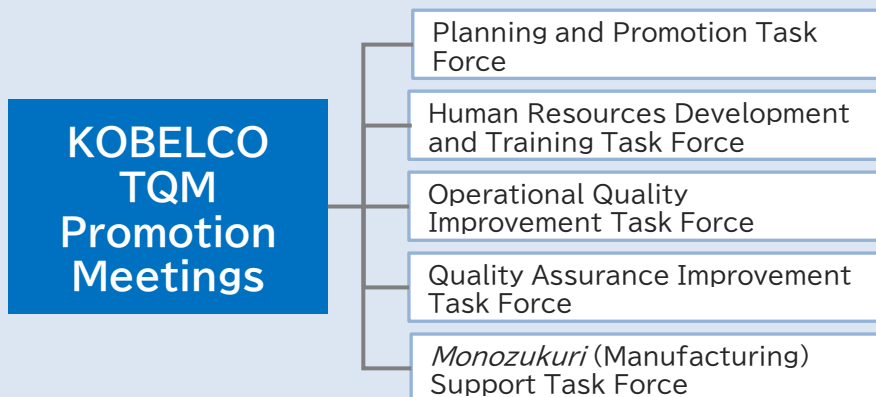
Quality (Trust Improvement Project)

- We are promoting the following initiatives as part of the Trust Improvement Project.

KOBELCO TQM Promotion Meetings

- We carry out activities across the entire Group through five task forces. As a general measure, **TQM training** is provided for **management and all employees**.
- We are also seeking to revitalize quality control activities and other improvement activities, and to strengthen our quality assurance organization centered on quality guidelines.

Five Task Forces



Customer Trust Improvement Meetings

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

- ★ Sharing of information about customers is being undertaken as part of our DX (digital transformation) strategy (Customer Experience DX).

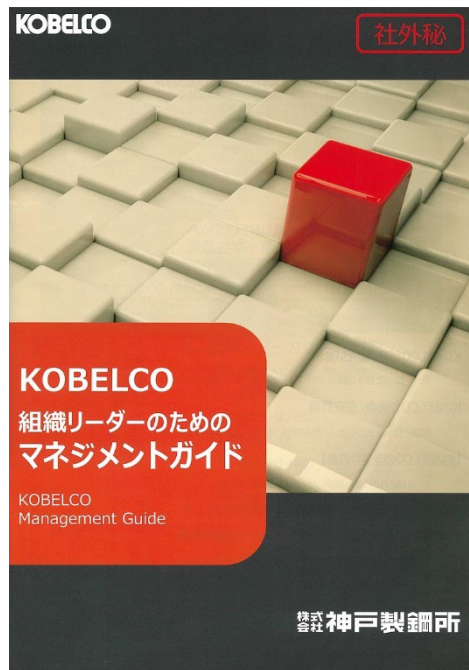
Customer Experience DX initiatives

- Enhancing the value of customer experience by building a customer-specific information database shared across business segments
- Strengthening marketing activities through digital utilization at customer contact points

KOBELCO TQM Promotion

Strengthening Management

- 1) A management guide was prepared to strengthen the education of middle management.
- 2) The director overseeing companywide quality and the executive office responsible for companywide quality listen to the concerns of middle managers and offer advice.



Education and introduction for all employees

- 1) TQM Handbook is used for education.
- 2) KOBELCO Gathering*1 introduces KOBELCO TQM initiatives

*1 Dialogues between management and employees. In an online forum, top executives speak and answer questions.



Social Contribution Activities

KOBELCO Community Contribution Fund

- Kobe Steel established the KOBELCO Community Contribution Fund in fiscal 2006 that marked the 100th anniversary of the Company's founding and has been carrying out activities to support children through the Fund.
- In fiscal 2021, Kobe Steel and its Group companies donated approximately 5.62 million yen to various facilities and organizations.



Contributions to Society through Sports

- The Kobelco Kobe Steelers, whose host town in Kobe City signed a business cooperation agreement with the city on September 28, 2021.



Support for activities of the Hyogo Guide Dogs Association

The Kobelco Kobe Steelers has been supporting the activities of the Hyogo Guide Dogs Association, a social welfare corporation whose mission is to train guide dogs and deepen understanding of the local community about accepting guide dogs, and, since 2020, have cooperated in raising funds to support guide dogs and selling charity goods at match venues.



KOBELCO World Children Support Program

- In addition to the KOBELCO Community Contribution Fund, the KOBELCO World Children Support Program was begun in fiscal 2021 for supporting children living in poverty around the world.
- In fiscal 2021, we donated a total of 5 million yen to the Japan Committee for UNICEF campaigns; 2.5 million yen each to the Ukraine emergency fund and to the natural disaster emergency fund for children in Tonga suffering from the huge volcano and tsunami.

KOBELCO GREEN PROJECT

The KOBELCO Group is engaged in not only the KOBELCO Forest Fairy Tale Prize but also other activities such as forest development activities carried out by employee volunteers and environmental education outreach to children's centers. These environmental contribution activities are promoted with the aim of coexisting and cooperating with society from an environmental perspective as well.



KOBELCO Forest Fairy Tale Prize 10th anniversary

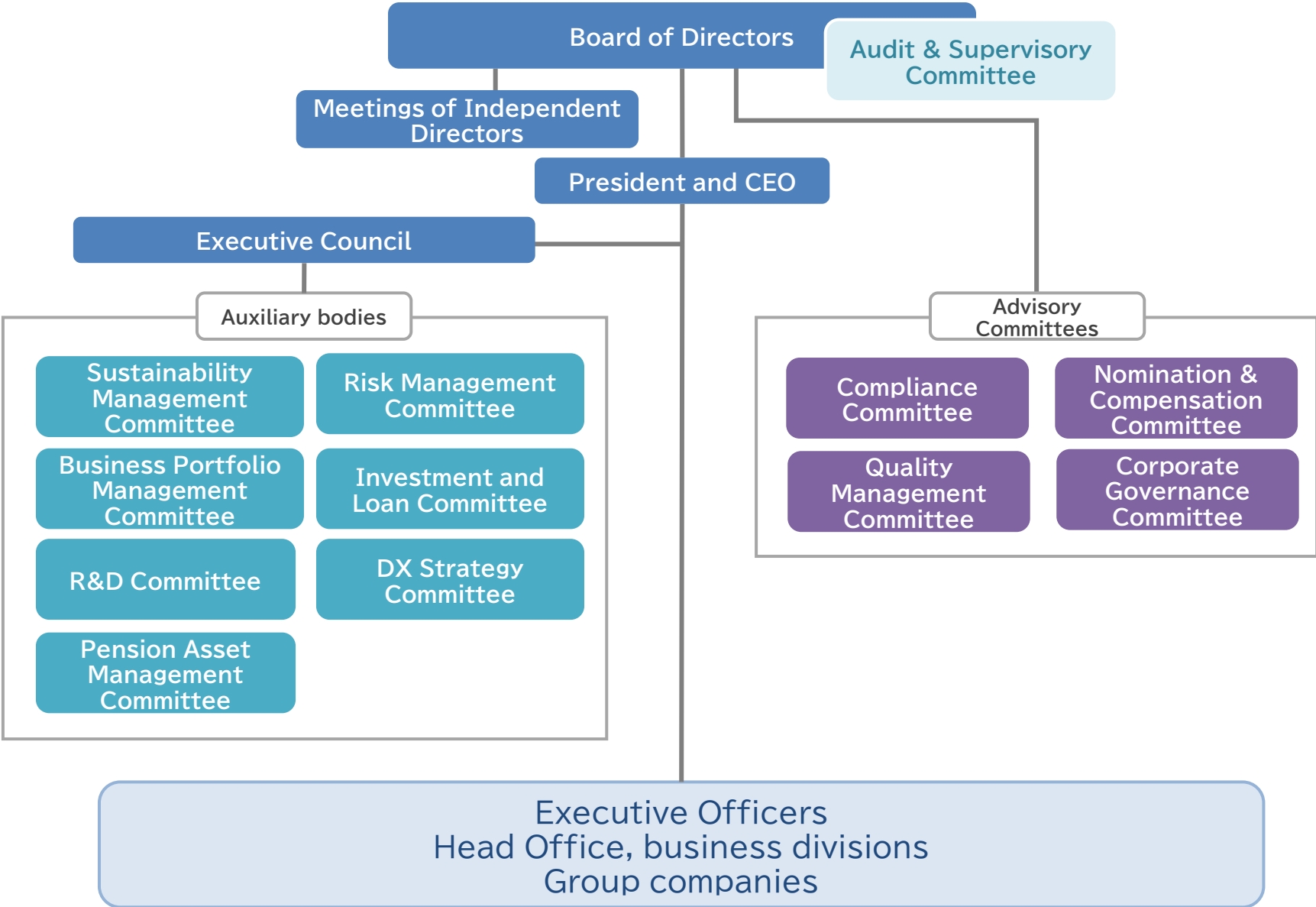
- The Forest Fairy Tale Prize, which began in 2013, has marked its tenth year.
- To date, we have received entries from a total of more than 5,000 people.
- Through promoting story writing, we will continue to convey the importance of forests to children, who will lead the next generation.

Special website created for 10th anniversary

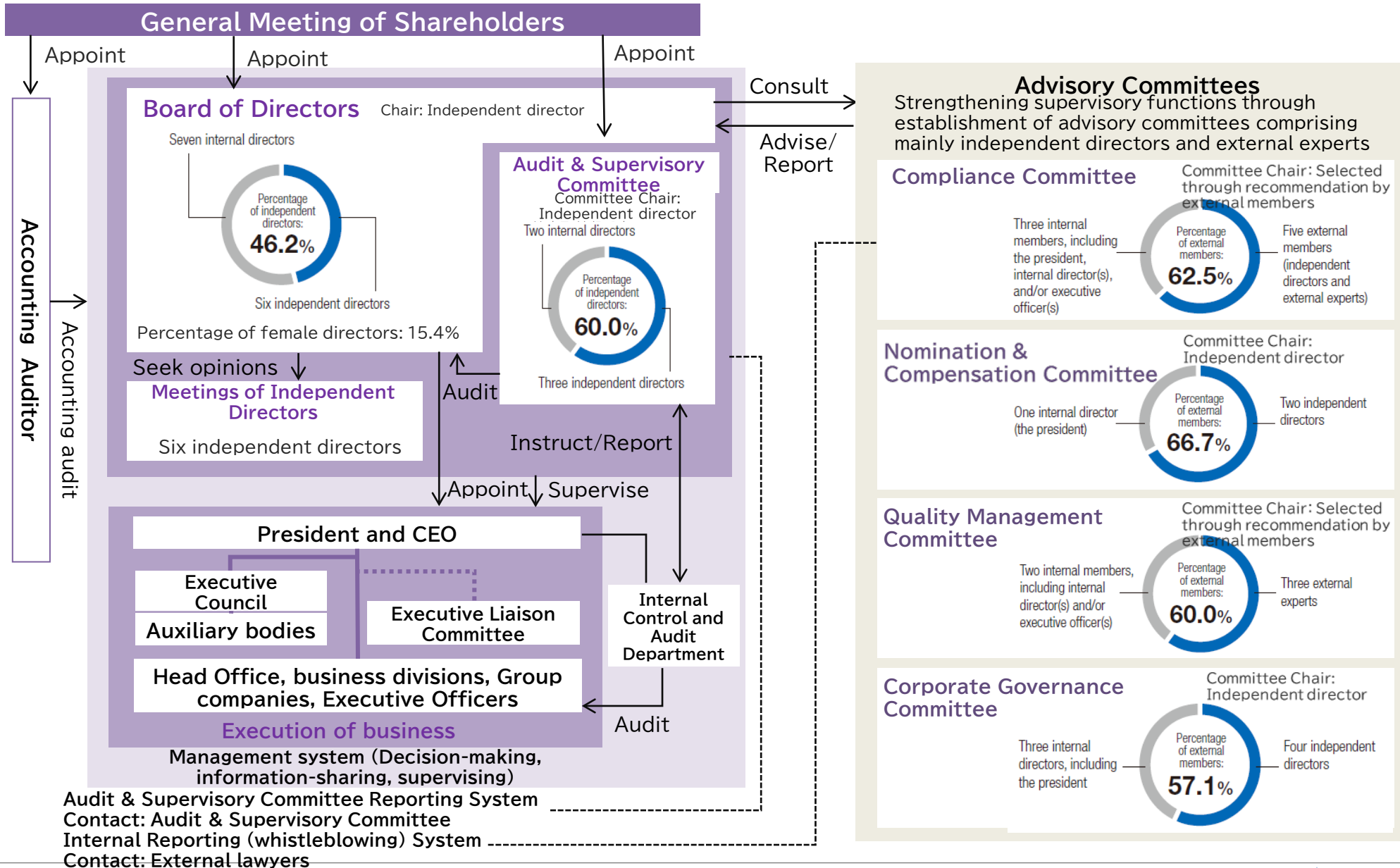


- 1) Management Structure
- 2) Initiatives to ensure the effectiveness of the Board of Directors
- 3) Risk management
- 4) Strategic holding of shares

Management Structure

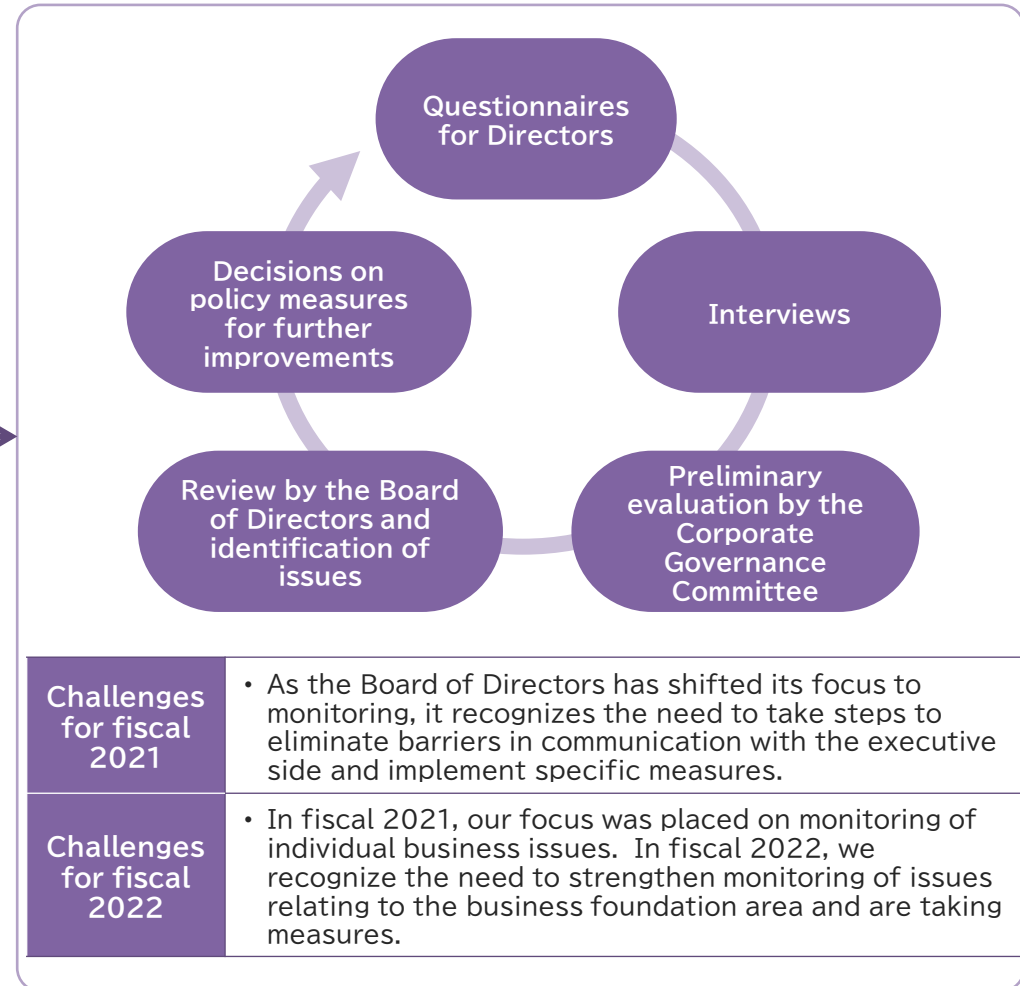


Management Structure (Kobe Steel Corporate Governance System)



Initiatives to Ensure the Effectiveness of the Board of Directors

◆ Ensuring the Board of Directors fulfills its decision-making and supervisory functions appropriately



Challenges for fiscal 2021	<ul style="list-style-type: none"> As the Board of Directors has shifted its focus to monitoring, it recognizes the need to take steps to eliminate barriers in communication with the executive side and implement specific measures.
Challenges for fiscal 2022	<ul style="list-style-type: none"> In fiscal 2021, our focus was placed on monitoring of individual business issues. In fiscal 2022, we recognize the need to strengthen monitoring of issues relating to the business foundation area and are taking measures.

- Related measures

Training for Directors and Executive Officers	<ul style="list-style-type: none"> The Company provides opportunities for training and bears the costs thereof to enable the Board of Directors to fulfill their roles and responsibilities adequately.
Succession plan	<ul style="list-style-type: none"> Recognizing the development of successors to the CEO as a management issue of the highest importance, the Nomination & Compensation Committee continuously discusses the necessary qualifications and other matters.

- To address the Group's medium- to long-term material issues (materiality) and to implement the Medium-Term Management Plan (FY2021–2023), which was formulated and announced in May 2021, we have put together a skills matrix of the knowledge, experience, and skills that the Board of Directors particularly expects the directors to demonstrate for the improvement of the functions of the Board of Directors.

Views on knowledge, experience, and skills that are particularly expected to be demonstrated for the improvement of the Functions of the Board of Directors

- In order for the Board of Directors to appropriately determine important management directions and conduct monitoring that encompasses risk management, aimed at enhancing the KOBELCO Group's corporate value over the medium to long term, we believe it is necessary to have the Board of Directors consisting of directors who have well-balanced knowledge, experience, and skills in the following three key areas: **(1) Comprehensive skills in overall management, (2) Skills in resolving social issues and creating new value, and (3) Skills in further strengthening the business foundation.**
- In particular, we expect independent directors to demonstrate their knowledge, experience, and skills with regard to **insights into other industry sectors.**

Skills Matrix

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

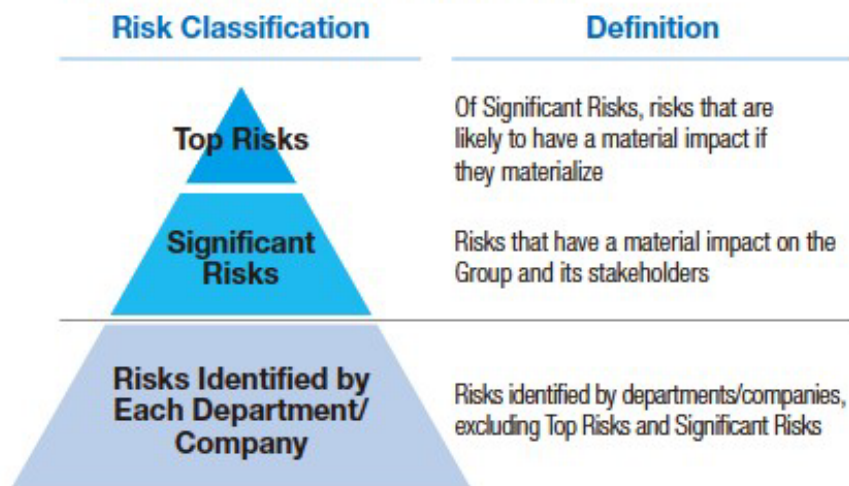
* Technical development, intellectual properties, production technologies, and DX

	Name	Comprehensive skills in overall management		Skills in resolving social issues and creating new value			Skills in further strengthening the management foundation			Insights into other industry sectors
		Business management and administration	ESG	Sales strategy and marketing	Technical development, etc.*	Global business	Finance and accounting	Organization and HR	Legal and risk management	
Executive	Mitsugu Yamaguchi	●	●	●		●				
	Fusaki Koshiishi	●	●	●	●					
	Koichiro Shibata	●	●	●	●					
	Yoshihiko Katsukawa	●				●	●		●	
	Hajime Nagara	●	●					●	●	
Non-executive	Hiroyuki Bamba	●	●		●					●
	Yumiko Ito		●			●			●	●
	Shinsuke Kitagawa		●			●			●	●
	Hiroshi Ishikawa	●		●		●				
	Yasushi Tsushima	●					●	●		
	Masaaki Kono	●	●				●			●
	Kunio Miura		●						●	●
	Nobuko Sekiguchi		●				●	●		●

Classification and definition of risks

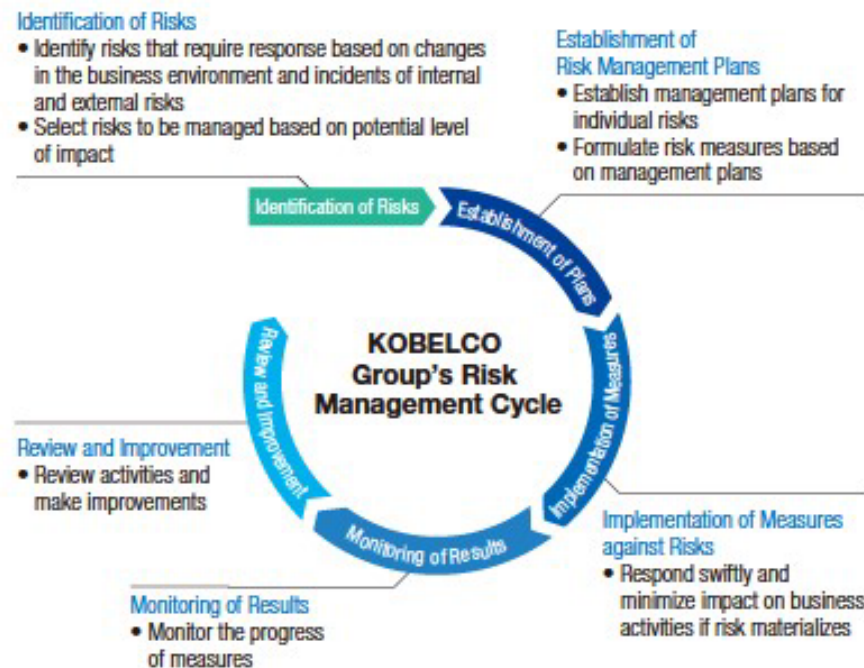
- In accordance with the Companywide Risk Management Regulations and in reference to the guidance issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as an international standard, we identify factors that hinder the KOBELCO Group's sustainable development and enhancement of corporate value and take measures to address them.
- Risks are classified and defined as shown below.
- The Top Risks and Significant Risks include ESG risks such as human rights, safety management, climate change, and natural disasters.

Classification and Definition of Risks



Risk management cycle

- Under the direction of the Risk Owners, the management of individual risks is carried out by the person in charge of risk countermeasures implementation in each division, according to the risk management cycle as shown below.
- To ensure the effectiveness of our activities, the Board of Directors manages and supervises activities to address Top Risks and Significant Risks, including ESG risks. The Board members review the annual results of activities in each business division, for the improvement of plans for subsequent fiscal years.



Risk factors in the Company's businesses that may have a significant impact on decisions by investors are noted in our Securities Reports.

Strategic Holdings of Shares

- Regarding the strategic holdings of shares, the Company has formulated a Basic Policy on Strategic Holdings of Shares, and Criteria for Exercising Voting Rights.

Scope of verification	<ul style="list-style-type: none"> All the shares that the Company strategically holds in listed companies as of the end of March, 2022 (30 stocks)
Verification details	<ul style="list-style-type: none"> 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. <p>Evaluation items</p> <ul style="list-style-type: none"> (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



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

Sustainability Initiatives (Main examples)

TCFD



SDGs



UN Global Compact



White Logistics Movement



「ホワイト物流」
推進運動

賛同企業

Declaration of Partnership Building



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



Male Leaders Coalition for Empowerment of Women



External Evaluations (As of August 2022)

FTSE4Good
Index Series



FTSE4Good

FTSE Blossom
Japan Index



FTSE Blossom
Japan

FTSE Blossom Japan
Sector Relative Index



FTSE Blossom
Japan Sector
Relative Index

MSCI Japan
ESG Select Leaders Index

2022 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

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S&P/JPX
Carbon Efficient Index



CDP



Platinum Kurumin
Certification



PRIDE Index

work with Pride



The Integrated Report and ESG Data Book are available on our website.

Integrated Report



ESG Data Book



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

KOBELCO's View of the Future

Our view of a society and future to be attained as we carry out KOBELCO's mission

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

KOBELCO's Mission

Our mission and the social significance of the KOBELCO Group that we must fulfill

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

Core Values of KOBELCO

The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group

- 1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live.**
- 2. We value, and support the growth of, each employee on an individual basis, while creating a cooperative and harmonious environment.**
- 3. Through continuous and innovative changes, we create new values for the society of which we are a member.**

Six Pledges of KOBELCO

Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter

- 1. Uphold the Highest Sense of Ethics and Professionalism**
- 2. Contribute to the Society by Providing Superior Products and Services** [Quality Charter](#)
- 3. Establish a Comfortable but Challenging Work Environment**
- 4. Live in Harmony with the Local Community**
- 5. Contribute to a Sustainable Environment**
- 6. Respect Each Stakeholder**

Cautionary Statement

- Certain statements in this presentation contain forward-looking statements concerning forecasts, assertions, prospects, intentions and strategies. The decisions and assumptions leading to these statements are based on information currently available to Kobe Steel. Due to possible changes in decisions and assumptions, future business operation, and internal and external conditions, actual results may differ materially from the projected forward-looking statements. Kobe Steel is not obligated to revise the forward-looking contents of this presentation.
- Uncertain and variable factors include, but are not limited to:
 - Changes in economic outlook, demand and market conditions
 - Political situation and trade and other regulations
 - Changes in currency exchange rates
 - Availability and market conditions of raw materials
 - Products and services of competing companies, pricing policy, alliances, and business development including M&As
 - Strategy changes of alliance partners

Supplementary Materials

Fiscal 2021 Results for Materiality Indicators/Targets (1)

Materiality of the KOBELCO Group		Indicators and targets		
		Indicators	Targets	Actual (FY2021)
Contributing to a green society	Response to climate change	(1) Reduction of CO ₂ emissions in production processes	2030: Down 30–40% (compared to FY2013 levels) 2050: Taking on the challenge of realizing carbon neutrality	Down 16%
		(2) Contribution to reduction of CO ₂ emissions through technologies, products, and services	2030: 61 million tons (including at least 45 million tons through MIDREX® Process) 2050: 100 million tons or more	44.91 million tons
		(3) Reduction of CO ₂ emissions in the electric power business	2030: Increasing efficiency of coal-fired power plants to the USC level or higher 2050: Taking on the challenge of realizing carbon neutrality	—
	Response to resource recycling	(4) Water recycling rate	Maintaining at 95% or higher	95.7%
		(5) By-product recycling rate	Recycling of three main items FY2025: 99%	99.3%
Ensuring safety and security in community development and manufacturing	Supplying energy focused on S+3E	—	—	—
	Providing materials and machinery that meet needs	(6) Percentages of target products in the product mix	FY2025: Percentage of wire rods/bars and high-tensile strength steel in the steel products: 52%	46%
	Improving safety and productivity		—	—

Fiscal 2021 Results for Materiality Indicators/Targets (2)

Materiality of the KOBELCO Group		Indicators and targets		
		Indicators	Targets	Actual (FY2021)
<p>Providing solutions for the future connecting people and technology</p>	<p>Reforms in manufacturing and operations through digital transformation (DX)</p>	(7) Hours of office work streamlined by digitization	FY2023: 125,000 hours/year FY2025: 250,000 hours/year	76,000 hours/year
		(8) Progress rates of reconstruction of existing systems <small>(Progress rate of the existing system reconstruction plan, excluding mainframe systems, planned at the time of formulating the Medium-Term Management Plan (FY2021-2023))</small>	FY2025: 100%	18.4%
		(9) Number of DX personnel trained	a. FY2023: Approx. 500 b. FY2023: Approx. 140 <small>a. IT evangelists (DX personnel who utilize IT to plan and implement business reforms in their own divisions) b. Data scientists (DX personnel capable of advanced data analysis)</small>	a. 128 b. 113 (cumulative)
	Integration and innovation of diverse intellectual assets	(10) New business creation	FY2025: Multiple task forces (TFs) to move toward creating new businesses FY2030: Multiple TFs to launch new businesses (Annual target earnings: 1 billion yen or more per business)	2 businesses
		(11) Number of employees with PhD	—	175

Fiscal 2021 Results for Materiality Indicators/Targets (3)

Materiality of the KOBELCO Group		Indicators and targets		
		Indicators	Targets	Actual (FY2021)
Promoting active participation of diverse human resources	Diversity and Inclusion (D&I)	(12) Percentage of women in new graduate hires	FY2023: a. Career-track administrative: 50% or more b. Career-track technical: 15% or more c. General technical: 15% or more	a. 35% b. 6% c. 8%
		(13) Percentage of female managers	Double the percentage from fiscal 2020	2.8%
		(14) Employment rate of people with disabilities	2.3% (statutory employment rate)	2.56%
		(15) Number of non-Japanese employees	—	76
	Work style reforms	(16) Percentage of male employees taking special leave for childcare	FY2023: 100%	78.5%
		(17) Turnover of employees with less than 10 years of service	Less than 15%	19.5%
		(18) Overtime hours	—	17.2 h (per month/employee)
		(19) Number of annual paid leave days taken	15 (per year/employee)	13.9 days
		(20) Total hours worked	Under 2,000 hours/year	2,057 h
		(21) Continuation of employee awareness survey	—	Ongoing
Human resources development	(22) Improving and expanding employee training	— a. Total hours trained (across all employees) b. Average hours of training per employee	a. 215,667 h b. 19 h	



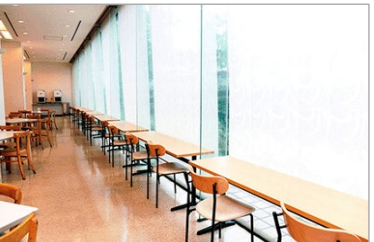
Fiscal 2021 Results for Materiality Indicators/Targets (4)

Materiality of the KOBELCO Group		Indicators and targets		
		Indicators	Targets	Actual (FY2021)
Pursuing governance that supports sustainable growth	Compliance and risk management	(23) Number of internal reporting (whistleblowing) cases	—	113
	Human rights	(24) Participation rate in employee training	Implementation of Groupwide human rights training	76.4% (E-learning participation rate at Kobe Steel)
	Safety and health	(25) Lost time injury frequency rate	0.10 or less	0.14 (calendar year)
		(26) Improving and expanding supervisor training	—	778
	Quality assurance	(27) Improving and expanding supervisor training	70% of internal quality audit target locations in fiscal 2023	Progress during fiscal 2021: 35% (8 of 23 sites)
		(28) Automation rate of testing and inspection equipment as defined by the Company	—	—
		(29) Continuation of customer satisfaction survey	—	Ongoing
	Corporate governance	(30) Improving the effectiveness of the Board of Directors	—	Ongoing

Work style reform

■ Details of initiatives

[Go back to P24 Work style reform initiatives chronology](#)

Work reform activities	Use of Microsoft Teams	<ul style="list-style-type: none"> We have introduced Microsoft Teams, a tool that provides a platform for online meetings and casual communication.
Work style reform	Remote work system	<ul style="list-style-type: none"> We have introduced a work system that allows employees to autonomously choose the right place to work with an awareness of improving productivity.
Reform of awareness and corporate culture	Promoting operational improvement	<ul style="list-style-type: none"> We have organized an award program to commend the achievements in improving operation and work efficiency, aimed at not only promoting operational improvement but also building a corporate culture of mutual praise and acceptance.
	Addressing each other as equals	<ul style="list-style-type: none"> To invigorate internal communication, we recommend that employees address each other as equals, whether in email or in the workplace, without using titles.
	Casual dress code	<ul style="list-style-type: none"> We have introduced a casual dress code in the head office and branch/sales offices, aimed at fostering fresh and flexible thinking and a sense of autonomy by allowing working in comfortable clothing.
	Effective use of office space	<ul style="list-style-type: none"> We have made effective use of the cafeteria and created communication spaces and meeting areas, as well as solo work areas to encourage self-directed work styles. <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;">  <p>Communication space</p> </div> <div style="text-align: center;">  <p>Meeting area</p> </div> <div style="text-align: center;">  <p>Solo work area</p> </div> </div>

Directors and their Current Positions

[Go back to P43 Skills Matrix](#)

	Name	Current positions
Executive	Mitsugu Yamaguchi	President, CEO and Representative Director
	Fusaki Koshiishi	Executive Vice President and Representative Director
	Koichiro Shibata	Executive Vice President and Representative Director
	Yoshihiko Katsukawa	Director, Executive Officer
	Hajime Nagara	Director, Executive Officer
Non-executive	Hiroyuki Bamba	Independent Director, Chairman of the Board of Directors, Chair of the Nomination & Compensation Committee
	Yumiko Ito	Independent Director, Committee Chair of the Corporate Governance Committee
	Shinsuke Kitagawa	Independent Director
	Hiroshi Ishikawa	Director (Audit & Supervisory Committee Member)
	Yasushi Tsushima	Director (Audit & Supervisory Committee Member)
	Masaaki Kono	Independent Director (Audit & Supervisory Committee Member)
	Kunio Miura	Independent Director (Audit & Supervisory Committee Member) Chair of the Compliance Committee
	Nobuko Sekiguchi	Independent Director (Audit & Supervisory Committee Member)