



Develop businesses driving the creation of social value



Establish a healthy living environment



Make advances in technology
Provide technologies, products, and services that meet diverse needs



Ensure economic stability



Conserve the global environment

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.

enjoying safe,

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



Improve the employment environment



Encourage cultural exchanges
Embracing diversity



Mitigate natural disaster risks



Achieve a mobility society



Build a livable environment and co-creative society





Contribute to enhanced automobile collision safety through offering multi-material solutions

Drive the decarbonization of a variety of products through promoting the use of low-CO₂ blast furnace steel products



Help to eliminate shortages of skilled construction workers and improve safety through promoting the use of K-DIVE®, a remote operation technology for construction machinery



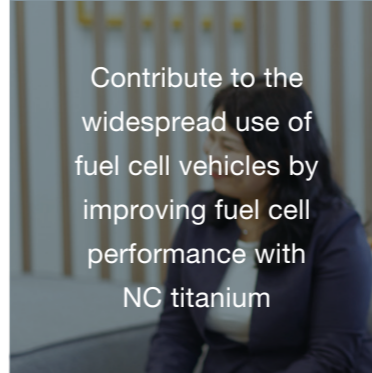
Enhance the performance of electric vehicles with our highly efficient magnetic materials

Achieve environmentally friendly *monozukuri* (manufacturing) at carbon-neutral plants



Expand the use of recycled aluminum through promoting the use of highly recyclable aluminum cans

Contribute to customer *monozukuri* (manufacturing) by improving the functionality of welding robots using AI



Contribute to the widespread use of fuel cell vehicles by improving fuel cell performance with NC titanium

Enhance the environmental performance of transportation equipment through promoting the use of lightweight materials

Drive decarbonization at construction sites through promoting the use of environmentally friendly construction machinery

KOBELCO's Mission

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

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



Contribute to the widespread use of hydrogen in plants through providing hybrid hydrogen supply systems



Contribute to the widespread use of hydrogen through promoting the use of high-performance compressors



Drive the decarbonization of the steel industry through promoting the use of the direct reduction ironmaking process



Achieve environmentally friendly heating and cooling through promoting the use of heat pumps

Contribute to the increase of wind power generation facilities by improving construction efficiency through our welding solutions

Reduce greenhouse gas emissions through the effective use of sewage sludge energy



Provide a stable supply of energy to local communities through our urban power plants with low environmental impact

Kobelco Group Integrated Report 2023

The Kobelco Group is committed to dialogue with all of its stakeholders. As part of its commitment, the Group has been publishing integrated reports since fiscal 2018. The aim is to provide a comprehensive understanding of the economic and social value created by the Group through reporting on its management strategies, business activities, social activities, and environmental activities.

The purpose of this Integrated Report is twofold. The first is to clearly show what the Group aims for through the value creation process by unraveling the Group's corporate story with the keyword of "comprehensive strengths," along with information on economic capital and other forms of capital, which are the source of our Group's comprehensive strengths that have been cultivated over its 117-year history. The second is to foster understanding about the Group's businesses and initiatives by presenting the progress of Kobelco Group Medium-Term Management Plan (Fiscal 2021-2023) announced in May 2021.

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

Period Covered	This Integrated Report covers fiscal 2022 (from April 1, 2022 to March 31, 2023). When necessary, this report makes reference to fiscal years before and after the period.
Guidelines Referenced	<ul style="list-style-type: none"> Sustainability Reporting Standards of the Global Reporting Initiative (GRI) ISO 26000 (Guidance on social responsibility) International Integrated Reporting Framework (IFRS Foundation) Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI)
Initiatives We Value	<ul style="list-style-type: none"> United Nations Global Compact Sustainable Development Goals (SDGs) Recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)
Production Process	<ol style="list-style-type: none"> After publishing Kobelco Group Integrated Report 2022, we asked analysts, institutional investors, Group employees, and other internal and external stakeholders to give their frank opinions and comments on the report. We also applied for awards offered by outside organizations for relative assessment of the report. In light of these assessments for the previous report, the Integrated Report Editorial Subcommittee under the Sustainability Management Committee wrote a draft of this report in cooperation with the Head Office departments and business divisions. The production of Kobelco Group Integrated Report 2023 proceeded based on discussions with the management team through the Sustainability Management Committee, etc.

Kobelco Group's Information Disclosure Scheme

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

▶ For details about each tool, please see our corporate website.

ESG Data Book https://www.kobelco.co.jp/english/about_kobelco/outline/integrated-reports/	
Sustainability https://www.kobelco.co.jp/english/sustainability/index.html	
Investor Relations https://www.kobelco.co.jp/english/ir/	

Tools for Information Disclosure	Description	Type of Information Provided (A blue dot ● means relevant information provided.)	
		Financial Information	Non-Financial Information
Integrated Report	The integrated report contains the Kobelco Group's management strategies, business activities, and ESG-related information to provide a comprehensive understanding of the economic and social value created by the Group.	●	●
ESG Data Book	The ESG data book contains detailed ESG-related information.		●
Securities Report	The Securities Report contains not only financial information disclosed in accordance with the Financial Instruments and Exchange Act, such as company overview, business situation, and financial statements, but also non-financial information including corporate governance structure.	●	●
Financial Results	Financial results are disclosed quarterly.	●	
Business Report Consolidated Financial Statements Non-Consolidated Financial Statements	Pursuant to the Companies Act, these documents contain financial information and the status of business operations (non-financial information).	●	●
To Our Shareholders	This annual publication introduces topics on the Kobelco Group's business performance as well as its ESG initiatives, in order to deepen shareholders' understanding of the Group.	●	●
Corporate Governance Report	The corporate governance report contains information on Kobe Steel's corporate governance pursuant to the listing regulations of stock exchanges.		●
Kobe Steel Corporate Website	Our Company's official website provides information that cannot be included in the above information disclosure documents, such as more detailed ESG-related information. For more detailed ESG-related information, please refer to the Sustainability page on our corporate website.	●	●

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This Integrated Report describes our Group's ESG initiatives in Section 4 (Initiatives to Promote Sustainability), but it does not cover all of our Group's ESG-related data. For further details, please refer to the ESG Data Book and our corporate website.

▶ ESG Data Book 2023

E (Environment) p.10-
S (Social) p.48-
G (Governance) p.74-

▶ Our corporate website

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

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Disclaimer Regarding Forward-Looking Statements

This Integrated Report contains forward-looking statements about the Company's forecasts, beliefs, expectations, aims, and strategies. These forward-looking statements are based on the Company's judgments and assumptions using currently available information, and these forecasts may differ substantially from actual results due to a variety of factors that may change over time, such as uncertainties within its judgments and assumptions, future business operations, and changes in conditions inside and outside the Group. Kobe Steel assumes no responsibility for revising these forward-looking statements or other contents in this report.

Below is a list of factors that may contribute to these uncertainties and changes. This includes but is not limited to:

- Changes in economic conditions, demand, and prices in major markets
- Political situations in major markets and regulations, including trade regulations
- Fluctuations in foreign exchange rates
- Availability and prices of raw materials
- Products and services of competitors, price strategies, alliances, and other business developments such as M&As
- Changes in strategies of the Company's alliance partners

Group Corporate Philosophy

Group Corporate Philosophy Created by All Group Members Working Together

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

The Group Corporate Philosophy comprises four elements: KOBELCO's View of the Future and KOBELCO's Mission, along with the Core Values of KOBELCO and the

Six Pledges of KOBELCO, which present our values to be shared and standards of conduct.

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

KOBELCO's Mission represents its vision of creating solutions to social issues in ways only possible by KOBELCO through the combination of diverse businesses, technologies, and qualities of its people developed in the efforts to address social needs.

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

Group Corporate Philosophy	
KOBELCO's View of the Future	<p>Our view of a society and future to be attained as we carry out KOBELCO's Mission</p> <p>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.</p>
KOBELCO's Mission	<p>Our mission and the social significance of the KOBELCO Group that we must fulfill</p> <p>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.</p>
Core Values of KOBELCO	<p>The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group</p> <ol style="list-style-type: none"> 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	<p>Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter</p> <ol style="list-style-type: none"> 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

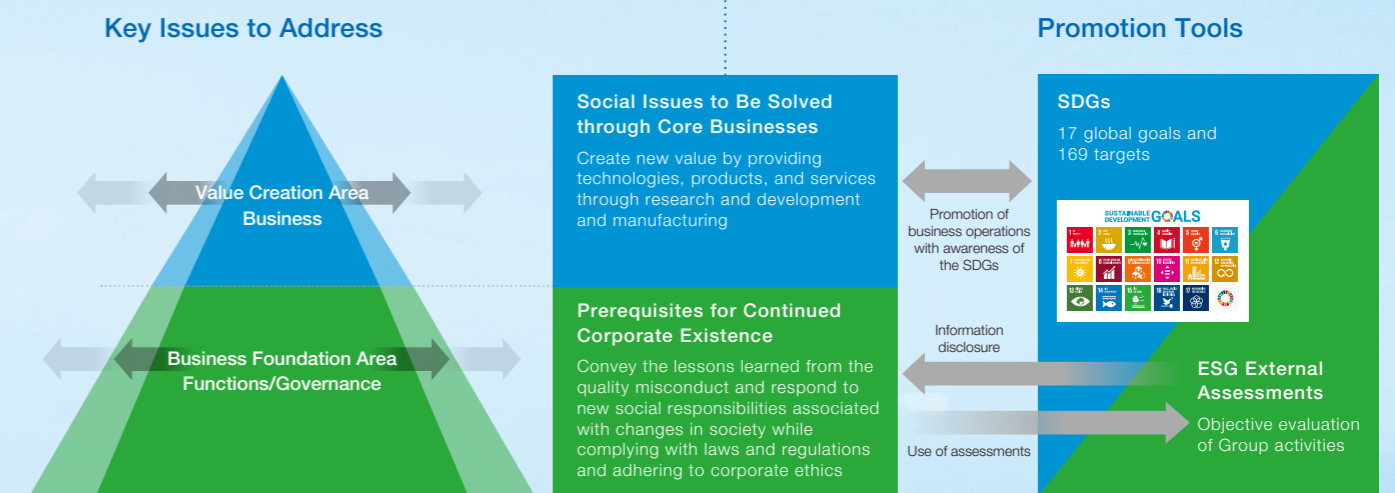
Promotion of Sustainability Management

Promotion of Sustainability Management Based on the Group Corporate Philosophy

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

business growth.

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



Message from the President and CEO

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. To bring about such a world, we will continue to contribute to the development of society while maximizing the Group's comprehensive strengths.

Mitsugu Yamaguchi

President, CEO and Representative Director

山口 貢



Message from the President and CEO

For People, Now and in the Future

Since its founding in 1905, the Kobelco Group has provided solutions to society through its technologies, products, and services. Even today, 117 years after the founding, the spirit of working for the benefit of society and the world has been handed down from generation to generation in our Group.

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as stated in the Group Corporate Philosophy. To bring about such a world, we will continue to contribute to the development of society by maximizing the Group's comprehensive strengths.

Entering the Final Year of the Medium-Term Management Plan

The Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023), which began amid the outbreak of COVID-19, has entered its third and final year. Over the past three years, there have been many changes that have affected our overall business activities, such as sluggishness in the automotive industry due to semiconductor shortages and rising prices of energy and raw materials due to heightened geopolitical risks, in addition to response to COVID-19. Even in such circumstances, we have been working to build a business foundation that enables us to steadily carry out the tasks we must tackle in the medium- to long-term, such as addressing climate change.

We started our Medium-Term Management Plan with two priority issues: (1) Establishing a stable earnings base and (2) Taking on the challenge of realizing carbon neutrality. Although the business environment remained challenging due to the many changes as mentioned above, we steadily implemented our key measures, strengthened our *monozukuri* (manufacturing) capabilities, and improved selling prices. As a result, ordinary profit for fiscal 2022 was 106.8 billion yen. In fiscal 2023, the final year of the Medium-Term Management Plan, we forecast an ordinary profit of approximately 145 billion yen, and we feel that our efforts to date have achieved a certain result in establishing a stable earnings base. We anticipate that the business environment will remain unstable, but we will work to build a stronger foundation so that we can secure stable earnings even in such an environment.

With regard to carbon neutrality, our Group's business opportunities are increasing as the world accelerates its efforts to address global climate change. Our Group has so far provided many distinctive products globally, but we expect to develop new business operations by combining our Group's diverse businesses. While steadily reducing CO₂ emissions in our own production processes, we hope to play an even greater role in helping our customers reduce their CO₂ emissions.

Establishing a Stable Earnings Base

For establishing a stable earnings base, we have been working on five key measures. Although progress has largely been made as planned, our aluminum-related businesses are struggling to achieve projected results due to the accelerated electrification in the automotive sector, which has delayed the decision to use aluminum, a lightweight material, and slow progress in passing on soaring prices of raw materials to selling prices in the aluminum industry. We are making steady efforts to gain the understanding of our customers about cost pass-through, and we hope to recover to a certain degree during this fiscal year, as we are seeing positive results in terms of sales volume expansion.

For the Group as a whole, the Kobe Power Plant No. 3 and No. 4 units, which were successfully started up as planned, have contributed significantly to the establishment of a stable earnings base, and we will continue to secure stable earnings in the electric power business. In addition, we will work to curb volatility in the materials businesses and expand the machinery businesses to further reinforce our earnings base.

Taking on the Challenge of Realizing Carbon Neutrality

With regard to CO₂ reduction in the ironmaking process, we see the growing interest in the MIDREX[®] Process. In fiscal 2022, we received an order for the world's first commercial MIDREX H₂[™] direct reduced iron (DRI) plant that uses 100% hydrogen as reducing gas. It proves that our Company already has the technology applicable to the hydrogen society in the future, capturing increasing attention to our initiatives in this area. This also had a positive effect internally— the MIDREX[®] Process was once again recognized as a world-class technology that we own and it has led to enhancing the pride of our employees. We intend to use this technology not only to sell plants, but also to reduce CO₂ emissions from our own ironmaking process and to sell low-carbon iron sources for use by steelmakers including ourselves, by combining it with the technologies developed by our Company's steel business. We will strive to contribute to reduction of CO₂ emissions in every possible way.

Another example of combining our Group's technologies is the hybrid-type hydrogen gas supply system that was released last year. Although industries are accelerating efforts to utilize hydrogen, the current focus has been on large-scale applications, with no significant progress in small- to medium-scale applications in terms of case studies for actual utilization. We believe that it is very meaningful that our Group, which actually uses hydrogen, is working on the study of the hydrogen supply system. In fact, it has attracted attention from outside, and many business operators and government officials have been visiting our demonstration facilities from the construction stage. This project is not only an initiative that capitalizes on our strengths, but also an important initiative to deepen integration within our Group by combining businesses in different sectors.



Message from the President and CEO

As part of the effort to take on the challenge of realizing carbon neutrality under the Medium-Term Management Plan, we strive to contribute to reduction of CO₂ emissions through our technologies, products, and services. We believe that contributing to CO₂ reduction is not only our responsibility required by society, but also a business opportunity to utilize our Group's strengths. KOBELCO's Mission, which constitutes the Group Corporate Philosophy, states that our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies. As set forth in the statement, the diversity of our technologies and human resources is a major asset of our Group. We will thoroughly discuss how we can make the most of our resources to contribute to CO₂ reduction for the next Medium-Term Management Plan.

Initiatives Leading to the Next Medium-Term Management Plan

In fiscal 2023, the final year of the Medium-Term Management Plan, we will make a draft of the next Medium-Term Management Plan. As discussions are progressing, we recognize that further enhancement of profitability is essential in view of future large-scale investments to achieve carbon neutrality, etc. We need to aim even higher since the targets of the current Medium-Term Management Plan are not sufficient to establish a satisfactory stable earnings base that enables us to achieve our medium- to long-term target of ROIC of 8% or higher. In the next medium-term management plan, we aim to further improve earnings by accelerating and implementing concrete initiatives in response to growth markets while continuing to strengthen our financial base.

Kobelco Group's Management Resources Form the Foundation of the Comprehensive Strengths

I believe that the strength of our Group lies in the diversity of our technologies and human resources, and that it will be pivotal in our business strategy to harness comprehensive strengths derived from such a diversity. While it is important to continue to leverage this strength, it is also necessary to take a flexible approach according to changes in society in addressing diversity, along with the declining birthrate and aging population in Japan and other countries, as well as the increasing mobility of human resources.

There is renewed attention to the idea that viewing human resources as capital and creating maximum value from it is important for the sustainable enhancement of corporate value. As clearly articulated in the statement of "Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies" in KOBELCO's Mission of the Group Corporate Philosophy, we recognize that our employees are the most important part of our Group, and this awareness has been passed down from generation to generation in both management and the workplace. In order to create new value in the future, from our initiatives that include taking on the challenge of realizing carbon neutrality, we must further invest in our human resources through developing employee skills, creating a safe and healthy work environment, and building a system that promotes active participation of diverse human resources, and we will further enhance investments in these areas. In human capital management efforts, it is important not only to address tangible aspects such as facilities and employment systems, but also to work on intangible aspects, including creating a workplace where each and every employee can openly express their opinions.

One of the measures we are taking for that purpose is the digital transformation (DX) initiative. For the promotion of DX strategy, we have established the DX Strategy Committee to comprehensively formulate and implement our Group's strategy in this area. While there are many challenges to be addressed in DX, there are a lot of things that are made possible with DX. We believe that each employee's effort to make their work more efficient will lead to improving work productivity and creating a healthy workplace as well. Compared to when I joined the company, the way we work has changed dramatically due to the advent of digital technologies, such as the spread of personal computers, mobile phones, and smartphones, and the expanded use of the Internet. I believe that our ongoing DX initiative will further change the way we work and facilitate the sharing and utilization of information. By promoting these interactive approaches, we hope to create a mechanism that will ensure diversity in technology and human resources.

Since assuming the position of president, I have continued to stress the importance of communication to all employees. I do this because I believe improving the quality of communication and increasing the quantity of interactions with those around us will allow us to carry out our work more efficiently, promote mutual understanding, and bring better results. Even during the COVID-19 pandemic, our employees have been making various efforts to communicate with their supervisors, subordinates, and colleagues. This must be a factor that enables us to secure a certain level of earnings even in a difficult business environment. I have been engaged in internal communication proactively through face-to-face dialogues with people at business locations and answering questions from employees at Kobelco Gathering, an annual online event. Unfortunately, due in part to the spread of COVID-19, I was not able to visit business sites and communicate with our employees for more than three years. Currently, I am increasing opportunities to visit business sites and talk with employees to make up for the lack of in-person communication during the past years.

In addition, it is also important to engage in dialogue with shareholders, investors, and other external stakeholders. We hold interactive dialogues with those in the capital market on various occasions, such as explanatory meetings on the progress of the Medium-Term Management Plan, the status of individual businesses, our ESG initiatives, etc., where senior executives, including myself and the heads of business divisions, talk as speakers. We will continue to strive to maximize our corporate value through proactive communication with various internal and external stakeholders.

Moving Toward a Sustainable Society

I believe that addressing social issues and meeting customer needs, including achieving carbon neutrality, is our Group's mission, and at the same time it becomes new business opportunities. Our Group is one of the few companies in the world with a diverse range of businesses, which encompass materials, machinery, and electric power. Having diverse businesses means having diverse technologies, human resources, and markets. We believe that we are capable of creating new value by demonstrating our comprehensive strengths through a combination of all of these. In fact, we have produced results in the form of CO₂ reduction solutions in the ironmaking process and the hybrid-type hydrogen gas supply system. In addition, I feel that there is a growing awareness within the Company of the need for collaboration across business divisions. We will continue to contribute to the realization of a sustainable society through our Group's technologies, products, and services.

Message from the Chair of the Sustainability Management Committee

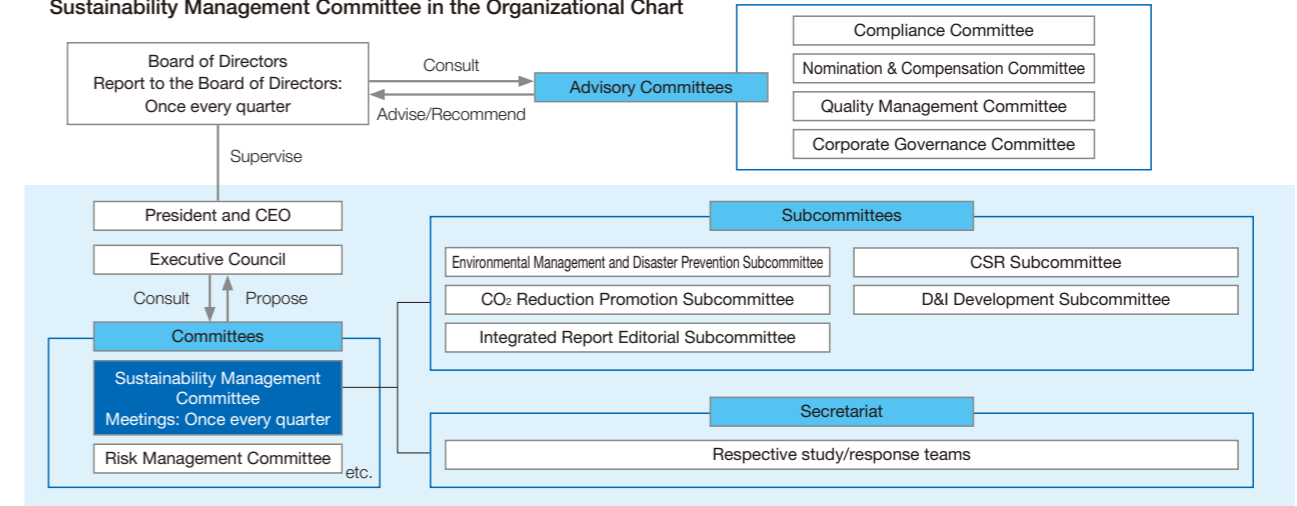
We will provide solutions to the needs of society while fulfilling various corporate social responsibilities.

Hajime Nagara

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



Sustainability Management Committee in the Organizational Chart



Promotion of Sustainability Management in the Kobelco Group

In recent years, companies have been required to practice sustainable management, starting with addressing the Sustainable Development Goals (SDGs). With the world facing various social issues today, the common goal of society and companies is to enhance sustainability. In this context, what is important for a company is to strive for sustainable growth by resolving social issues through business activities.

With this in mind, our Group has organized its approach to sustainability management into a framework for sustainability management. Under this framework, we are working to further enhance corporate value by fulfilling

our corporate social responsibilities and contributing to resolving social issues through the provision of enhanced technologies, products, and services.

Our Group's sustainability management is promoted under the initiative of the Sustainability Management Committee, an auxiliary body of the Executive Council, which undertakes the implementation of the management cycle for important issues. The Sustainability Management Committee promotes effective operation of activities by setting up subcommittees dedicated to specific issues of importance.

Materiality of the Kobelco Group (Key Issues)

In 2021, based on the Group Corporate Philosophy, we identified five items of materiality (key issues) that our Group

should address to achieve sustainable growth and become a corporate group indispensable to society through providing solutions to the needs of society and promoting value creation over the medium to long term.

Through the identification of these key issues, we have reaffirmed the Group's view of the future and its mission. We have set indicators and targets for materiality items in order to take more concrete steps toward the realization of our Group's materiality (key issues). The progress of activities is managed by the Sustainability Management Committee. Although there are some remaining issues, I feel that we made largely satisfactory progress with these initiatives in fiscal 2022.

The environment surrounding our business activities continues to undergo significant changes. In the past year

alone, we have been required to take actions from a variety of perspectives, including further strengthening efforts to address climate change, initiatives related to biodiversity, and initiatives for supply chains and diversity and inclusion (D&I). The Group will promote the resolution of these issues by tackling the five items of materiality and achieve sustainable growth.

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

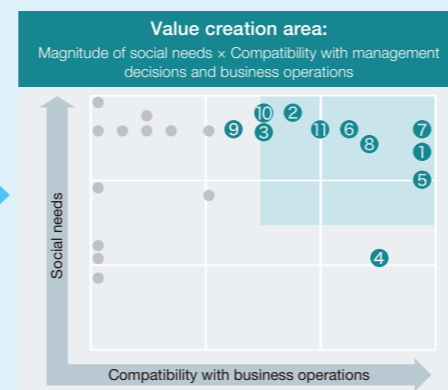
Process of Identifying Materiality

Under the leadership of the Chair of the CSR Committee (currently the Sustainability Management Committee), we evaluated the appropriateness of the materiality evaluation process and analysis results and examined issues of materiality that should be addressed with priority.

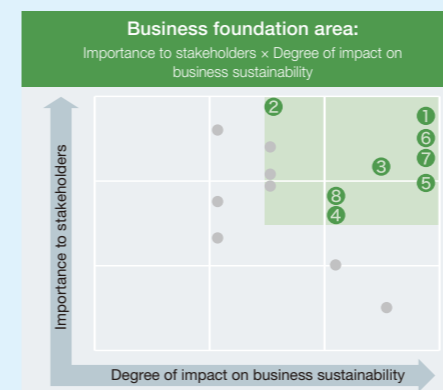
1 Comprehensively identify social issues with reference to megatrends and the following international frameworks and guidelines

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

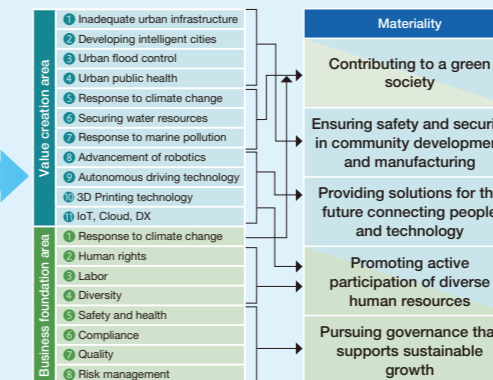
2 Score the social issues on their level of importance



from the following viewpoints and map them out



3 Merge key issues that are common to both of the value creation and business foundation areas and identify similar issues








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

4 Discuss issues several times at the management level, including independent directors, while checking their consistency with the Group Corporate Philosophy

5 Finalize materiality and receive approval from the Board of Directors

Materiality and Indicators/Targets

1 The latest coefficients are used to calculate the contribution to reduction of CO₂ emissions through technologies, products, and services. The figure for fiscal 2022 was calculated with revised coefficients.
 2 Three main items: Slag, dust, and sludge.
 3 S+3E = Safety + Energy Security, Economic Efficiency, and Environment.
 4 Employees in the back-office sections develop their own apps using no-code/low-code tools.
 5 Progress rates of the plan to rebuild existing IT systems, excluding the mainframe, which was planned at the time of formulation of the Medium-Term Management Plan (Fiscal 2021–2023).
 6 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).
 7 Figures for fiscal 2020 and 2021 have been revised due to changes in the calculation method (including the addition of e-learning and training provided at each business site). The time required for an e-learning lesson is estimated at 15 minutes per person.
 8 Figures for fiscal 2020 and 2021 have been revised due to changes in the calculation method (changed to figures by fiscal year).
 *A green society is not limited to the narrow meaning of a society that merely uses natural energy, but is defined as a society that addresses climate change and resource recycling.

Materiality of the Kobelco Group		Indicators and Targets					Main Initiatives in FY2022
		Indicators	Targets	Actual (FY2020)	Actual (FY2021)	Actual (FY2022)	
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 21%	Down 16%	Down 20%	• Promote energy-saving activities and implement initiatives in line with the Roadmap toward Carbon Neutrality in the Ironmaking Process.
		(2) Contribution to reduction of CO ₂ emissions through technologies, products, and services	2030: 61 million tons (including at least 45 million tons through MIDREX® Process) 2050: 100 million tons or more	40.77 million tons	44.91 million tons	58.91 million tons ¹	• Expand sales of technologies, products, and services that contribute to CO ₂ reduction.
		(3) Reduction of CO ₂ emissions in the electric power business	2030: Increasing efficiency of coal-fired power plants to the USC level or higher 2050: Taking on the challenge of realizing carbon neutrality	—	—	—	• Implement initiatives in line with the Roadmap toward Carbon Neutrality in the Electric Power Business, including ammonia co-firing/single-fuel firing and the use of biomass.
	Response to resource recycling	(4) Water recycling rate	Maintaining at 95% or higher	95.9%	95.7%	96.2%	• Promote efficient use and thorough recycling of water.
		(5) By-product recycling rate	Recycling of three main items ² FY2025: 99%	98.9%	99.3%	99.2%	• Promote recycling of the three main items and reduce final disposal amounts.
Ensuring safety and security in community development and manufacturing 	Supplying energy focused on S+3E ³	—	—	—	—	—	
	Providing materials and machinery that meet needs	(6) Percentages of target products in the product mix	FY2025: Percentage of wire rods/bars and high-tensile strength steel in the steel products: 52%	44%	46%	44%	• In fiscal 2022, we worked on increasing orders aimed at improving the product mix as planned, but the target was not achieved due to sluggish demand for automobiles. We will strive to increase the percentage of target products by steadily capturing the future recovery of demand for automobiles, while enhancing competitiveness and expanding global sales.
Improving safety and productivity	—		—	—	—		
Providing solutions for the future connecting people and technology 	Reforms in manufacturing and operations through digital transformation (DX)	(7) Hours of office work streamlined by digitization	FY2023: 125,000 hours/year FY2025: 250,000 hours/year	—	76,000 hours/year	122,000 hours/year	• Implemented measures to improve the no-code/low-code development environment and promote civil development ⁴ since fiscal 2022.
		(8) Progress rates of reconstruction of existing systems ⁵	FY2025: 100%	—	18.4%	40.3%	• The integration and renovation of the SAP ERP system (for financial accounting and the machinery businesses) and the large-scale restructuring of the design system are generally on schedule. The new SAP ERP system will be launched in April 2024.
		(9) Number of DX personnel trained	a. IT evangelists ⁶ FY2023: Approx. 500 b. Data scientists ⁶ FY2023: Approx. 140	a. 35 b. 99	a. 128 b. 113 (cumulative)	a. 278 b. 137 (cumulative)	• Progress is being made as planned and the target is expected to be achieved. To enhance effectiveness, we will implement the following measures in the future. a. Enhance the follow-up after training. Strengthen the sharing of case studies and information dissemination in the IT evangelist community. b. Continuous follow-up through introductory and intermediate training and advanced training by specialized departments and networking events.
	Integration and innovation of diverse intellectual assets	(10) New business creation	FY2025: Multiple task forces (TFs) to create new businesses FY2030: Multiple TFs to launch new businesses (Annual target earnings: 1 billion yen or more per business)	—	Two businesses	One business	• Continued to explore new businesses centered on the hydrogen and semiconductor working group and explored areas of focus next to the hydrogen and semiconductor fields.
		(11) Number of employees with PhDs	—	177	175	170	• Promoted initiatives for encouraging employees to obtain academic degrees and the hiring of students with PhDs.
Promoting active participation of diverse human resources 	Diversity and Inclusion (D&I)	(12) Percentage of women in new graduate hires	FY2023: a. Career-track administrative positions: 50% or more b. Career-track technical positions: 15% or more c. General technical positions: 15% or more	a. 34% b. 16% c. 9%	a. 35% b. 6% c. 8%	a. 48% b. 10% c. 8%	• Career-track positions: Introduced scout-type service and participated in seminars for female students • General technical positions: Increased recruiting at schools
		(13) Percentage of female managers	Double the percentage from fiscal 2020 (5.4%)	2.7%	2.8%	3.0%	• Enhanced the mid-career recruitment of women
		(14) Percentage of employees with disabilities	2.3% (statutory employment rate)	2.34%	2.56%	2.64%	• Conducted recruiting activities based on the statutory employment rate
		(15) Number of non-Japanese employees	—	87	76	74	• Conducted recruiting activities at universities in China • Began recruiting activities in Taiwan and South Korea
		(16) Percentage of male employees taking special leave for childcare	FY2023: 100%	77.8%	78.5%	88.0%	• Raised awareness at various D&I seminars, etc.
		(17) Turnover of employees with less than 10 years of service	Less than 15%	15.8%	19.5%	20.0%	• Conducted various activities to improve work styles and activities to support work-life balance, etc.
		Work style reform	(18) Overtime hours	—	16.6 h (per month/employee)	17.2 h (per month/employee)	16.5 h (per month/employee)
	(19) Number of annual paid leave days taken		15 (per year/employee)	11.0 days	13.9 days	17.0 days	• Encouraged the taking of annual leave based on annual plans created through two-way communication between supervisors and individual employees in a planned manner
	(20) Total hours worked		Under 2,000 hours/year	1,978 h	2,057 h	2,050 h	• Conducted activities at each business unit, such as finishing work by 7:00 pm and setting a day with no overtime work, etc. • Carried out activities for improving business operations to increase operational efficiency
	(21) Continuation of employee awareness survey		—	Ongoing	Ongoing	Ongoing	• Continued to implement the survey in fiscal 2022
	Human resources development	(22) Improving and expanding employee training a. Total hours trained (across all employees) b. Average hours of training per employee	—	a. 364,545 h b. 30.8 h ⁸	a. 349,585 h b. 30.9 h ⁸	a. 408,216 h b. 35.9 h	• Conducted training for selected leaders, in addition to stratified training based on the issues of each department and open training that can be selected by individuals • Introduction of a video training service that enables employees to learn anywhere and anytime
Pursuing governance that supports sustainable growth 	Compliance and risk management	(23) Number of internal reporting (whistleblowing) cases	—	112	113	111	—
	Human rights	(24) Participation rate in employee training	Implementation of Groupwide human rights training	—	76.4% (e-learning participation rate at Kobe Steel)	79.9% (e-learning participation rate at Kobe Steel)	• Conducted e-learning on harassment at Kobe Steel (for staff, foremen, and managers) • Continued training for those in charge of promoting employee training at Group companies (How to conduct training overseas is to be determined separately)
	Safety and health	(25) Lost time injury frequency rate	0.10 or less	0.28 ⁸	0.22 ⁸	0.24	• Implemented priority items, which include (1) Improving safety awareness and heightening attention to each other with participation of all members, (2) Monitoring the management status through safety and health diagnosis and conducting activities for improvement, and (3) Conducting test operation and evaluation of machinery safety and human safety support tools.
		(26) Expansion of safety and health training	—	694	778	1,820	• Implemented new employee training, new supervisor training, and line manager training to help them acquire knowledge and skills related to safety and health.
	Quality assurance	(27) Accreditation rate in compliance with Quality Guidelines in internal quality audit	FY2023: 70% of internal quality audit target locations	—	35%	47%	• In fiscal 2022, 24 sites were approved for compliance, and the approval rate was 47% (cumulative). Continue to improve quality assurance levels by self-diagnosing the status of compliance with the Quality Guidelines at each site in our Group.
		(28) Automation rate of testing and inspection equipment as defined by the Company	—	—	—	—	• Based on the plan, we are promoting consistent automation from the input of test and inspection data to the preparation of test results. To further enhance the soundness of data, we are developing plans to partially automate the processes where consistent automation was difficult in the past.
(29) Continuation of customer satisfaction survey		—	Ongoing	Ongoing	Ongoing	• Conducted surveys with questions tailored to each business unit considering the difference of business operations.	
Corporate governance	(30) Improving the effectiveness evaluation of the Board of Directors	—	Ongoing	Ongoing	Ongoing	—	

Roundtable Talk among Three Independent Directors



Fiscal 2023 is the final year of the Kobelco Group Medium-Term Management Plan (Fiscal 2021-2023). Throughout the period, we have boldly tackled a wide range of issues, with Materiality as a starting point, in both value creation and business foundation areas with a focus on sustainability management. Three independent directors, Hiroyuki Bamba (Chairman of the Board of Directors), Yumiko Ito (Chair of the Corporate Governance Committee), and Masaaki Kono (Chair of the Audit & Supervisory Committee), sat down for a candid discussion about the progress of discussions at the Board of Directors as well as the Company's efforts to leverage human capital that has been made thus far.

Kobelco Group's Sustainability Management Steadily Evolving

Kono: I feel the Medium-Term Management Plan is generally progressing smoothly. For example, regarding "Contributing to a Green Society," one of the Group's action items for Materiality, the Sustainability Management Committee took the lead in establishing a framework for cross-divisional discussions about the Group's roadmaps for the steelmaking process and for the electric power business, which were set forth in the Medium-Term Management Plan, and steady progress has been made. I see it as a great step forward. For another key issue, contribution to reduction of CO₂ emissions through the Group's technologies, products, and services, I believe that the results of the efforts are steadily materializing as exemplified by technologies and products such as the MIDREX[®] process, Kobenable Steel, and the hybrid-type hydrogen gas supply system.

Ito: The Group also has demonstrated its strength of

creating new value by combining technologies of not only one business division but also multiple business divisions, as seen in the CO₂ reduction solution in the ironmaking process using the MIDREX[®] process. In relation to another action item of Materiality "Providing solutions for the future connecting people and technology," my focus is on K-DIVE[®], developed by Kobelco Construction Machinery Co., Ltd. As every industry is facing difficulties in securing human resources, I believe K-DIVE[®] can be regarded as an example of best practice in that it shows the direction of how to provide solutions to society by incorporating elements of digital transformation (DX) into the Group's distinctive technologies and products.

Bamba: ROIC (return on invested capital) was also introduced in the Medium-Term Management Plan. The Group's investment and loan projects, which includes capital



Hiroyuki Bamba
Independent Director
(Chairman of the Board of Directors)



Yumiko Ito
Independent Director
(Chair of the Corporate Governance Committee)



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

investments, are enormous, and the results of those investments have a significant impact on our business. By using ROIC as a benchmark, the Company has been able to analyze its approach to capital investment and establish a detailed feasibility study method. From progress management to exit strategies, I feel that initiatives are being carried out in a steady and thorough manner.

Ito: I feel that the introduction of ROIC has led to further deepening of discussions on the executive side at meetings of the Investment and Loan Committee and the Business Portfolio Management Committee. The Board of Directors regularly receives reports on the status of business execution, and the ROIC tree is used as an evaluation system. I think this indicates that ROIC is gaining recognition within the organization.

Bamba: The Company carried out the measures to prevent recurrence of the quality misconduct, which was made public in 2017. Looking back now, I feel that it was quite significant that the Company tackled the fundamental organizational problems such as the lack of communication within the Company and undertook drastic reforms, not limited to corrective measures to ensure compliance in quality. In addition, the Company established the Group Corporate Philosophy in May 2020 and set forth the Group's Materiality in 2021 to present a concrete vision of what it aims for. Based on these, the Company formulated and implemented the Medium-Term Management Plan. This is one of the major factors that support the Medium-Term Management Plan's steady progress.

A Certain Level of Improvement Achieved in the Effectiveness of the Board of Directors

Bamba: At the Board of Directors meetings over the past year, we discussed the human resource development of the Group while sharing our views as outside directors with experiences at other companies, at the suggestion of independent directors to include human capital issues such as human resource development plans in the agenda. At offline meetings held after the Board of Directors meetings, we regularly received feedback from the investor relations (IR) team on the evaluation of the Company from the capital markets and discussed how to improve the value of the Group. Through these, we the management team realized once again that it was important to visualize our Group's growth scenario to the capital markets and provide explanations with clear distinctions between burgeoning businesses and businesses that are beginning to produce results. As Chairman of the Board of Directors, I believe it is extremely important to select agenda items in advance for the Board of Directors meetings. So, prior to the selection of agenda items at the Board of Directors meetings, I usually make a request to include specific themes, or suggest

adding some topics that have been discussed actively at the Meetings of Independent Directors, which consists of all six independent directors of the Company. I recognize that it is a responsibility of an independent director to fulfill supervisory functions of the Board of Directors.

Ito: The Corporate Governance Committee, which I chair, conducts an evaluation of the effectiveness of the Board of Directors. Looking back at fiscal 2021, I thought that there were few opportunities to discuss topics related to the business foundation area. Therefore, in fiscal 2022, we used the Meetings of Independent Directors and offline meetings to share information among directors and hold discussions with the executive side on a total of 13 occasions. We have a system in place to take up matters that directors consider important at the Board of Directors and discuss important agenda items as deeply as possible, and that is working well. I believe the effectiveness of the Board of Directors has been significantly improving.

Kono: The Audit & Supervisory Committee has focused on the effectiveness of the management structure and of risk

Roundtable Talk among Three Independent Directors



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management during the period of the Medium-Term Management Plan. In terms of the effectiveness of the Board of Directors, we feel that the Board of Directors holds a broader range of discussions, which has been highly evaluated by the Audit & Supervisory Committee. In terms of risk management, the Company has established a management structure that connects different business divisions by setting up various cross-organizational committees. I think this has enabled the Company to respond in a timely and appropriate manner to new risks that have emerged during this fiscal year, such as geopolitical risks, rising interest rates, and exchange rate fluctuations. With a view to promoting Group-wide initiatives globally, we believe it will be necessary to further instill this spirit throughout the Group, including overseas Group companies and their subsidiaries.

For Active Participation of Diverse Human Resources to Support KOBELCO

Bamba: Communication is the foundation of human capital management. As a focus under the Medium-Term Management Plan, the Company has worked to enhance two-way communication between management and employees, between business divisions, and between head office and business divisions, and achieved a significant improvement in this area. In addition, recently there has been a growing awareness of succession plans for developing successors who will be top executives, by providing them with experience of transfers between different business divisions, creating opportunities for accumulating management experience at overseas subsidiaries, etc. Since 2018, the Group has been conducting employee awareness surveys about the workplace and the Company, and the results of the survey have been reported to the Board of Directors. The Group had started such awareness surveys even before the momentum for the utilization of human capital increased in corporate management, showing that the Group embraces a corporate culture that values its employees.

Kono: What is the Kobelco Group aiming for? What does each employee offer to achieve the common goal through their own work? In order to improve employee engagement, the Group must continue to convey messages that will be the answer to these questions as part of the IR initiatives targeted at employees. The Company holds an annual event called "Kobelco Gathering" where President Yamaguchi explains the financial results of the fiscal year to employees. During a session, President Yamaguchi explains the ROIC tree and clarifies what each business division must do. I was impressed by the president's willingness to share the

direction that each employee should pursue.

The president is making good use of human capital, and I believe that he is exactly on the right path. The Kobelco Group has formulated its Corporate Philosophy and Materiality by having its employees take the lead and discuss the future vision. Going forward, it will be necessary to instill this attitude and spirit throughout the Group as a foundation of the organization. I also believe that DX is an important factor in human capital utilization. Since fiscal 2020, the Company has trained 278 IT evangelists and 137 data scientists. From the perspective of human resource development and employee engagement, I feel that it is crucial to foster an awareness of reforming day-to-day routine operations among all members of the Group.



We, the management team, realized once again that it was important to visualize our Group's growth scenario to the capital markets and provide explanations with clear distinctions between burgeoning businesses and businesses that are beginning to produce results.

Ito: How to secure human resources is becoming a key issue not only for the Kobelco Group but also for other companies. Along with work style reforms through DX, I suppose that personnel recruitment will be a key factor in the next medium-term management plan. This means it will become even more important to build a system to steadily secure human resources by analyzing the human resource portfolio and utilizing mid-career recruitment, as well as a system to maintain and improve the Company's reputation and employees' pride in the Company. In terms of promoting

active participation of women, we still have issues to be addressed, but considering that more than 20% of the current career-track and managerial employees are those who have joined Kobe Steel as mid-career hires, I think the Company has considerable potential for embracing diversity and inclusion by making good use of external talents. In addition, we are seeing further increased diversity in age of members of the Board of Directors, with the appointment of directors in their early 50s at the General Meeting of Shareholders in June 2023, as in the previous year.

Becoming a Unique Solution Provider with Comprehensive Strengths

Bamba: During training for directors, I had the opportunity to learn about the history of Kobe Steel. Looking from a big-picture perspective, I realized once again that the Group has been engaged in a wide variety of businesses for a long time, as exemplified by the manufacture of compressors that has continued since its founding. This convinced me that contributing to society and providing solutions to society are part of the DNA of the Kobelco Group. If we have the understanding of how the Company has evolved, I believe it will naturally become clear what the growth strategy for the next medium-term management plan should be. The focuses of the next medium-term management plan include: 1. Securing stable earnings in profitable areas and maintaining ordinary profit of approximately 100 billion yen, 2. Mapping out a growth path for emerging technologies, products, and services such as the MIDREX® Process, and 3. Quickly detecting changes in the external environment and making the best management decisions at that point to address uncertainty in future issues, such as the realization of a hydrogen society. I strongly feel that this is the key to increasing the Kobelco Group's value.

Kono: In the next medium-term management plan, we must continue to work on establishing a stable earnings base and taking on the challenge of realizing carbon neutrality. Regarding establishing a stable earnings base, it is important to further accelerate discussions on the desirable business portfolio for the Group. Regarding taking on the challenge of realizing carbon neutrality, the Group has emerging technologies and products that will be the seeds for achieving carbon neutrality, and the Company is entering a stage where it should make investment and management decisions that will turn these seeds into large trees. In the next medium-term management plan, I hope the Kobelco Group will show a concrete path to become a unique solution provider with comprehensive strengths and its capability of combining the technologies of various



In the next medium-term management plan, I hope the Kobelco Group will show a concrete path to become a unique solution provider with comprehensive strengths. We believe this will lead to the Group, which is capable of combining the technologies of various businesses, being valued as a conglomerate premium.

businesses is valued as a conglomerate premium.

Ito: In November 2022, Kobe Steel announced the establishment of the Kobelco Future Pioneering Co-Creation Research Center in collaboration with Osaka University in order to explore solutions for innovation in manufacturing where people and digital technologies coexist. In tackling social issues such as carbon neutrality, it is important to move forward with proactive approaches through collaboration and partnerships like this. In addition, discussions on business portfolios are important for investment decisions aimed at carbon neutrality, and the foundation for all of them relies on human resources, as mentioned earlier. Moving toward the next medium-term, I recognize that my role is to help delve into human capital management and human resource strategies, and to ensure corporate governance and Group/global governance, which form the basis for the next medium-term management plan.