

Kobelco Group

ESG Data Book 2023

KOBELCO



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Editorial Policy

We have published Kobelco Group ESG Data Book 2023 to share our basic policy regarding the environment, society, and governance (ESG) and foster understanding of our initiatives and related data. This data book was designed to improve searchability and convenience, and contains all necessary information, based upon the GRI Standards, a set of international reporting guidelines, and the evaluation items of major ESG rating agencies.

Kobelco Group Integrated Report 2023 contains information on our medium- to long-term growth strategy (value creation story) and specific initiatives we employ to achieve this strategy. Please use our integrated report for a point of reference alongside this data book.

● Period Covered

Fiscal 2022 (From April 1, 2022 to March 31, 2023)

Please note that this data book may refer to fiscal years before and after the period when necessary.

● Scope of Reporting

In principle, this data book covers the activities of Kobe Steel, Ltd. and its Group companies in Japan and overseas.

● Referenced Guidelines

- 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)

● Positioning of This Data Book within the Disclosure System

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

A blue dot (●) means relevant information provided.

Tools for Information Disclosure		Type of 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 this information, please refer to the Sustainability page on our corporate website.	●	●

Group Corporate Philosophy

Group Corporate Philosophy Created by All Group Members Working Together

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

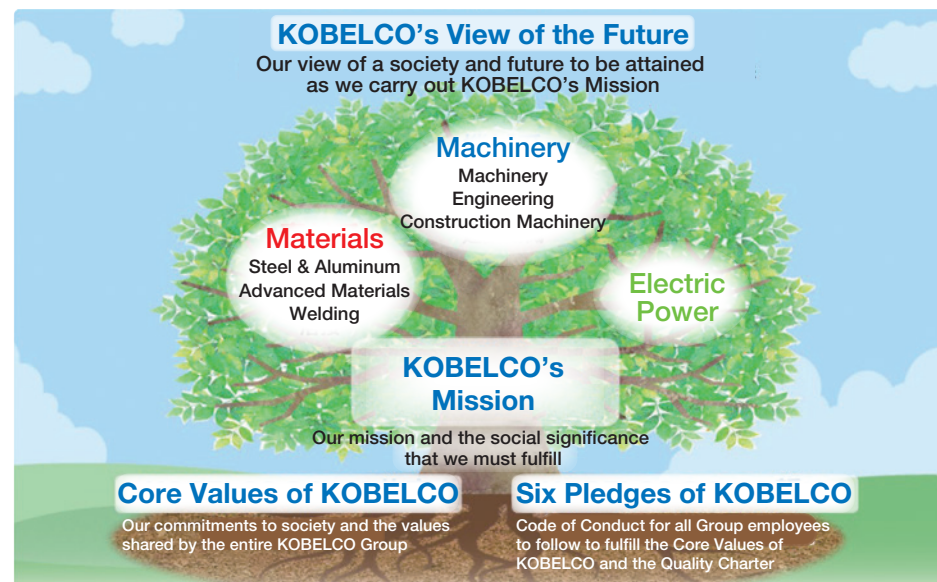
The Group Corporate Philosophy comprises four elements: KOBELCO's View of the Future and KOBELCO's Mission, along with the Core Values of KOBELCO and the Six Pledges of KOBELCO, which present our values to be shared and standards of conduct.

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.

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



Framework for Sustainability Management

Promotion of Sustainability Management Based on the Group Corporate Philosophy

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

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

Group Corporate Philosophy

KOBELCO's View of the Future

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

KOBELCO's Mission

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

Core Values of KOBELCO

Six Pledges of KOBELCO

KOBELCO's View of the Future

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

Our technologies, products, and services are not only for those who live in the present, but also for future generations.

KOBELCO sees a sustainable, beautiful, and flourishing world in the future, with safety and security in people's lives. Such a future will give rise to value that creates new conveniences and comfort and help people fulfill their hopes and dreams.

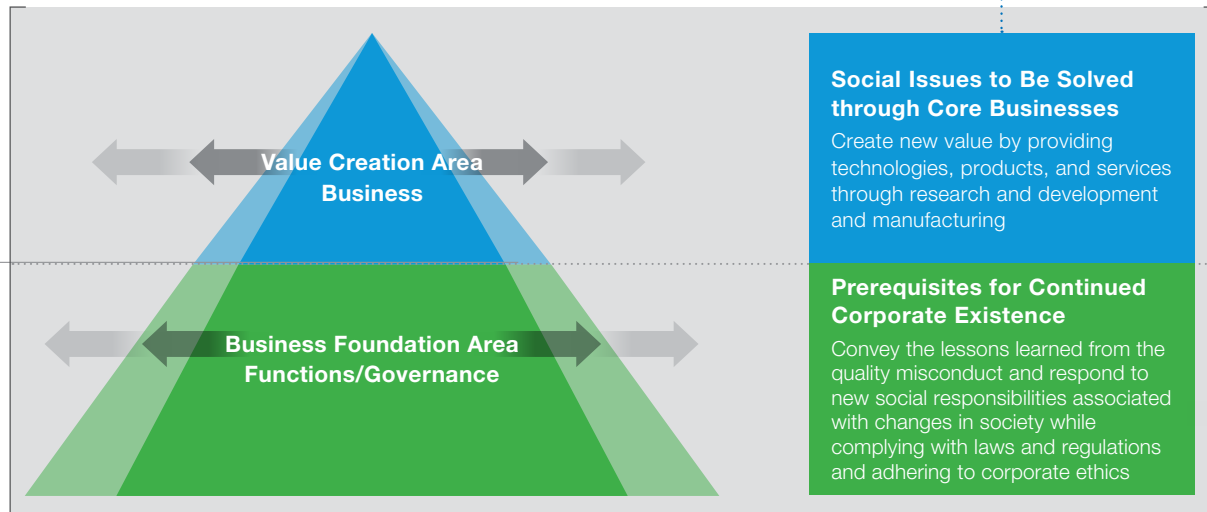
KOBELCO's Mission

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

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

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

Key Issues to Address



Promotion Tools



Message from the Chair of the Sustainability Management Committee



Hajime Nagara

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

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 the idea of striving 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 sites 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.

We have compiled this ESG data book with the aim of delivering our ESG-related initiatives in a form that is accessible and easier to understand. My sincere hope is that this will increase stakeholders' understanding of our Group.

Framework for Promoting Sustainability Management

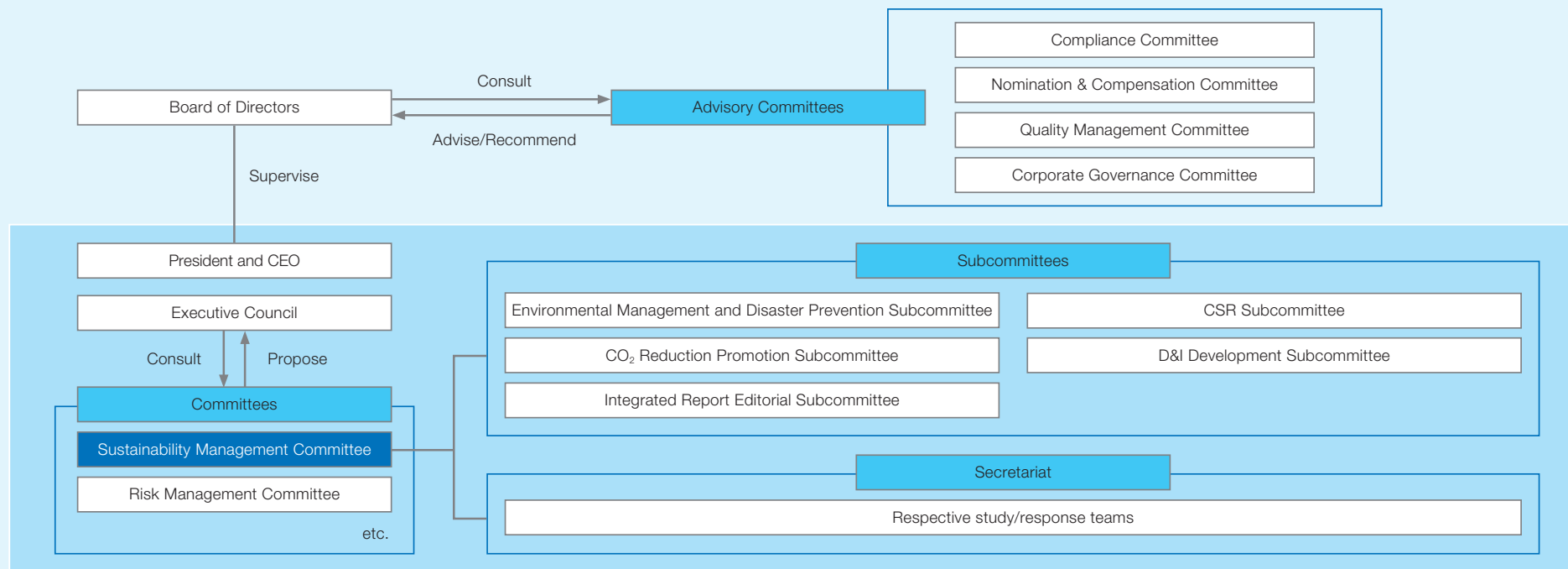
Framework for Promoting Sustainability Management

In promoting sustainability management, priority issues are addressed through a management cycle that centers on the Sustainability Management Committee, an auxiliary body to the Executive Council. While proactively disclosing information and utilizing promotion tools, such as ESG external assessments and the SDGs, we have put into place a system that allows the Board of Directors to monitor sustainability management.

Sustainability Management Committee

- Chair (Responsible officer): Hajime Nagara, Executive Vice President and Representative Director
- Report to the Board of Directors: Once every quarter
- Meetings: Once every quarter
- Functions:
- Identify sustainability-related issues of the Group
 - Create the schedule for sustainability promotion activities
 - Advise on Medium-Term Management Plan
 - Monitor and advise on sustainability promotion activities
 - Announce information on the initiatives that the Company supports and promote relevant activities
 - Take responses to external assessments on ESG

Sustainability Management Committee in the Organizational Chart



Materiality and Indicators/Targets

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%	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Expand sales of technologies, products, and services that contribute to CO₂ 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	—	—	—	<ul style="list-style-type: none"> 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%	<ul style="list-style-type: none"> 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%	<ul style="list-style-type: none"> 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%	<ul style="list-style-type: none"> 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 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		—	—	—	—	

* 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.

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

Materiality and Indicators/Targets

Materiality of the Kobelco Group		Indicators and Targets				Main Initiatives in FY2022	
		Indicators	Targets	Actual (FY2020)	Actual (FY2021)		Actual (FY2022)
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%	<ul style="list-style-type: none"> 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. 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)	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 PhD	—	177	175	170	<ul style="list-style-type: none"> Promoted initiatives for encouraging employees to obtain academic degrees and the hiring of students with a doctoral degree.
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%	<ul style="list-style-type: none"> 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	2.7%	2.8%	3.0%	<ul style="list-style-type: none"> Enhanced the mid-career recruitment of women
		(14) Percentage of employees with disabilities	2.3% (statutory employment rate)	2.34%	2.56%	2.64%	<ul style="list-style-type: none"> Conducted recruiting activities based on the statutory employment rate
		(15) Number of non-Japanese employees	—	87	76	74	<ul style="list-style-type: none"> Conducted recruiting activities at universities in China Began recruiting activities in Taiwan and South Korea
	Work style reform	(16) Percentage of male employees taking special leave for childcare	FY2023: 100%	77.8%	78.5%	88.0%	<ul style="list-style-type: none"> 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%	<ul style="list-style-type: none"> Conducted various activities to improve work styles and activities to support work-life balance, etc.
		(18) Overtime hours	—	16.6 h (per month/employee)	17.2 h (per month/employee)	16.5 h (per month/employee)	<ul style="list-style-type: none"> Conducted activities at each business unit, such as finishing work by 7:00 pm and setting a day with no overtime work, etc. Carried out activities for improving business operations to increase operational efficiency
		(19) Number of annual paid leave days taken	15 (per year/employee)	11.0 days	13.9 days	17.0 days	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 ⁷	a. 349,585 h b. 30.9 h ⁷	a. 408,216 h b. 35.9 h	<ul style="list-style-type: none"> 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.

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.

Materiality and Indicators/Targets

Materiality of the Kobelco Group		Indicators and Targets					Main Initiatives in FY2022
		Indicators	Targets	Actual (FY2020)	Actual (FY2021)	Actual (FY2022)	
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)	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 KOBELCO Group Quality Guidelines in internal quality audit	FY2023: 70% of internal quality audit target locations	—	35%	47%	<ul style="list-style-type: none"> 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 KOBELCO Group Quality Guidelines at each site in our Group.
		(28) Automation rate of testing and inspection equipment as defined by the Company	—	—	—	—	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	—

⁸ Figures for fiscal 2020 and 2021 have been revised due to changes in the calculation method (changed to figures by fiscal year).

Environment



Environment

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Basic Environmental Management Policy and Structure

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

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives. In realizing that vision, we assume the important responsibility of passing on to future generations a healthy global environment in which all forms of life can thrive. To this end, the Kobelco Group has formulated long-term policies, set targets, and is promoting environmental management based on the Kobelco Group's Basic Environmental Management Policy, which consists of three visions.

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

Basic Environmental Management Policy Policies

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



Initiatives for the Environment Policies Strategies and Targets

Initiatives for Implementation		Long-Term Policies	Targets Set Forth in the Medium-Term Management Plan (Fiscal 2021–2023)
VISION 1	Measures against global warming	Contribute to preventing global warming by promoting energy conservation and CO ₂ reduction in all business activities 2030 Target: Reduce CO ₂ emissions from production processes by 30–40% (compared with fiscal 2013). 2050 Vision: Taking on the challenge of achieving carbon neutrality	<ul style="list-style-type: none"> Promote medium- to long-term technological development based on the roadmap and continue working on energy conservation initiatives, in order to achieve the targets for 2030 and vision for 2050
	Promoting resource recycling	Continue activities aimed at zero landfill waste Target: Recycling rate of 99% (FY2025) (Major by-products: Slag, sludge, and dust)	<ul style="list-style-type: none"> Continue reducing the amount of waste disposed; and achieve and maintain the industry's voluntary action plan targets Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products
	Appropriate management of chemical substances	Reduce hazardous substances in accordance with the Kobelco Group Policy on Controlling Hazardous Chemical Substances	<ul style="list-style-type: none"> Properly manage and reduce or replace chemical substances, and properly comply with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and Act on Rational Use and Appropriate Management of Fluorocarbons
	Reducing environmental impact	Ensure thorough voluntary controls and make continuous efforts toward reducing the environmental impact	<ul style="list-style-type: none"> Continue thorough operational management and facility management in an effort to reduce environmental impact from air emissions, etc. Target: Maintain a water recycling rate of 95% or higher Groupwide Water pollution load: COD: 474 tons/year and total phosphorus: 23 tons/year
Thorough risk management	Pursue systematic and deliberate efforts to reduce risks	<ul style="list-style-type: none"> Continue on-site environmental audits by the Head Office and expand audits to Group companies and affiliated companies in an effort to promote the establishment of independent environmental management systems For overseas Group companies, promote the same level of environmental management as in Japan and improve risk management through activities such as on-site environmental inspections 	
Promoting environmental initiatives with full employee participation	Constantly improve the environmental awareness of all Kobelco Group employees	<ul style="list-style-type: none"> Continue initiatives such as stratified training, e-learning, and environmental training for Group companies, and encourage the use of the Kobelco Eco-Life Notebook (household eco-account book), in an effort to increase environmental awareness 	
VISION 2	Contributing to the environment through technologies, products, and services	Create environmentally sustainable products and new businesses with due consideration of the environment in all technological and product development 2030 Target: Contribution to CO ₂ reduction: 61 million tons (including at least 45 million tons through MIDREX® Process) 2050 Vision: Contribution to CO ₂ reduction: 100 million tons or more	<ul style="list-style-type: none"> Contribute to the creation of a low-carbon society through the efforts of the entire Kobelco Group by working on issues related to the environment and energy fields, such as weight reduction of transportation vehicles, the creation of a hydrogen-based society, and the diversification of power sources
VISION 3	Coexisting and cooperating with society	Promote coexistence and cooperation with local communities from an environmental perspective	<ul style="list-style-type: none"> Promote the Kobelco Green Project, centered on the three key activities of the Kobelco Forest Fairy Tale Prize, forest development, and environmental education outreach at children's centers, in an effort to cooperate and coexist in harmony with local communities
	Disclosure of environmental information	Take active steps to disclose environmental information and improve communication with all stakeholders	<ul style="list-style-type: none"> Continue disclosing information and enhance communication with all stakeholders

Basic Environmental Management Policy and Structure

Environmental Management Structure Structure

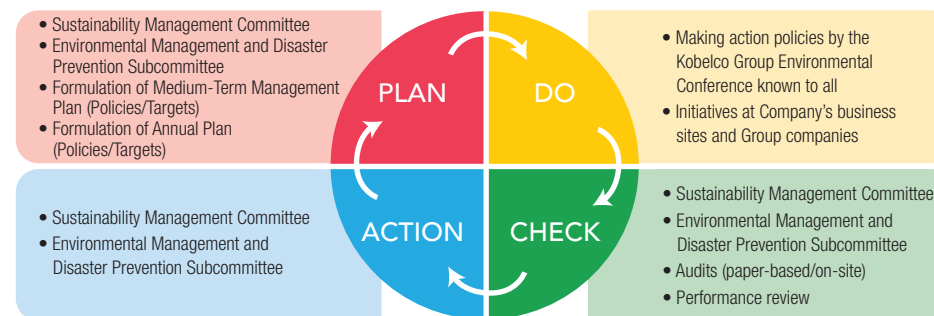
The Group's environmental management policies, targets, initiatives, and progress are deliberated at the Environmental Management and Disaster Prevention Subcommittee, which is chaired by the executive officer responsible for Companywide environmental protection and disaster prevention, and whose members consist of managers of the Head Office's administrative departments and the respective business divisions' environmental management departments. At meetings held at least once a year, the subcommittee deliberates, reports, and evaluates policies, execution plans, and the results of efforts concerning initiatives for implementation for each of the three visions regarding environmental management. Important matters are reported and submitted to the Executive Council after the Sustainability Management Committee, to which the subcommittee reports. The management cycle is implemented with the Sustainability Management Committee at its center, and individual issues related to environmental management are further discussed by the Environmental Management and Disaster Prevention Subcommittee under this committee. Regarding climate change-related risks and opportunities, we have established the CO₂ Reduction Promotion Subcommittee under the Sustainability Management Committee to examine and implement activities cross-functionally across the entire company.

▶ For details on our governance system related to climate change, please refer to page 15.

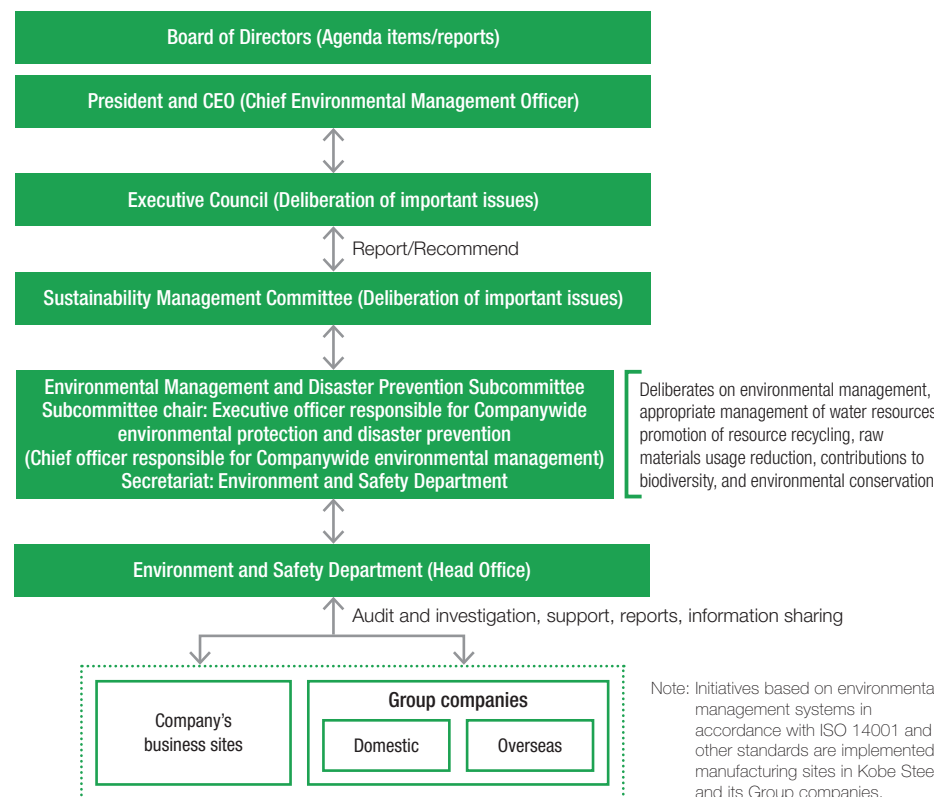
Long-term environmental policies and execution plans for achieving medium-term management plan targets are incorporated into the medium-term management plan and annual budgets of each business division.

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

● Environmental Management Cycle (Yearly)



● Management System



Basic Environmental Management Policy and Structure

Medium- to Long-Term Environmental Targets and Initiatives

Strategies and Targets Results

The Kobelco Group is committed to environmentally friendly business practices. We established the Medium-Term Environmental Management Plan for fiscal 2021–2023 which also covers the six initiatives for implementation following the Basic Environmental Management Policy.

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

Initiatives for Implementation		Long-Term Policies	Targets Set Forth in the Medium-Term Management Plan (Fiscal 2021–2023)	Fiscal 2022 Results	Evaluation	Initiatives for Fiscal 2023	
VISION 1 Environmentally friendly manufacturing	Measures against global warming	Contribute to preventing global warming by promoting energy conservation and CO ₂ reduction in all business activities 2030 Target: Reduce CO ₂ emissions from production processes by 30–40% (compared with fiscal 2013) 2050 Vision: Take on the challenge of achieving carbon neutrality	▶ Promote medium- to long-term technological development based on the roadmap and continue working on energy conservation initiatives, in order to achieve the targets for 2030 and vision for 2050	▶ Promoted energy-saving activities ▶ Implemented initiatives in line with the Roadmap toward Carbon Neutrality in the Ironmaking Process	○	▶ Promoted energy-saving activities ▶ Implemented initiatives in line with the Roadmap toward Carbon Neutrality in the Ironmaking Process	▶ See p.15–26
	Promoting resource recycling	Continue activities aimed at zero landfill waste Target: Recycling rate: 99% (fiscal 2025) (Major by-products: slag, sludge, and dust)	▶ Continue reducing the amount of waste disposed; and achieve and maintain the industry's voluntary action plan targets ▶ Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products	▶ The waste treatment plans formulated by each business division are making steady progress. The recycling rate in fiscal 2022 was 96%, and 99.2% for major by-products (slag, dust, and sludge), contributing to achieving the targets of the Voluntary Action Program for Environmental Protection of the Japan Iron and Steel Federation (JISF). ▶ Implemented proper operations in accordance with the guidelines at Kakogawa Works and Takasago Works; conducted internal audits at all business locations regarding proper treatment of slag	○	▶ Work on the 3Rs (Reduce, Reuse, and Recycle) to achieve the recycling rate target for fiscal 2025 ▶ Carry out appropriate disposal in accordance with the Guidelines Related to Management of Iron and Steel Slag Products	▶ See p.35–38
	Appropriate management of chemical substances	Reduce hazardous substances in accordance with the Kobelco Group Policy on Controlling Hazardous Chemical Substances	▶ Properly manage and reduce or replace chemical substances, and properly comply with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes and Act on Rational Use and Appropriate Management of Fluorocarbons	▶ Waste with high concentrations of PCBs was treated appropriately. A plan was formulated for the disposal of machinery containing low concentrations of PCBs, including those units still in use. ▶ Through audits and other means, it was verified that action is being taken under the revised Act on Rational Use and Appropriate Management of Fluorocarbons	○	▶ Dispose of waste with low concentration of PCBs following the disposal plan formulated in fiscal 2022 ▶ Fully comply with new regulations on chemical substances	▶ See p.40
	Reducing environmental impact	Ensure thorough voluntary controls and make continuous efforts toward reducing the environmental impact	▶ Continue thorough operational management and facility management in an effort to reduce environmental impact from air emissions, etc. Targets: Water recycling rate: Maintain 95% or higher Groupwide Water pollution load: COD of 474 tons/year and total phosphorus of 23 tons/year	▶ Continued thorough management of soot/smoke and wastewater ▶ Soot/Smoke emissions (steelworks influence value) of Kakogawa Works achieved our voluntary target value 3.0 tons/km ² ▶ Achieved a water recycling rate of 96% ▶ Water pollution load of COD: 213 tons/year; total phosphorus: 4 tons/year	○	▶ Continue thorough operational management and facility management in an effort to reduce environmental impact from air emissions, etc. ▶ Ensure that Kakogawa Works stably achieves its target for soot/smoke emissions by implementing measures such as maintaining dust collectors and cleaning dust protection nets	▶ See p.39–41
	Thorough risk management	Pursue systematic and deliberate efforts to reduce risks	▶ Continue on-site environmental audits by the Head Office and expand audits to Group companies and affiliated companies in an effort to promote the establishment of independent environmental management systems ▶ For overseas Group companies, promote the same level of environmental management as in Japan and improve risk management through activities such as on-site environmental inspections	▶ Conducted a paper-based environmental audit for all business sites of the Group, including non-production sites in Japan. For 12 production sites, on-site environmental audits were conducted and management status checked ▶ Conducted audits of Group companies in the United States, China, Malaysia, and Vietnam	○	▶ Through interviews and meetings with domestic business locations with a comparatively low environmental risk (sales offices, maintenance facilities, etc.), which have not been subject to on-site environmental audits so far, identify risks and improve the level of environmental management, as well as check the status by conducting on-site environmental audits ▶ Carry out on-site environmental audits of Group companies in China, South Korea, and Thailand to improve the level of environmental management at each company	▶ See p.27–28
Promoting environmental initiatives with full employee participation	Constantly improve the environmental awareness of all Kobelco Group employees	▶ Continue initiatives such as stratified training, e-learning, and environmental training for Group companies, and encourage the use of the Kobelco Eco-Life Notebook (household eco-account book), in an effort to increase environmental awareness	▶ Increased employees' environmental awareness and knowledge through the Kobelco Group Environmental Conference, stratified training, and e-learning ▶ Encouraged use of the Kobelco Eco-Life Notebook to raise environmental awareness at home	○	▶ Continue initiatives such as stratified training and environmental training for Group companies to raise awareness of the environment, and promote initiatives for updating the Kobelco Eco-Life Notebook (household eco-account book) system and expanding its content	▶ See p.28–29	

Basic Environmental Management Policy and Structure

	Initiatives for Implementation	Long-Term Policies	Targets Set Forth in the Medium-Term Management Plan (Fiscal 2021–2023)	Fiscal 2022 Results	Evaluation	Initiatives for Fiscal 2023	
VISION 2	Contributing to the environment through technologies, products, and services	Create environmentally sustainable products and new businesses with due consideration of the environment in all technological and product development 2030 Target: Contribution to CO ₂ reduction: 61 million tons (including at least 45 million tons through MIDREX® Process) 2050 Vision: Contribution to CO ₂ reduction: 100 million tons or more	▶ Contribute to the creation of a low-carbon society through the efforts of the entire Kobelco Group by working on issues related to the environment and energy fields, such as weight reduction of transportation vehicles, the creation of a hydrogen-based society, and the diversification of power sources	▶ Became the first in Japan to establish a technology that significantly reduces CO ₂ emissions in the blast furnace process and provide steel produced by this technology called Kobenable Steel, which is being used in the automobile, construction material, and shipbuilding fields ▶ MIDREX Flex™, the direct reduced iron (DRI) process* of subsidiary Midrex Technologies, Inc. ("Midrex") was adopted for the first time in the world for a hydrogen-reduced iron plant to be built at the Duisburg Steel Plant of Thyssenkrupp Steel Europe AG ("Thyssenkrupp") * Based on the MIDREX NG™ technology, this process can flexibly replace up to 100% of the natural gas used for reduction with hydrogen	○	▶ Work to achieve our CO ₂ reduction contribution target and lower society's CO ₂ emissions through further sales expansion of technologies, products, and services that contribute to CO ₂ reduction and the technological development such as multi-materials	▶ See p.23–24
	Coexisting and cooperating with society	Promote coexistence and cooperation with local communities from an environmental perspective	▶ Promote the Kobelco Green Project, centered on the three key activities of the Kobelco Forest Fairy Tale Prize, forest development, and environmental education outreach at children's centers, in an effort to cooperate and coexist in harmony with local communities	▶ With backing from all municipalities in which our 12 domestic business sites are located, we solicited stories for the 10th Kobelco Forest Fairy Tale Prize and received more than 537 submissions We also held a commemorative ceremony to mark the 10th anniversary ▶ Environmental education outreach at children's centers was suspended due to COVID-19 and forest development activities were carried out by in-house staff only	○	▶ Continue to promote the Kobelco Green Project (consisting of the Kobelco Forest Fairy Tale Prize, forest development activities, and environmental education outreach at children's centers) to better coexist and cooperate with local communities	▶ See p.45
	Disclosure of environmental information	Take active steps to disclose environmental information and improve communication with all stakeholders	▶ Continue disclosing information and enhance communication with all stakeholders	▶ Continued to disclose environmental information via our integrated report, ESG data book, corporate website, public monitors, and other measures. Also, we set up booths at various exhibitions and introduced our Group's environmental technologies and products	○	▶ Continue disclosing information and enhance communication with all stakeholders	▶ See p.29–30

Response to Climate Change

Climate-Related Disclosures Based on TCFD Recommendations

In December 2020, Kobe Steel announced that it supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and decided to join the TCFD Consortium, an organization of TCFD supporter organizations in Japan.



● Basic Concept Policies

The Kobelco Group recognizes CO₂ reduction as a top management priority. As such, we announced our aim to increase corporate value through a transition to carbon neutrality that we aim to achieve by 2050 in the Kobelco Group Medium-Term Management Plan (fiscal 2021–2023) announced in May 2021.

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

Climate-Related Governance

We established the CO₂ Reduction Promotion Subcommittee under the Sustainability Management Committee (chaired by the Executive Vice President and Representative Director) as an organization that specializes in dealing with issues related to the risks and opportunities associated with climate change. The subcommittee, tasked with conducting strategic reviews of climate change, studies and implements Companywide activities to address the risks and opportunities of climate change.

Assessment and management of climate-related risks and opportunities are regarded as important management issues, and important decisions of the CO₂ Reduction Promotion Subcommittee are subject to the approval of the relevant Executive Steering Committee. The Steering Committee consists of directors and executive officers, as knowledge from a wide range of perspectives and viewpoints is required for climate-related issues, including business, management, legal, and technological development.

The activities of the CO₂ Reduction Promotion Subcommittee and its study outcomes are reported through the Sustainability Management Committee to the Board of Directors quarterly for supervision and guidance from the Board of Directors. Important decision-making related to climate change involves a system of direct governance by senior management. Under this system, recommendations are made to the Executive Council through the Sustainability Management Committee, with the

matter then approved by the President and CEO or a resolution of the Board of Directors following deliberation by the Executive Council.

Climate-Related Governance Structure

Board of Directors	Provide advice and recommendations on sustainability activities	Board of Directors	Monitors CO ₂ reduction measures that may have a major impact on management	Quarterly
President and CEO		Executive Council	Deliberates and decides on important matters related to CO ₂ reduction measures	At least once per year
Executive Council		Sustainability Management Committee	Deliberates important matters related to CO ₂ reduction measures	At least 4 times per year
Sustainability Management Committee		Executive Vice President and Representative Director Chair of the Sustainability Management Committee Hajime Nagara		
CO ₂ Reduction Promotion Subcommittee				

Response to Climate Change

Climate-Related Strategy

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

Climate-Related Risks

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

Climate-Related Opportunities

As international concern for climate change-related issues rises, demand is growing for low-CO₂ products and services. We expect an increase in demand for the Group's technologies, products, and services that help reduce CO₂ emissions, such as materials for automotive weight reduction and the MIDREX[®] Process over the medium to long term.

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

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

	Risks		Opportunities	
	Short to medium term (up to FY2030)	Long term (up to FY2050)	Short to medium term (up to FY2030)	Long term (up to 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 (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		

Response to Risks and Opportunities (R&D)

Reduction of CO₂ Emissions in Production Processes

Kobe Steel is participating with other steelmakers in the projects being promoted by the New Energy and Industrial Technology Development Organization (NEDO) (see below) in a bid to further reduce CO₂ emissions in the ironmaking process and to realize practical application of these developments. The project for hydrogen utilization in the ironmaking process was selected for funding by Japan's Green Innovation Fund. We are committed to implementing similar initiatives aimed at carbon neutrality by 2050.

Innovative Technology Development	Participating Companies	Technologies Being Developed
Green Innovation Fund project / Project for hydrogen utilization in the ironmaking process	Nippon Steel Corporation JFE Steel Corporation Kobe Steel, Ltd. The Japan Research and Development Center for Metals	Development of impurity removal technology for electric arc furnaces (EAFs) using DRI (technology for controlling the concentration of impurities in a large-scale test EAF at the same level as the blast furnace method)

Response to Climate Change

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

Our existing lineup of products that help reduce CO₂ emissions includes automotive weight-reduction materials and parts along with heat pumps. We will continue developing technologies to further contribute to CO₂ reduction with these solutions. We are also striving to develop and commercialize new technologies, products, and services that help reduce CO₂ emissions, including MIDREX-H₂TM (100% hydrogen direct reduction).

▶ [New orders of MIDREX H₂TM direct reduced iron plant for H₂ Green Steel of Sweden along with investment towards H₂ Green Steel](#)

▶ [Adoption of MIDREX FlexTM at direct reduced iron hydrogen plant for thyssenkrupp Steel Europe AG of Germany](#)

● Impacts on Business, Strategy, and Finance

According to the "Mandatory Greenhouse Gas Accounting and Reporting System (published by the Ministry of the Environment)", Kobe Steel is one of the largest emitters of greenhouse gases in Japan. Our Company pays the carbon tax, Tax for Climate Change Mitigation (289 yen per ton of CO₂ emissions from the use of coal, oil, LPG, and LNG), and in the future, if the carbon tax is increased or new taxes are imposed with the introduction of carbon pricing, it is expected to have a significant impact on our business, so we are constantly monitoring these trends. If regulations or taxes are imposed on CO₂ and other emissions in the future, our Group's business activities, particularly those related to steel, will be restricted, which may have an impact on our Group's business performance with a decrease in sales, an increase in costs, etc.

The Kobelco Group has been promoting energy conservation efforts as a measure to mitigate the impact of carbon pricing. Our Group invested approximately 0.38 billion yen in energy conservation capital investments in fiscal 2022.

Examples of investments in fiscal 2022 include updating the blast furnace pneumatic cooler at the Kakogawa Works. For other initiatives, please refer to "Initiatives to Save Energy and Reduce CO₂ Emissions" on page 26.

In addition, the Kobelco Group is engaged in the development of various technologies related to the reduction of CO₂ emissions in production processes and contribution to reduction of CO₂ emissions through technologies, products, and services in order to contribute to the reduction of CO₂ emissions by society as a whole. In fiscal 2022, we spent approximately 3.6 billion yen on research and development related to climate change.

▶ [For details on our research and development related to climate change, please refer to "Environmental Accounting" on page 30.](#)

● Scenario Analysis

In order to better understand future climate-related risks and opportunities, we carried out medium-term (2030) and long-term (2050) scenario analysis.

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

■ Impact on Business

As more than 90% of our Group's CO₂ emissions come from the steelmaking process, the medium- to long-term trends in the steel industry will have the greatest impact on our business. According to the "JISF Long-Term Vision for Climate Change Mitigation—A Challenge towards Zero-Carbon Steel," there is a certain correlation between economic growth and the amount of steel stock per capita. Therefore, the demand for steel is expected to continue to increase along with the world's economic growth and population growth.

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

Amid growing interest in the response to climate change and the disclosure of relevant information, the importance of CO₂ reduction efforts in the iron and steel industry is expected to continue increasing. For this reason, we anticipate that our stakeholders, including national and local governments, investors, and customers, will pay greater attention to our efforts to reduce CO₂ emissions from our own facilities and expand our environmental menu that contributes to CO₂ reduction.

Response to Climate Change

■ Risks and Opportunities

One of our Group's core businesses is the manufacture and sale of steel products, which falls under the industry category of energy-intensive basic materials. Our Group's CO₂ emissions from energy use in fiscal 2022 totaled 15.6 million tons (Scope 1 and Scope 2), which ranks high even in Japan's manufacturing industry. Accordingly, we recognize that the trends of future national climate change policies, laws, and regulations, including carbon pricing, are transition risks that may have a significant impact on our business operations.

In May 2021, the Kobelco Group announced in its Medium-Term Management Plan (Fiscal 2021–2023) that it will take on the challenge of realizing carbon neutrality by 2050 and aim to increase corporate value through this transition. The Kobelco Group has set targets for 2030 and a vision for 2050 from two angles: (1) reducing CO₂ emissions in the Group's own production processes, and (2) contributing to the reduction of CO₂ emissions through the Group's distinctive technologies, products, and services.

Regarding the reduction of CO₂ emissions in our own production processes, we will promote CO₂ reduction initiatives and mitigate risks by formulating roadmaps for carbon neutrality in the ironmaking processes and in the electric power business. On the other hand, regarding the contribution to the reduction of CO₂ emissions through the Group's distinctive technologies, products, and services, we will make the most of opportunities by formulating a roadmap for the contribution to the reduction of CO₂ emissions through the MIDREX[®] Process.

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

In accordance with its Risk Management Regulations, our Company has defined "climate-related regulations" and "natural disaster preparation and recovery" as Top Risks that are expected to have a particularly severe impact when an event occurs, with the aim of strengthening our risk management.

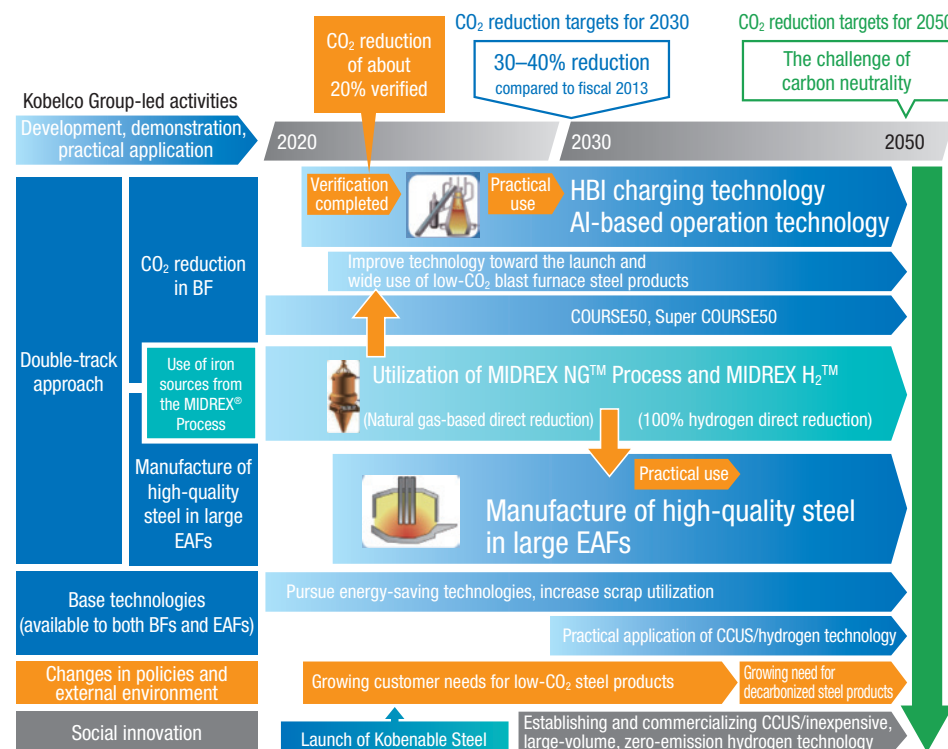
As for opportunities, demand for low-CO₂ products and services is increasing amid growing international interest in climate-related issues. Along with this, we expect demand for products that help reduce CO₂ emissions, such as our automotive weight-reduction materials and the MIDREX[®] Process, to grow over the medium to long term.

Targets and Vision Announced in the KOBELCO Group Medium-Term Management (Fiscal 2021–2023)

	2030 Targets	Fiscal 2050 Vision
Reduction of CO₂ emissions in production processes	30–40% (compared with fiscal 2013) ¹	Take on the challenge of achieving carbon neutrality
Contribution to reduction of CO₂ emissions through technologies, products, and services ²	61 million tons (including 45 million tons or more through MIDREX [®] Process ³)	100 million tons or more

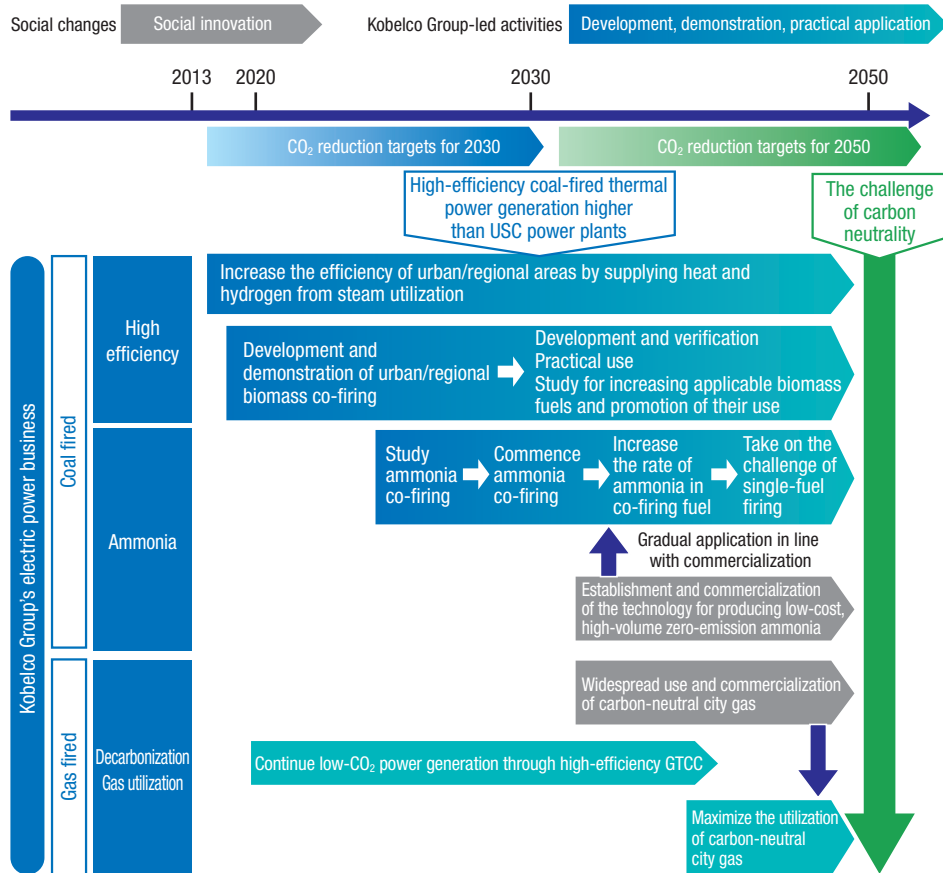
1 Most of the reduction targets are associated with iron and steel making processes. We reviewed the targets announced in September 2020 (with the change from BAU to the total amount basis, and the increased use of original solutions reflected).
 Business As Usual (BAU): Emissions of greenhouse gases, or emissions per unit, assuming no additional measures are taken.
 2 The KOBELCO Group contributes to the reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services.
 3 Reviewed calculation formula announced in September 2020

Roadmap for Carbon Neutrality in the Ironmaking Process

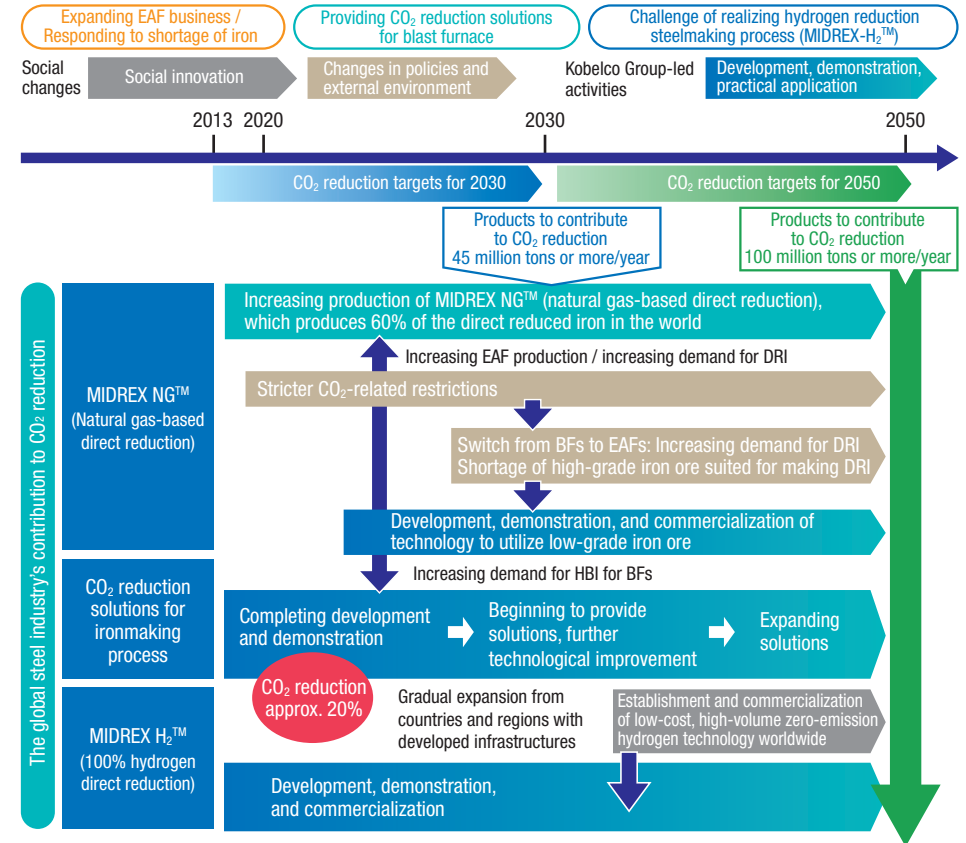


Response to Climate Change

Roadmap for Carbon Neutrality in the Electric Power Business



Roadmap for CO₂ Reduction through the MIDREX® Process



Response to Climate Change

Climate-Related Risk Management

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

▶ For our basic policies on risk management and details about our risk management structure, please refer to "Risk Management" on pages 92 and 93.

Climate-Related Metrics and Targets

● Metrics

The Kobelco Group sets specific metrics for CO₂ reduction activities, such as Reduction of CO₂ Emissions in Production Processes (Metric A) and Contribution to Reduction of CO₂ Emissions through Technologies, Products, and Services (Metric B), and sets and manages targets for each.

Kobe Steel positions these two metrics as non-financial key performance indicators (KPIs) and manages them. Non-financial KPIs including CO₂ reduction are discussed annually at the Executive Council as important items in the budget, and then they are discussed and approved by the Board of Directors.

● Energy Consumption

Energy Consumption

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

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022
Energy consumption	PJ	182	192*	187★
Consolidated net sales	Million of yen	1,705,566	2,082,582	2,472,508
Energy intensity (per consolidated net sales)	GJ / Million of yen	107	92	75
Products (crude steel, aluminum rolled products, copper rolled products)	Million t	6.3	7.2	6.7
Energy intensity per t-product	GJ / t-Product	28.7	26.6	27.9

Calculation method

- Calculations made based on Keidanren Carbon Neutrality Action Plan. However, figures for Kobelco Power Kobe Inc., Kobelco Power Kobe No. 2 Inc., and Kobelco Power Moka Inc. (the three subsidiaries of the Electric Power Business Unit) are calculated based on the Act on Rationalizing Energy Use.
- Energy consumption does not include energy consumption equivalent to electricity sold externally by the three subsidiaries of the Electric Power Business Unit and the Steelworks of Kobe Steel (166 PJ).

Boundary

- Kobe Steel, 17 domestic consolidated subsidiaries, 12 overseas consolidated subsidiaries, and 1 coke manufacturing plant of equity-method affiliate
- Japan: April 1 to March 31
- Overseas: January 1 to December 31

Calorific conversion factors

- Agency for Natural Resources and Energy, "List of Standard Calorific Value and Carbon Emission Factor for Fossil Fuel Energy Sources" (Comprehensive Energy Statistics) (revised on January 31, 2020).
- However, the three subsidiaries of the Electric Power Business Unit apply the Act on Rationalizing Energy Use.

* Due to the revision of the calculation method, the figure for fiscal 2021 has been revised retroactively.

Response to Climate Change

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

Energy-Derived CO₂ Emissions (Scope 1 and 2)

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

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022
Scope 1 Emissions from the use of our own fuel (direct emissions)	Million t-CO ₂	14.6 ¹	15.3	14.7★
Scope 2 Emissions associated with the use of electricity, heat, and steam supplied by other companies (indirect emissions)	Million t-CO ₂	0.8	0.9 ¹	0.9★
Scope 1+2²	Million t-CO ₂	15.4 ¹	16.1	15.6★
Consolidated net sales	Million of yen	1,705,566	2,082,582	2,472,508
CO ₂ emission intensity from energy use per net sales	t-CO ₂ /Million of yen	9.0	7.8 ¹	6.3
Products (crude steel, aluminum rolled products, copper rolled products)	Million t	6.3	7.2	6.7
CO ₂ emission intensity from energy use	t-CO ₂ / t-product	2.4	2.2	2.3

Calculation method

- Calculations made based on Keidanren Carbon Neutrality Action Plan. However, figures for Kobelco Power Kobe Inc., Kobelco Power Kobe No. 2 Inc., and Kobelco Power Moka Inc. (the three subsidiaries of the Electric Power Business Unit) are calculated based on the Act on Promotion of Global Warming Countermeasures.
- Scope 1 and Scope 1+2 do not include CO₂ emissions equivalent to electricity sold externally by the three subsidiaries of the Electric Power Business Unit and the Steelworks of Kobe Steel (12.8 million t-CO₂).

Boundary

- Kobe Steel, 17 domestic consolidated subsidiaries, 12 overseas consolidated subsidiaries, and 1 coke manufacturing plant of equity-method affiliate
- Japan: April 1 to March 31
- Overseas: January 1 to December 31

CO₂ emission factors

- Fuels: Carbon emissions factor in National Greenhouse Gas Inventory Report of JAPAN (NIR) 2022 x CO₂ conversion factor (44/12).
- Electricity: For Japan, the fiscal 2021 preliminary figures of The Electric Power Council for a Low Carbon Society apply. For overseas, IGES List of Grid Emission Factors version 11.1 applies. However, for the United States "EPA's eGRID2021" applies.
- However, the three subsidiaries of the Electric Power Business Unit apply Greenhouse Gas Emission Calculation and Reporting Manual for both fuels and electricity.

¹ Due to the revision of the calculation method, the figures for fiscal 2020 and fiscal 2021 have been revised retroactively.

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

Breakdown of Greenhouse Gas Emissions (Unit: Thousand t-CO₂)

Category	Fiscal 2020	Fiscal 2021	Fiscal 2022
Energy-derived CO ₂ emissions (Scope 1)	14,591	15,292	14,687
Non-energy-derived CO ₂ emissions	498	568	887
Methane (CH ₄)	5	6	5
Nitrous oxide (N ₂ O)	50	7	5
Hydrofluorocarbons (HFC)	—	—	—
Perfluorocarbons (PFC)	—	—	—
Sulfur hexafluoride (SF ₆)	18	18	16
Nitrogen trifluoride (NF ₃)	—	—	—
Total* for Non-energy-derived CO ₂ emissions and greenhouse gases other than CO ₂	571	598	913

Calculation method for non-energy-derived CO₂ emissions and greenhouse gases other than CO₂

- Calculated based on the Act on Promotion of Global Warming Countermeasures.
- Boundary: Kobe Steel. April 1 to March 31 of each fiscal year

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

Response to Climate Change

Other Indirect Emissions in the Supply Chain (Scope 3) (Unit: Thousand t-CO₂)

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

	Category	Fiscal 2020	Fiscal 2021	Fiscal 2022	Calculation Method
1	Purchased goods and services	5,547 ¹	6,530 ¹	5,888★	The Company's usage of main raw materials (iron ore, coking coal, purchased coke, aluminum, copper and titanium) multiplied by CO ₂ emission factors
2	Capital goods	262	113	144	Capital investment cost multiplied by CO ₂ emission factors
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	317 ¹	305 ¹	338	Annual consumption of electricity, steam, fuel, etc., multiplied by CO ₂ emission factors
4	Upstream transportation and distribution	180	217	225	Calculated using the calculation method for energy-derived CO ₂ emissions related to freight transportation by shippers as stipulated in the Act on Rationalizing Energy Use
5	Waste generated in operations	30	30	30	The amount of waste for each type multiplied by CO ₂ emission factors
6	Business travel	2	1	1	Number of employees multiplied by CO ₂ emission factors
7	Employee commuting	5	5	5	Number of employees multiplied by CO ₂ emission factors
10	Processing of sold products	2,445 ¹	2,705 ¹	2,563	Calculated by multiplying the production volume of main steel products by CO ₂ emission factors associated with processing each type of steel product.
11	Use of sold products	36,985	21,478	17,696	Lifetime emissions for the main machinery products sold by Kobe Steel (energy used during use: electricity) are calculated based on units sold, expected average life, average power consumption, and CO ₂ emission factors for electricity.
12	End-of-life treatment of sold products	56	63	60	Calculated by multiplying CO ₂ emission factors by the production volume of crude steel, aluminum, and copper products
	Total ²	45,829 ¹	31,447 ¹	26,950	

Calculation method

Calculated based on Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ministry of the Environment and Ministry of Economy, Trade and Industry).

Boundary

Kobe Steel, April 1 to March 31 of each fiscal year

Source of CO₂ emission factors

- Categories 1, 3, and 10: "LCI Database IDEA Ver. 3.3 (April 15, 2023)" IDEA Lab, The Research Institute of Science for Safety and Sustainability, National Institute of Advanced Industrial Science and Technology (AIST).
- Categories 2, 5, 6, 7, and 12: "Database of Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc. (Ver. 3.3), by Organizations Throughout the Supply Chain"
- Category 11: National average in Japan for "emission factors by electric utility" (published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry)

1 Due to the revision of the calculation method, the figures for fiscal 2020 and fiscal 2021 have been revised retroactively.

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

3 Category 8 is contained in Scope 1 and 2. Categories 9, 13, 14, and 15 are not applicable.

● Targets and Results on Risk and Opportunity

In May 2021, the Kobelco Group announced, in its Medium-Term Management Plan (Fiscal 2021–2023), that it would take on the challenge of realizing carbon neutrality by 2050 and aim to increase corporate value through this transition. The Kobelco Group has set targets for 2030 and a vision for 2050 from two angles: (1) reducing CO₂ emissions in the Group's own production processes, and (2) contributing to the reduction of CO₂ emissions through the Group's distinctive technologies, products, and services.

■ Metric A: Reduction of CO₂ Emissions in Production Processes (target initiated in fiscal 2019)

- 2050 Vision: Taking on the challenge of achieving carbon neutrality
- 2030 Target: Reducing CO₂ emissions in production processes 30–40%^{1,2} (compared with fiscal 2013)

Results: Due to the decrease in production volume, CO₂ emissions in fiscal 2022 declined compared to the previous fiscal year. As a result, there was a 20% reduction^{1,2} compared to fiscal 2013.

¹ Total of Scope 1 and Scope 2

² Covered range for reduction target: Major business locations of Kobe Steel, Ltd. and Kobelco Construction Machinery Co., Ltd., together representing around 93% of CO₂ emissions of the entire Group (results for fiscal 2022)

Fiscal 2013 emissions in covered range: 18.2 million tons

Fiscal 2022 emissions in covered range: 14.5 million tons

Initiative

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

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

In the ironmaking process, we verified through a demonstration test that we can reduce CO₂ emissions in the blast furnace process by approximately 20% by charging a large quantity of hot briquetted iron (HBI: compacted form of direct reduced iron) manufactured using the MIDREX[®] Process into our blast furnaces. Going forward, we will further pursue the potential of HBI charging technology and AI-based blast furnace operation technology to reduce CO₂ emissions from blast furnaces and reach our target for fiscal 2030. In addition, as part of our efforts to realize carbon neutrality by 2050, we will take a two-track approach to reduce CO₂ emissions through utilizing blast furnaces and manufacturing high-grade steel in large electric furnaces.

Response to Climate Change

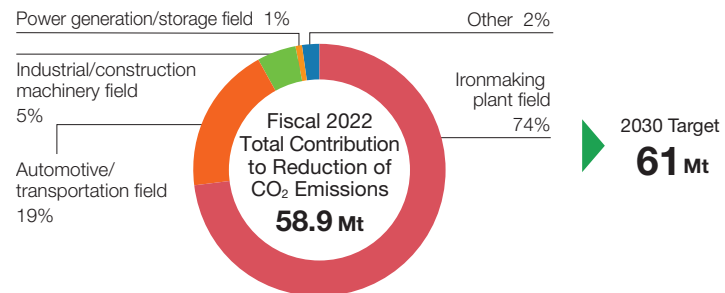
■ Metric B: Contribution to Reduction of CO₂ Emissions through Technologies, Products, and Services

The Group has a variety of products and services that contribute to CO₂ reduction. By expanding sales of these, we will contribute to the reduction of CO₂ during use.

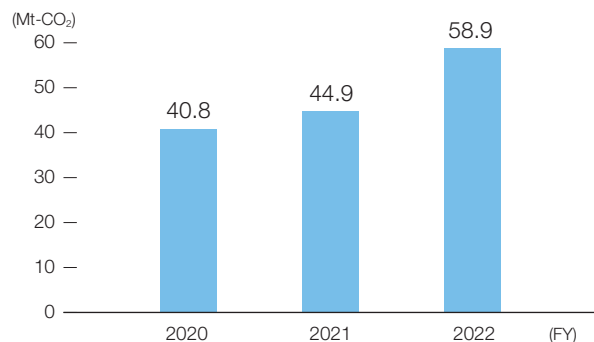
- 2050 Vision: CO₂ reduction contribution: 100 million tons or more
- 2030 Target: CO₂ reduction contribution: 61 million tons

Results: The CO₂ Reduction Promotion Subcommittee estimates that the Kobelco Group's technologies, products, and services contributed to the reduction of CO₂ emissions totaling 58.9 million tons in fiscal 2022.

Total Contribution to Reduction of CO₂ Emissions



Contribution to Reduction of CO₂ Emissions by Year



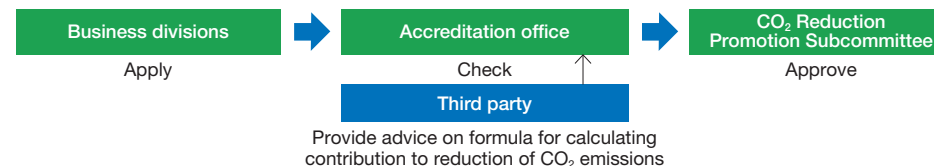
Note: The latest factor is used in the calculation of the reduction amount of CO₂ emissions resulting from technologies, products, and services. This factor was changed for the fiscal 2022 calculation.

Technologies, Products, and Services		Contribution to Reduction (10,000 tons/year)	CO ₂ Reduction Concept
Ironmaking plant field	MIDREX® Process	4,341	Low-CO ₂ DRI production method
Automotive/transportation field	Ultra-high-tensile strength steel for automobiles	922	Improvements in fuel economy by using high-strength, lightweight materials to reduce weight of automobiles and transportation equipment
	Wire rods for suspension springs	27	
	Wire rods for automotive valve springs	80	
	High-tensile strength steel for ships	25	
	Aluminum materials for automobiles	31	
Industrial/construction machinery field	Aluminum materials for rolling stock	7	Benefit of weight reduction in reducing power consumption
	Heat pumps, standard compressors, SteamStar, binary generators, Eco-Centri	258	Energy conservation by achieving higher efficiency and utilizing unused energy
Power generation/storage field	Fuel-efficient construction machinery	48	Improvements in fuel economy by using fuel-efficient construction machinery
	Wood biomass power generation, waste-to-energy (WtE)	20	Reducing fossil resource use through the use of resources that contribute to carbon neutrality
Other	Blast furnace cement Wire rods and steel bars with no need for heat treatment process	132	Energy-reduction effect in customers' manufacturing process through the use of recycled raw materials and products with no need for heat treatment process

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

Initiative | Regarding the contributions to reduction of CO₂ emissions through technologies, products, and services, the Group has instituted an internal accreditation system. For the formulas used in accreditations, we receive advice from Kiyotaka Tahara, the Director of the Research Laboratory for IDEA at The Research Institute of Science for Safety and Sustainability, National Institute of Advanced Industrial Science and Technology (AIST), which ensures their fairness and objectiveness.

Accreditation Flow



Other Major Technologies, Products, and Services That Contribute to CO₂ Reductions

Technologies, Products, and Services	CO ₂ Reduction Concept
Automotive/transportation field	Fuel-cell separator materials, titanium for aircraft components
Hydrogen utilization field	High-purity Hydrogen Oxygen Generator (HHOG)
Power generation field	Conversion of sludge to fuel and its utilization at coal-fired thermal power plants (planned)

Improvement of fuel economy by reducing weight of automobiles and transportation equipment, effects of replacing gasoline-powered automobiles for next-generation vehicles

Effects of reducing fossil resource consumption through hydrogen utilization

Reducing fossil resource use through the use of resources that contribute to carbon neutrality

Response to Climate Change

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

Initiatives for Implementation	Long-Term Policies	Medium-Term Targets	Fiscal 2022 Results Self-Assessment ○: Progressing as planned △: Issues remain ×: Plan not achieved
Measures against global warming	Contribute to preventing global warming by promoting energy conservation and CO ₂ reduction in all business activities Target for 2030 Reduce CO ₂ emissions from production processes by 30–40% (compared with fiscal 2013) Vision for 2050 Taking on the challenge of achieving carbon neutrality	Promote medium- to long-term technological development based on the roadmap and continue working on energy conservation initiatives, in order to achieve the targets for 2030 and vision for 2050	Implement initiatives and reviews following the Roadmap toward Carbon Neutrality in the Ironmaking Process and Power Generation Business. Fiscal 2022 Results: 20% reduction (compared with fiscal 2013)
Contributing to the environment through technologies, products, and services	Create environmentally sustainable products and new businesses with due consideration of the environment in all technological and product development Target for 2030 Contribution to CO ₂ reduction: 61 million tons (including at least 45 million tons of MIDREX®) Vision for 2050 Contribution to CO ₂ reduction: 100 million tons or more	Contribute to the creation of a low-carbon society through the efforts of the entire Kobelco Group by working on issues related to the environment and energy fields, such as weight reduction of transportation vehicles, the creation of a hydrogen-based society, and the diversification of power sources	FY2022 Results: 58.91 Mt contribution to reduction of CO ₂ emissions

Climate-Related Organizations to Which We Belong

As a member of the Global CCS Institute and the Carbon Recycling Fund Institute, we actively acquire the latest information on Carbon Capture, Utilization, and Storage (CCUS) technology and work on technological development and research on CO₂ separation, capture, recycling, and sequestration for future practical use.

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

In addition, each of the following industry groups to which the Kobelco Group belongs have formulated actions plans for carbon neutrality. Our Group will contribute to the achievement of the targets set out in the action plans of each industry group to which we belong by pursuing energy savings and CO₂ reduction in production processes.

Industry Groups	Fiscal 2030 Industry Targets for Reducing CO ₂ Emissions from Production Processes in the Carbon Neutrality Action Plan
The Japan Iron and Steel Federation	30% reduction compared to fiscal 2013
Japan Aluminium Association	31% reduction compared to fiscal 2013
Japan Copper and Brass Association	33% reduction compared to fiscal 2013
The Japan Society of Industrial Machinery Manufacturers	10% reduction compared to fiscal 2013
Japan Construction Equipment Manufacturers Association	17% reduction compared to fiscal 2013 (energy intensity)

Response to Climate Change

Policies and Commitments to Ensure Consistency with Industry Associations' Initiatives

In order to respond to climate change in a consistent manner, Kobe Steel has established a Groupwide governance system centered on the Sustainability Management Committee.

The Sustainability Management Committee informs and educates employees about our Group Corporate Philosophy, ESG policies, and various initiatives to ensure that employees fully understand our corporate policies concerning these matters.

We collect information not only on the policies set by the Japanese government but also on industry targets and initiatives related to our business, as well as trends in regulations in the countries where we conduct business. Such information is shared with internal stakeholders, including directors and management.

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

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

Initiatives to Save Energy and Reduce CO₂ Emissions

■ Initiatives to Save Energy and Reduce CO₂ Emissions in the Steel & Aluminum Business

The Steel & Aluminum Business is working to improve various facilities and operations, including switching to LED lighting at plants and replacing air compressors.

We will continue to take steps to save energy and further reduce environmental impact to achieve the industry targets set in the Carbon Neutrality Action Plan.

■ Initiatives to Save Energy and Reduce CO₂ Emissions in the Welding Business

The Welding Business is increasing the efficiency of facilities and reducing energy loss by switching to LED lighting at business sites and systematically upgrading electric machinery for higher efficiency.

In fiscal 2022, we introduced LED lighting and updated to more efficient electric motors systematically at all locations. We will continue to take steps to save energy and further reduce environmental impact in order to achieve a low-carbon society.

■ Initiatives to Save Energy and Reduce CO₂ Emissions in the Advanced Materials Business

In fiscal 2022, the Advanced Materials Business aimed to increase energy efficiency by increasing production efficiency and introducing high-efficiency facilities.

We will continue to take steps to save energy and further reduce environmental impact to achieve each milestone in the industry targets set in the Carbon Neutrality Action Plan.

■ Initiatives to Save Energy and Reduce CO₂ Emissions in the Machinery Business

The Machinery Business is working to improve energy efficiency by switching to LED ceiling lighting in offices and plants and improving the efficiency of other equipment.

We will continue to take steps to save energy and further reduce environmental impact to achieve the industry targets set in the Carbon Neutrality Action Plan.

Response to Climate Change

● Examples of Energy-Saving and CO₂ Reduction Initiatives in the Kobelco Group (Fiscal 2022)

Production Facility / Company Name	Location	Examples of Initiatives
Kakogawa Works, Kobe Steel, Ltd.	Kakogawa, Hyogo Prefecture	Updated blast furnace pneumatic cooler
Moka Plant, Kobe Steel, Ltd.	Moka, Tochigi Prefecture	Switched a portion of plant lighting to LED lighting
Chofu Works, Kobe Steel, Ltd.	Shimonoseki, Yamaguchi Prefecture	Switched heat sources at certain buildings at plants Stopped use of cooling fans by improving operations
Daian Works, Kobe Steel, Ltd.	Inabe, Mie Prefecture	Switched a portion of plant lighting to LED lighting
Ibaraki Plant, Kobe Steel, Ltd.	Ibaraki, Osaka Prefecture	Switched a portion of plant lighting to LED lighting Upgraded heating, ventilation, and air-conditioning (HVAC) Switched to electric forklifts
Saijo Plant, Kobe Steel, Ltd.	Higashihiroshima, Hiroshima Prefecture	Upgraded dust collectors Upgraded transformer
Fukuchiyama Plant, Kobe Steel, Ltd.	Fukuchiyama, Kyoto Prefecture	Switched a portion of plant lighting to LED lighting Reduced load on electrical machinery through process improvements Stopped use of cooling fan after process improvement
Fujisawa Plant, Kobe Steel, Ltd.	Fujisawa, Kanagawa Prefecture	Switched electric motors to inverters Linked production lines
Takasago Works, Kobe Steel, Ltd.	Takasago, Hyogo Prefecture	Switched a portion of plant lighting to LED lighting Updated transformers to high-efficiency models
Kobe Corporate Research Laboratories, Kobe Steel, Ltd.	Kobe, Hyogo Prefecture	Upgraded heating, ventilation, and air-conditioning (HVAC) Switched a portion of lighting to LED lighting
Amagasaki Works, Shinko Wire Company, Ltd.	Amagasaki, Hyogo Prefecture	Upgraded heating, ventilation, and air-conditioning (HVAC) Improved insulation performance of furnaces
Onoe Works, Shinko Wire Company, Ltd.	Kakogawa, Hyogo Prefecture	Switched a portion of plant lighting to LED lighting Upgraded transformer Switched electric motors to inverters
Nishikinohama Works, Shinko Wire Company, Ltd.	Kaizuka, Osaka Prefecture	Switched a portion of ceiling lighting to LED lighting
Koshuha-Foundry Co., Ltd.	Hachinohe, Aomori Prefecture	Switched to high efficiency compressor
Shinko Aluminum Wire Co., Ltd.	Sakai, Osaka Prefecture	Switched a portion of plant lighting to LED lighting
Shinko Leadmikk Co., Ltd.	Kitakyushu, Fukuoka Prefecture	Upgraded heating, ventilation, and air-conditioning (HVAC)
Shinko Industrial Co., Ltd.	Kurayoshi, Tottori Prefecture	Switched a portion of lighting to LED lighting

Production Facility / Company Name	Location	Examples of Initiatives
Hanshin Yosetsu Kizai Co., Ltd.	Okayama, Okayama Prefecture	Switched a portion of lighting to LED lighting
Harima Plant, Kobelco Compressors Corporation	Kakogun, Hyogo Prefecture	Switched a portion of office and plant lighting to LED lighting
Shinko Engineering Co., Ltd.	Ogaki, Gifu Prefecture	Repaired air leaks
Harima Plant, Kobelco Eco-Solutions Co., Ltd.	Kakogawa, Hyogo Prefecture	Reduced the number of compressors Switched a portion of lighting to LED lighting
Kobelco Power Kobe Inc.	Kobe, Hyogo Prefecture	Reduced driving steam Reduced fan power
Kobelco Power Kobe No. 2 Inc.	Kobe, Hyogo Prefecture	Reduced fan power
Hiroshima Factory, Kobelco Construction Machinery Co., Ltd.	Hiroshima, Hiroshima Prefecture	Reduced electrical power of compressors Switched to electrical coating pumps
Okubo Factory, Kobelco Construction Machinery Co., Ltd.	Akashi, Hyogo Prefecture	Reduced use of electricity and gas by updating the coating line
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd.	China	Switched a portion of plant lighting to LED lighting
Kobelco Spring Wire (Foshan) Co., Ltd. (KSW)	China	Switched a portion of plant lighting to LED lighting
Kobe Precision Technology Sdn. Bhd.	Malaysia	Switched a portion of plant lighting to LED lighting Upgraded air compressors Installed solar powered lighting in parking lot
Kobe Aluminum Automotive Products, LLC (KAAP)	United States	Switched a portion of plant lighting to LED lighting
Kobe Aluminum Automotive Products (China) Co., Ltd. (KAAP-C)	China	Conserved electricity by switching to high efficiency motor Switched to electric forklifts Switched HVAC to latest models Reuse of backwashing wastewater of water purifiers
Kobelco Aluminum Products and Extrusions, Inc. (KPEX)	United States	Switched compressors to inverters
Thai-Kobelco Welding Co., Ltd. (TKW)	Thailand	Repaired air leaks Switched HVAC to inverter model
Kobelco MIG Wire (Thailand) Co., Ltd. (KMWT)	Thailand	Repaired air leaks Switched a portion of plant lighting to LED lighting

● Response to the CDP Climate Change Questionnaire

Kobe Steel, Ltd. has been responding to questionnaires from CDP* since fiscal 2009. Please refer to the following link for our response to 2023 Climate Change Questionnaire.

* An international NGO working on environmental issues. It sends environment-related questionnaires to companies and compiles the results to analyze and evaluate on a common scale.

▶ 2023 Climate Change Questionnaire (Date submitted: July 24, 2023) (in Japanese only)

Environmental Management

● Management Structure Structure

See below for details about our management structure.

▶ Basic Environmental Management Policy and Structure

Thorough Risk Management

● Concept Policies

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

● Targets Strategies and Targets

We have set the following two targets in the Medium-Term Management Plan (Fiscal 2021–2023):

- Continue on-site environmental audits by the Head Office and expand audits to Group companies and affiliated companies in an effort to promote the establishment of independent environmental management systems
- For overseas Group companies, promote the same level of environmental management as in Japan and improve risk management through activities such as on-site environmental inspections

● Results Results

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

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

On-site environmental audits had been conducted regularly at 11 business locations of Kobe Steel and 25 business locations of 17 domestic Group companies with high environmental risks. These are strict on-site environmental audits to check documents, such as measurement records and various reports, and inspect work sites for waste storage and other conditions. The audits also entail interviews with personnel in charge.

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

A total of 28 overseas Group companies are subject to on-site environmental audits: 6 in the United States, 9 in China, 12 in Asia excluding China, and 1 in Europe (as of April 2023). During on-site

environmental audits, we grasp the actual state of environmental management and identify problem areas locally on-site, based on which necessary corrective measures are undertaken.

In fiscal 2022, we conducted paper-based environmental audits of all the Group's business sites, including non-production sites in Japan, and conducted on-site environmental audits at 13 production sites to confirm the status of environmental management. As for overseas Group companies, we conducted on-site environmental audits of 18 companies in Vietnam, Malaysia, the United States, China, and India.

Results of On-Site Environmental Audits in Fiscal 2022

Paper-based audits:

11 business locations of Kobe Steel and 381 business locations of 86 domestic Group companies

On-site environmental audits:

4 business locations of Kobe Steel, 9 business locations at 9 domestic Group companies, and 18 overseas Group companies



On-site environmental audit
(Harima Plant, Kobelco Eco-Solutions Co., Ltd.)

Status of Compliance (Fiscal 2022)

At Company business locations and Group companies in Japan, there were four cases where air quality values exceeded regulation standards, and one case where water quality values exceeded regulation standards. All the cases were discovered by self-inspections and reported promptly to relevant authorities, with actions taken. No fines or punishments were imposed.

Overseas Group companies were fined 148,000 yuan (approximately 3 million yen) for violating paint storage standards. They also incurred fines of 30,000 yuan (approximately 900,000 yen) for exceeding water quality regulations.

Environmental Management

● Major Initiatives Results

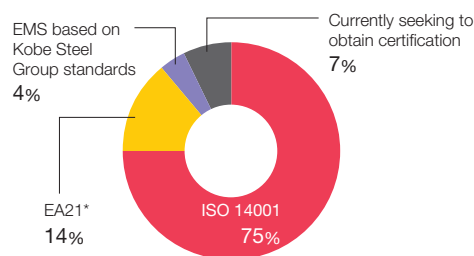
Strengthening Environmental Management (Promoting an Environmental Management System)

The Kobelco Group employs environmental management systems (EMS) based on ISO 14001 and reinforces environmental management through a plan-do-check-act (PDCA) cycle. At Kobe Steel, Ltd., certifications were obtained at all 11 locations (an integrated certification for Fujisawa Plant, Ibaraki Plant, Saijo Plant, and Fukuchiyama Plant) and the Engineering Business, with 17 Group company locations in Japan and 11 Group companies overseas having also obtained certification. The percentage of locations that have obtained certification for environmental management systems at all 44 main production sites is 89%.

▶ Environmental Management System Certification Status

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

Environmental Management System Certification Status



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



Training on handling materials in response to the scenario of an oil leak (Kobelco Construction Machinery Co., Ltd.)

Strengthening Environmental Management Systems at Overseas Group Companies

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

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

Assessment of Environmental Risks in Investment Projects

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

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

Promoting Environmental Initiatives with Full Employee Participation

● Concept Policies

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

● Targets Strategies and Targets

The Group's targets in the Medium-Term Management Plan (Fiscal 2021–2023) involve raising environmental awareness by continuing measures such as stratified training, e-learning, and environmental training for Group companies, as well as encouraging the use of the Kobelco Eco-Life Notebook.

● Results Results

As for results in fiscal 2022, we increased employees' environmental awareness and knowledge through the Kobelco Group Environmental Conference, stratified training, and e-learning. Also, we promoted environmental awareness among employees in their home lives through the Kobelco Eco-Life Notebook.

Environmental Management

Kobelco Group Environmental Conference

The Kobelco Group Environmental Conference is held every year for the purposes of sharing environmental information and promoting cross-divisional environmental initiatives. In fiscal 2022, participants confirmed their commitment to steadily make efforts toward Kobe Steel's carbon-neutral strategy, shared useful examples of ways to reduce the environmental burden at the business locations where they work, and reviewed changes to environmental laws and regulations.



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

Environmental Training and Study

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

In fiscal 2022, we provided stratified education and e-learning on compliance with environmental laws and regulations, environmental management, and "Taking on the Challenge of Realizing Carbon Neutrality by 2050."

Environmental Training and Study at Overseas Business Locations

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



Promoting Environmental Qualifications

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

Employees Acquiring Environmental Qualifications in Fiscal 2022 (Kobe Steel, Ltd.) (Persons)

Qualification	Number of Qualified Personnel	Qualification	Number of Qualified Personnel
Pollution Control Manager (Air)	295	Pollution Control Manager (Dioxins related)	66
Pollution Control Manager (Water)	237		
Pollution Control Manager (Noise/Vibration)	162	Pollution Control Chief Manager	3
		Qualified Person for Energy Management	258
Pollution Control Manager (Dust)	50	Certified Environmental Measurer	19

Disclosure of Environmental Information

● Concept Policies

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

● Targets Strategies and Targets

The Kobelco Group set targets in the Medium-Term Management Plan (Fiscal 2021–2023) to continue initiatives such as the disclosure of information in an effort to communicate with all stakeholders.

● Results Results

In fiscal 2022, we disclosed environmental information via our integrated report, ESG data book, corporate website, public monitors, and other measures. Also, we set up booths at various exhibitions and introduced our Group's environmental technologies and products.

Issuing the Integrated Report

We disclose environmental information as important non-financial information.

▶ [Kobelco Group Integrated Report 2023](#)

Environmental Management

Communication with Local Communities

In order to gain the understanding of community members in the area of Kakogawa Works, the Kobe Wire Rod & Bar Plant, and the Kobe Power Plant regarding our environmental preservation efforts, we regularly hold information sessions. (In fiscal 2022, information sessions on the Kobe Wire Rod & Bar Plant and Kobe Power Plant were canceled to prevent the spread of COVID-19.)

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

▶ [Toll-free phone numbers for environment-related inquiries \(only available in Japan\)](#)

Disclosing Environmental Information via Public Monitors

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

	Locations of Public Monitors
Kakogawa Works environmental information	Kakogawa City Hall, Harima Town Hall, and local community centers in Befu and Onoe, both in Kakogawa
Kobe Wire Rod & Bar Plant environmental information (including Kobe Power Plant)	Nadahama Science Square, Nadahama Garden Baden

Environmental Accounting

● Concept Policies

The Group is making efforts to reduce its environmental impacts.

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

● Environment-Related Investments and Results Results

Kobe Steel, Ltd. invests in the installation and continual maintenance of environmental equipment and pursues environmental measures on a variety of fronts.

In fiscal 2022, we invested approximately 1.12 billion yen in facilities to reduce CO₂ emissions and prevent air and water pollution.

Expenses for environment related operations in fiscal 2022 totaled 44.0 billion yen.

Moreover, we invested about 26% of total expenses, or roughly 11.6 billion yen, in research and development for technology development, including making automobile weight-reduction proposals

that combine competitiveness of cutting-edge materials such as high-tensile strength steel and aluminum with automotive solution technologies, demonstrating our strengths as a company that operates steel, aluminum, and welding businesses. Of these, we invested approximately 3.6 billion yen as R&D expenses related to climate change.

We will continue to implement measures to reduce environmental impacts.

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

(Millions of yen)

Item			Fiscal 2020		Fiscal 2021		Fiscal 2022	
			Capital investment	Expense	Capital investment	Expense	Capital investment	Expense
Expenses in business areas	Environmental expenses	Air pollution prevention	210	7,610	220	9,090	620	11,290
		Water pollution prevention	210	3,940	80	4,660	150	5,490
	Resource recycling expenses	Waste recycling/processing, yield improvement	10	8,950	—	9,400	—	12,810
	Climate-related expenses	Energy-saving investment	1,230	—	350	—	350	—
Management activities expenses	EMS registration/renewal		—	40	—	40	—	40
	Environmental impact monitoring/measuring		—	250	—	280	—	460
	Personnel expenses for environmental measures/organization		—	1,880	—	1,930	—	1,940
R&D expenses	Development of eco products and reduction of environmental impact of manufacturing processes		—	8,960	—	10,260	—	11,640
	Of which, R&D related to climate change		—	4,510	—	4,760	—	3,570
Social activities expenses	Environmental organization support, advertising		—	10	—	10	—	20
Other expenses	Pollution levy		—	300	—	280	—	350
Total			1,660	31,900	650	36,000	1,120	44,000

Note: The totals may not match as a result of rounding.

Appropriate Management of Water Resources

Concept Policies

The manufacturing sites of the Kobelco Group use large quantities of water for cooling, cleaning, and other purposes, and we recognize that water shortages constitute a risk. There is also the risk of operations being impacted by flood damage such as torrential rain, which tends toward increasing severity. Furthermore, we recognize that violations of environmental laws and regulations, ordinances, and agreements carry the risk of affecting the environment and living things in public waters. On the other hand, we see the business of purifying water and providing safe water as an opportunity.

The WRI Aqueduct evaluation shows that the risk of water shortages and flood damage at our Group domestic production sites is low. Nevertheless, to prepare for all eventualities, we are working to reduce the amount of water resources used and increase the water recycling rate by promoting more efficient water use in the production process and more extensive use of recycled water. In addition, to address wastewater risks, we will not only comply with regulations, but will also strive to reduce the discharge of pollutants into public water areas by cleaning up wastewater from the production process with a treatment system suitable for the characteristics of the wastewater.

Management Structure Structure

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

▶ For details, please refer to "Environmental Management Structure" on page 12.

Targets Strategies and Targets

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

● Initiatives to Address Water Shortage Risk

Water recycling rate target: Maintain 95% or higher.

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

● Initiatives to Address Wastewater Risk

Targets for water pollutants load* are COD: 474 tons/year; and total phosphorus: 23 tons/year or less.

For pollutant load, which is an indicator of wastewater pollution, we have set targets* for COD and total phosphorus for business sites located in areas with wastewater risk, and are working to prevent such contamination.

* Hyogo Prefecture has formulated a "Nutrient Management Plan" with the aim of revitalizing the Seto Inland Sea as a "rich and beautiful *satoumi*, an environment which human interaction and coexistence with the coastal sea increase biological productivity and biodiversity." In response to the selection of the Kakogawa Works as a "nutrient increase action implementer (nitrogen)" in this plan, the nitrogen emission target stated last year has been removed.

Results Results

● Improvement of Water Recycling Rate and Reduction of Pollution Load

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

In the treatment of wastewater, approximately 50% of the total amount is treated with advanced tertiary treatment, reducing the impact of pollution it may cause.

In fiscal 2022, the water recycling rate was 96%, thus achieving the target.

Water pollutant load in fiscal 2022 was COD: 213 tons/year; and total phosphorus: 4 tons/year, thus achieving targets.

Appropriate Management of Water Resources

Water Intake, Discharge, and Recycling Rate Data for the Past Three Years
(Kobe Steel, Ltd.; Unit: 10,000 m³)¹

Item	Fiscal 2020	Fiscal 2021	Fiscal 2022
Water withdrawal by source			
Freshwater (tap water and industrial water provided by the waterworks bureau in each area) ²	4,782	5,067	5,106
Groundwater	510	525	550
Seawater for cooling	257,072	263,576	337,340
Water withdrawal total ³	262,364	269,169	342,996
Water discharge total by discharge destination			
Rivers	183	190	201
Sea water	259,652	266,145	339,894
Sewage	56	71	67
Discharge total	259,891	266,406	340,162
Discharge by each treatment method ⁴			
No treatment (including discharge to sewage)	471	426	440
Simple treatment	900	902	867
Standard treatment	17	21	20
Advanced treatment	1,433	1,481	1,493
Freshwater withdrawal and discharge			
Water withdrawal total	4,782	5,067	5,106
Water discharge total	2,820	2,829	2,822
Consumption	2,472	2,763	2,834
Total recycled water	124,441	125,392	129,129
Recycling rate ⁵	96%	96%	96%

1 Aggregates the boundary of 100% of Kobe Steel's production sites. It also includes domestic Group companies of a certain scale or larger (water use of 1,000 thousand m³/year or more). The amount of wastewater at the target business sites covers more than 99% of the entire Group (Japan).

2 The water withdrawal sources for tap water and industrial water are mainly rivers.

3 The sum of the breakdown figures and the total might not match due to rounding of each item.

4 Simple treatment: Removing pollutant and floating particle by physical process (e.g., precipitation)

Standard treatment: Decomposes organic matter by biologic treatment

Advanced treatment: Treat suspended particle, colloid and dissolved matter (nutrient, heavy metal, inorganic pollutant, and other pollutant after simple and standard treatment

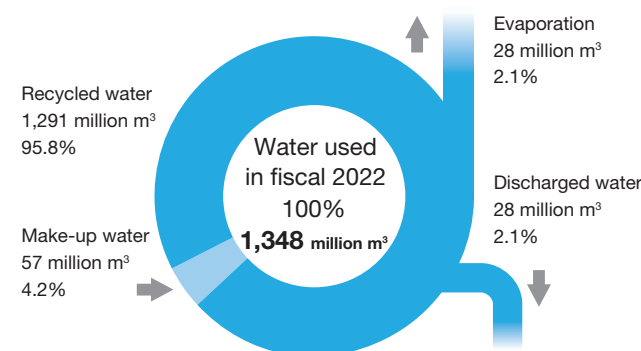
5 The recycling rate is calculated as: (Total recycled freshwater) / (Total recycled freshwater + Total freshwater withdrawal). The calculation of total recycled freshwater includes some estimates based on equipment specifications.

Data on Water Pollution Load*

Item	Target	Fiscal 2020	Fiscal 2021	Fiscal 2022
Water discharge total	—	2,598.13 million m ³	2,664.06 million m ³	3,401.62 million m ³
COD	474 t	243 t	244 t	213 t
Phosphorus	23 t	3 t	3 t	4 t

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

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



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

► [Fiscal 2022 Data on Airborne Release and Water Discharge at Each Kobelco Group Business Site](#)

● Development of Water Management Plans in the Group

Of the Group's 32 major production sites in Japan, 17 that account for 53% have formulated water management plans, monitor water intake, discharge, and recycling; and are working to properly manage water resources and reduce environmental impact.

Appropriate Management of Water Resources

● Initiatives to Reduce Water Usage at Business Sites

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

● Collaboration with External Bodies to Reduce Water Use

In Toyama Prefecture, where Nippon Koshuha Steel Co., Ltd. is located, the amount of water allocated to companies is ensured, but in order to leave enough water for snow clearing, every year the prefecture calls on factories, workplaces, offices, and snow-clearing equipment managers to voluntarily save water from December to February. In order to do its part, Nippon Koshuha Steel is working to reduce its water usage as much as possible.

Contributing to a More Vibrant Ocean

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

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

Preparation for Flood Damage and Other Natural Disasters

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

Evaluation of Water Shortage and Water Stress

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

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

In the WRI Aqueduct assessment for fiscal 2022, none of the Group's business sites or Group companies in Japan are located in regions of high water stress or above and no production sites

posed issues. In addition, we have secured a certain volume of water from the supply sources, and we believe that the risk of water withdrawal affecting production is low.

At Kakogawa Works, for example, the risk of water intake affecting production is thought to be low because upstream from the water used is the Gongen Dam (total storage capacity: 11.12 million m³), constructed to ensure a stable supply of industrial water from the Kakogawa River as well as the Kakogawa Weir (total storage capacity: 1.96 million m³) and Heiso Dam (total storage capacity: 9.40 million m³), which were constructed to ensure the flow rate of industrial water.

● Assessment of Supply Chain Water Shortages and Water Stress

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

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

R&D expenses for water treatment-related projects and water pollution prevention projects used for the prevention of abnormal water discharge or inspection/maintenance of water treatment facilities are presented below.

(Millions of yen)

Item	Fiscal 2020		Fiscal 2021		Fiscal 2022	
	Capital investment	Expense	Capital investment	Expense	Capital investment	Expense
Expenses for water pollution prevention*	210	3,940	80	4,660	150	5,490
R&D expenses for water treatment-related projects	—	530	—	320	—	470

* Results for Kobe Steel, Ltd. For details, see the "Environmental Management" page.

Appropriate Management of Water Resources

Compliance with Laws and Regulations

We comply with regulatory limits stipulated by laws and regulations. If stricter regulatory limits have been set by agreements with local governments, we strive to comply with them.

There was one case in Japan where water quality values exceeded regulation standards. The case was discovered by self-inspections and promptly reported to the relevant authorities, with action taken. No fines or punishments were imposed.

Overseas Group companies were fined 30,000 yuan (approximately 900,000 yen) for exceeding water quality regulations.

Response to the CDP Water Security Questionnaire

Kobe Steel, Ltd. has been responding to questionnaires from CDP* since fiscal 2009. Please refer to the following for our response to the 2023 Water Security Questionnaire.

* An international NGO working on environmental issues. It sends environment-related questionnaires to companies and compiles the results to analyze and evaluate on a common scale.

▶ [2023 CDP Water Security Questionnaire \(Date submitted: July 24, 2023\) \(in Japanese only\)](#)

Promotion of Resource Recycling (Waste Reduction) and Raw Materials Usage Reduction

Concept Policies

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

Management Structure Structure

See below for details about our management structure.

▶ **Basic Environmental Management Policy and Structure**

Targets Strategies and Targets

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

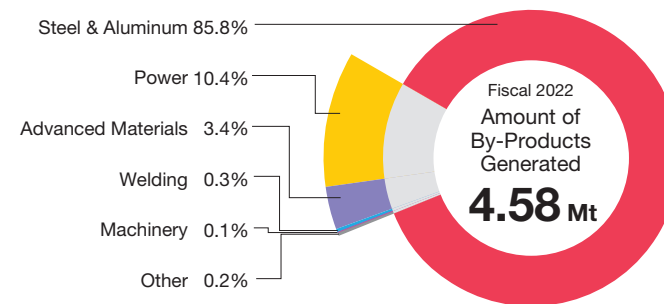
Results Results

The recycling rate of major by-products (slag, dust, and sludge) in fiscal 2022 was 99.2%, exceeding the target.

In fiscal 2022, a total of 4.58 million tons of by-product materials were generated by the Kobelco Group* and the recycling rate was 96%. We will continue to reduce final landfill disposal volume by controlling the amount of by-products produced, increasing recycling, and developing new recycling technologies and offering added value.

* The information above covers 99% or more of the amount of waste generated by the Kobelco Group in Japan.

By-Products Generated (including domestic Group companies in Japan)

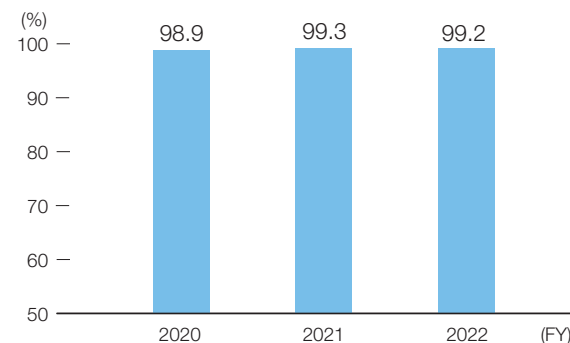


Recycling rate*: 96%

* Recycling rate = Amount of recycled resources / Amount of by-products

Among this, the recycling rate of major by-products (slag, dust, and sludge) in fiscal 2022 was 99.2%, achieving the target. We will continue to work on raising the recycling rate of by-products and reducing final disposal amounts in order to achieve these targets.

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



Promotion of Resource Recycling (Waste Reduction) and Raw Materials Usage Reduction

Amount of By-Products, Recycled Resources, and Landfill Disposal over the Past Three Years (including domestic Group companies)¹

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Amount of by-products (t)	3,188,926	4,051,021	4,576,542
Amount of recycled resources (t)	3,021,888	3,901,504	4,411,651
Amount of landfill disposal (t)	135,923	119,932	124,363
Other (volume reduction, t)	31,115	29,585	40,528
By-product recycling rate ²	95%	96%	96%
Amount of specially controlled industrial waste generated	23,949	21,136	19,597
Amount (rate) of specially controlled industrial waste generated (%) ³	0.75%	0.52%	0.43%

¹ The information above covers more than 99% of the waste generated by the KOBELCO Group in Japan.

² By-products (total) recycling rate = Amount of recycled resources / Amount of subject to treatment

³ Rate = Amount of specially controlled industrial waste generated / Amount of by-products generated

Transportation Amount* of Specially Controlled Industrial Waste Disposed of over the Past Three Years (including domestic Group companies)

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Transportation amount of specially controlled industrial waste (t)	15,656	16,935	15,333

* Amount of specially controlled industrial waste for which processing is outsourced

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





Main Raw Materials	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022
Iron ore	10,000 t	931	1,047	933
Coking coal/coke	10,000 t	492	534	497
Aluminum ingots, copper ingots, etc.	10,000 t	43	49	46
Total	10,000 t	1,466	1,630	1,475

Note: The totals may not match as a result of rounding.

Major Initiatives Results

● Controlling the Generation of Slag and Promoting Recycling

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

Application	Details
Cement materials 	Granulated blast furnace slag is pulverized and mixed into ordinary cement as a raw material for cement. This reduces CO ₂ emissions generated in the cement manufacturing process because the firing process of clinker, an intermediate product of cement, is no longer required.
Roadbed material 	Roadbed material is made by pulverizing/granulating steel slag and ash stone. It has hydraulic properties and provides strong support. The roadbed material can contribute to conservation of the natural environment by being utilized as a substitute for natural resources.
Ground improvement material 	By replacing cement stabilizers with steel slag, it is possible to build a robust ground base at low cost, contributing to national resilience and reducing CO ₂ emissions during material manufacturing.
Steel slag artificial stone 	Steel slag artificial stone is a form of artificial stone made by solidifying steel slag with cement. Steel slag is expected to make a contribution to absorb and hold CO ₂ by helping to restore marine resources by providing nutrients in the form of iron and other substances contained within the slag to encourage luxuriant seaweed growth. Steel slag is already being used in submerged bank construction work contracted by the City of Kobe.

Promotion of Resource Recycling (Waste Reduction) and Raw Materials Usage Reduction

Major Initiatives in the Business Divisions (Japan)

Business Divisions	Examples of Initiatives to Reduce the Generation of By-Products/Waste and Decrease Landfill Disposal
Steel & Aluminum	Reduction of steel slag generation and development of new applications Development of recycling technologies for dust Recycling of arc furnace ash Reuse of aluminum scrap generated in the plant
Welding	Recycling sorted waste flux into roadbed material and cement material Reuse of product packaging materials
Advanced Materials	Reduction of steel slag generation and development of new applications Reuse of aluminum scrap generated in the plant Reuse of wooden pallets Conversion of coreless furnace dust and soot into recyclable materials
Machinery	Reduction of waste wood and waste plastics by reducing the weight of reusable shipping cartons and shock-absorbing materials
Power	Recycling of coal ash and gypsum, which is a by-product of flue gas desulfurization equipment Study on facilities underway to utilize sewage sludge fuel

Initiatives at Overseas Group Companies

Company Name	Examples of Initiatives to Reduce the Generation of Waste and Decrease Landfill Disposal
Kobelco Spring Wire (Foshan) Co., Ltd. (KSW)	Reuse of lubricants
Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd.	Reuse of pallets used to transport products
Kobelco Aluminum Products and Extrusions, Inc. (KPEX)	Recycling of wooden pallets and sales of recyclable materials made of aluminum scrap
Thai Kobelco Welding Co., Ltd. (TKW)	Reuse of packaging materials and pallets
Kobelco MIG Wire (Thailand) Co., Ltd. (KMWT)	Reuse of packaging materials and pallets
Kobe Aluminum Automotive Products (China) Co., Ltd. (KAAP-C)	Reuse of aluminum scraps, etc., and conversion of packaging materials, resin pallets, hydraulic oil/lubricant into recyclable materials
Kobe Aluminum Automotive Products, LLC (KAAP)	Reuse of aluminum balls for shot blasting and caustic soda

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

Initiative	Details
Initiatives to effectively use underutilized energy in local communities: From conversion of sewage sludge to fuel to hydrogen production and supply	<ul style="list-style-type: none"> Kobelco Eco-Solutions Co., Ltd., which has wastewater sludge treatment technology, and Kobelco Power Kobe Inc. (the Kobe Power Plant), which operates coal-fired power plants, plan to turn wastewater sludge into fuel and use it as wastewater biomass fuel at the power plant. (using wastewater sludge biomass is an appropriate method for the pulverized coal-fired power generation business.) We plan to use wastewater sludge biomass fuel as a portion of the fuel for generating electric power to produce hydrogen, which will be supplied to fuel-cell vehicles (FCVs). This initiative will contribute to the spread of FCVs, reduction of CO₂ emissions in local communities, and improvement in air quality. <p>For more information, please see the following:</p> <p>▶ Kobelco Group Integrated Report 2023</p>
Study group for expanding usage of steel slag	<ul style="list-style-type: none"> In a study group established by Hyogo Prefecture (Hyogo Eco-Town Promotion Council), we are conducting research to expand the use of steel slag in industry-government-academia collaboration/cooperation. The KOBELCO Group participates as a member of the following research working group. The Construction Method for Disaster Risk Reduction Working Group aims for the practical utilization of a low-cost and effective reinforcement method for old road fill, whose aseismatic performance is decreased. Working toward actual use of fill mixed with steel slag, we are conducting aseismatic reinforcement tests using it. <p>For more information, please see the following:</p> <p>▶ Hyogo Eco-Town Promotion Council (in Japanese only)</p>
Demonstration project for gasification and methanolization of waste plastics	<ul style="list-style-type: none"> The demonstration project for gasification and methanolization of waste plastics proposed by five companies, including Kobelco Eco-Solutions Co., Ltd., Daiei Kankyo Co., Ltd., DINS Kansai Co., Ltd., MITSUBISHI GAS CHEMICAL COMPANY, INC., and Mitsubishi Kakoki Kaisha, Ltd., was selected for funding by the Ministry of the Environment's "FY2022 Subsidy for Carbon Dioxide Emission Control Measures Project Costs: Demonstration Project for Construction of Resource Circulation Systems for Plastics and Other Technologies to Support a Decarbonized Society." This project was the first of its kind in Japan selected. The need to establish plastics recycling methods is rapidly increasing from the viewpoint of environmental protection, especially in terms of marine plastics, which has become a social problem around the world. This demonstration project aims to build a resource recycling system through chemical recycling of previously discarded plastics. <p>For more information, please see the following:</p> <p>▶ Started Japan's first demonstration project for gasification and methanolization of waste plastics (in Japanese only)</p>

Promotion of Resource Recycling (Waste Reduction) and Raw Materials Usage Reduction

● Initiatives to Control and Recycle Industrial Waste Containing Plastic Products

Based on the Act on Promotion of Resource Circulation for Plastics, we have set a goal of “strive to recycle target waste as much as possible (target: recycling rate of 80%).” We are aiming to achieve this by reducing the emission of used plastic products and industrial waste and outsourcing disposal to treatment companies that perform recycling and heat recovery. The recycling rate in fiscal 2022 was 79.6%. We will continue with our initiatives to control waste generation and recycling.

Reduction of Environmental Impacts

Concept Policies

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

Management Structure Structure

See below for details about our management structure.

▶ Basic Environmental Management Policy and Structure

Air Pollution Measures Policies

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

● Targets Strategies and Targets

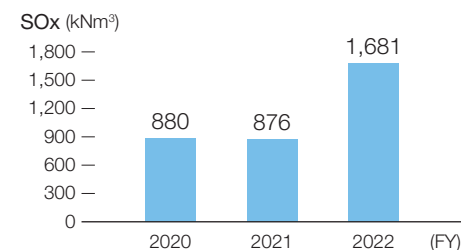
The Kobelco Group has set the target in the Medium-Term Management Plan (Fiscal 2021–2023) of reducing environmental impact from soot and smoke, through meticulous operational management and facility management.

● Results Results

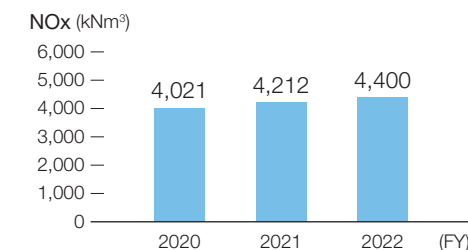
We have taken measures to limit sulfur oxide (SOx) emissions during manufacturing processes, such as conserving energy to reduce fuel consumption, using low-sulfur fuels, and switching to city gas, while also implementing exhaust-related measures, such as desulfurization. Likewise, to reduce nitrogen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

In fiscal 2022, we continued to control emissions by thoroughly managing soot and smoke.

SOx Emissions* (including domestic Group companies)



NOx Emissions (including domestic Group companies)



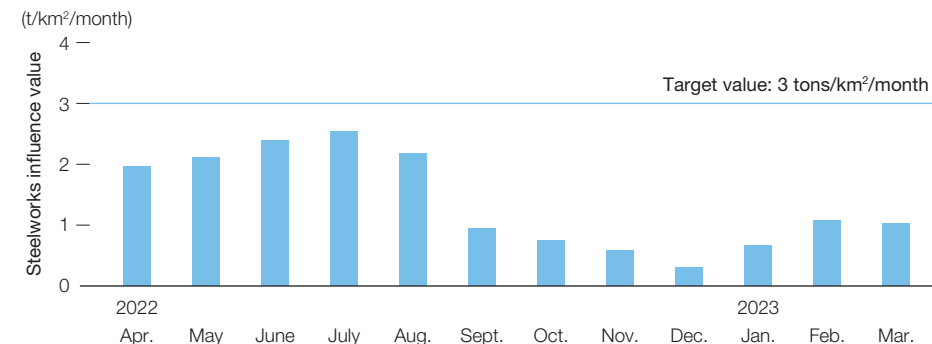
* In fiscal 2022, the value was higher than usual because of maintenance on desulfurization and denitration equipment at the Kakogawa Works' sintering plant to bypass the equipment while complying with regulation values and conventions.

● Major Initiatives Results

Measures to Counter Dust at Kakogawa Works

At Kakogawa Works, voluntary targets for dustfall in three neighboring locations have been set at 3.0 tons/km²/month or less. In fiscal 2022, we achieved our target values in all months by steadily implementing existing initiatives and regularly cleaning dust prevention nets at site boundaries.

Steelworks Influence Value Related to Dustfall (Kakogawa Shinko Building)



Reduction of Environmental Impacts

Appropriate Management of Chemical Substances Policies

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

Kobelco Group Policy on Controlling Hazardous Chemical Substances

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

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

In addition to accurately assessing the use, disposal, and transfer of chemical substances covered under the PRTR Law¹ and Chemical Substance Control Law², we engage in activities to limit the use and output of such substances. In addition, waste electrical equipment containing PCB and equipment using fluorocarbons are appropriately stored and managed in accordance with the Act on concerning Special Measures for Promotion of Proper Treatment of PCB Wastes³ and the Act on Rational Use and Proper Management of Fluorocarbons⁴, respectively.

- 1 Law Concerning Pollutant Release and Transfer Register (PRTR): Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof
 2 Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.
 3 Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes
 4 Act on Rational Use and Appropriate Management of Fluorocarbons

● Targets Strategies and Targets

The targets of the Group's Medium-Term Management Plan (Fiscal 2021–2023) are to engage in appropriate management, reduction, and substitution activities for chemical substances, as well as to take appropriate measures in compliance with the Act on concerning Special Measures for Promotion of Proper Treatment of PCB Wastes and the Act on Rational Use and Proper Management of Fluorocarbons.

● Results Results

In fiscal 2022, we thoroughly investigated equipment containing low-concentration PCB currently in-use and outsourced processing for some following our disposal plan.

Regarding the Act on Rational Use and Proper Management of Fluorocarbons, we confirmed compliance through audits and other means.

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

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Substances subject to reporting	46	46	46
Air emissions	470 t	429 t	358 t
Releases to public water areas	57 t	63 t	48 t
Drainage	0.3 t	0.5 t	0.5 t
Transfers outside the premises (waste)	588 t	625 t	543 t

Note: The information above covers 99% of the Kobelco Group's release and transfer of chemical substances in Japan.

Air Emissions of Volatile Organic Compounds (VOC) and Other Hazardous Substances over the Past Three Years (including emissions by domestic Group companies) (Unit: t/year)

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Volatile organic compounds (VOCs)	469	428	357
Other hazardous substances	Lead	0	0
	Manganese and its compounds	0.1	0.1

Notes: 1. Calculated for VOCs relevant to the KOBELCO Group, out of those specified as Class 1 Designated Chemical Substances in Appended Table 1 of the Ordinance for Enforcement of the Law Concerning Pollutant Release and Transfer Register
 2. The information above covers 99% of the environmental impact of the Kobelco Group in Japan.

● Major Initiatives Results

Examples of Initiatives to Reduce Chemical Substance Use and Output

Production Facility / Company Name	Location	Activities
Kobelco Wire Company, Ltd.	Izumisano, Osaka Prefecture	Change of floor coating from oil-based to water-based
Shinko Aluminum Wire Co., Ltd.	Sakai, Osaka Prefecture	Further shortened duration of time when the lid is left open for the degreasing cleaning tank

Reduction of Environmental Impacts

Kobelco Group Annual Transfer and Release of Hazardous Substances Subject to PRTR Reporting (Aggregation results for fiscal 2022)

Unit: kg (mg-TEQ for dioxins)

Substance		Release ¹	Transfer ²
1	Zinc compounds (water-soluble)	640	2,400
20	2-aminoethanol	0	53
53	Ethylbenzene	53,000	16,000
57	Ethylene glycol monoethyl ether	53	44
71	Ferric chloride	0	130,000
74	P-octylphenol	0	0
80	Xylene	77,000	18,000
85	Glutaraldehyde	0	0
87	Chromium and chromium (III) compounds	120	65,000
88	Chromium (VI) compounds	0	1,400
132	Cobalt and its compounds	42	2,400
144	Inorganic cyanide compounds (except complex salts and cyanates)	36	1,600
186	Dichloromethane; methylene dichloride	32,000	1,100
240	Styrene	0	0
243	Dioxins	1,700	0
262	Tetrachloroethylene	28,000	33,000
272	Copper salts (water-soluble, except complex salts)	430	26
273	1-dodecanol; n-dodecyl alcohol	0	0
277	Triethylamine	5,600	230
281	Trichloroethylene	4,400	1,500
296	1,2,4-trimethylbenzene	30,000	5,800
297	1,3,5-trimethylbenzene	6,000	1,300
300	Toluene	120,000	20,000
304	Lead	0	0
305	Lead compounds	9.8	4,800
308	Nickel	6.0	3,900
309	Nickel compounds	240	40,000
321	Vanadium compounds	16	9,900
333	Hydrazine	18	0
349	Phenol	0	0
368	4-tert-butylphenol	0.1	12

Substance		Release ¹	Transfer ²
374	Hydrogen fluoride and its water-soluble salts	36,000	6,800
389	Hexadecyltrimethylammonium chloride	0	0
392	N-hexane	56	0
400	Benzene	30	0
405	Boron compounds	950	210
407	Poly (oxyethylene) alkyl ether (alkyl C=12-15)	4,500	16,000
408	Poly (oxyethylene) octylphenyl ether	36	3,600
410	Poly (oxyethylene) nonylphenyl ether	220	0
412	Manganese and its compounds	4,000	140,000
438	Methylnaphthalene	160	0
448	Methylenebis (4,1-phenylene) diisocyanate	1,100	0
453	Molybdenum and its compounds	1,100	18,000
459	Tris (2-chloroethyl) phosphate	0	0
460	Tritolyl phosphate	0.99	0
461	Triphenyl phosphate	0	0

1 Total releases to air and public water areas

2 Total transfers outside the premises and to sewage

Water Pollution Measures

For our water pollution measures, please see below.

▶ Appropriate Management of Water Resources

Contribution to Biodiversity

Kobelco Biodiversity Guidelines

Policies

Strategies and Targets

Recognizing that protecting biodiversity and the rich ecosystems of the earth is an important theme of our environmental activities, we formulated the Kobelco Biodiversity Guidelines in December 2010, under which we are working to conserve and contribute to biodiversity.

We recognize the importance of preserving biodiversity and will carry out activities accordingly based on the following guidelines.

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

In addition, as a member of the Keidanren (Japan Business Federation), we endorse the Declaration of Biodiversity by Keidanren and Action Policy, which were revised in October 2018.

Management Structure

Structure

We established a biodiversity response team under the Environmental Management and Disaster Prevention Subcommittee, which examines risks and contributions related to biodiversity. The team's findings are reported to the Executive Council through the Sustainability Management Committee.

► **Basic Environmental Management Policy and Structure**

The Group's Business Activities and Relationship with Biodiversity

Results

● Evaluation on Production Sites and Their Impact on Biodiversity

We used IBAT¹ to evaluate the potential impacts that operations of the Group's production sites have on regions important to preserving the biodiversity of the surrounding area.

The results confirmed that there are no protected natural areas (including wetlands registered under the Ramsar Convention, UNESCO natural world heritage sites, or sites under IUCN² protected area categories 1a [strict nature reserve] to 3 [natural monument or feature]) within a three kilometer radius of our production sites.

¹ Integrated Biodiversity Assessment Tool: A tool that can access basic data and the latest information on nature conservation
² International Union for Conservation of Nature

● Collaboration with Other Organizations

The Keidanren and the Keidanren Committee on Nature Conservation have formulated the Declaration of Biodiversity by Keidanren and Action Policy, with the aim of creating a sustainable society by building a society in harmony with nature. Kobe Steel, Ltd. endorsed the declaration in December 2019.

● Business Process and Awareness of the Relationship with Biodiversity

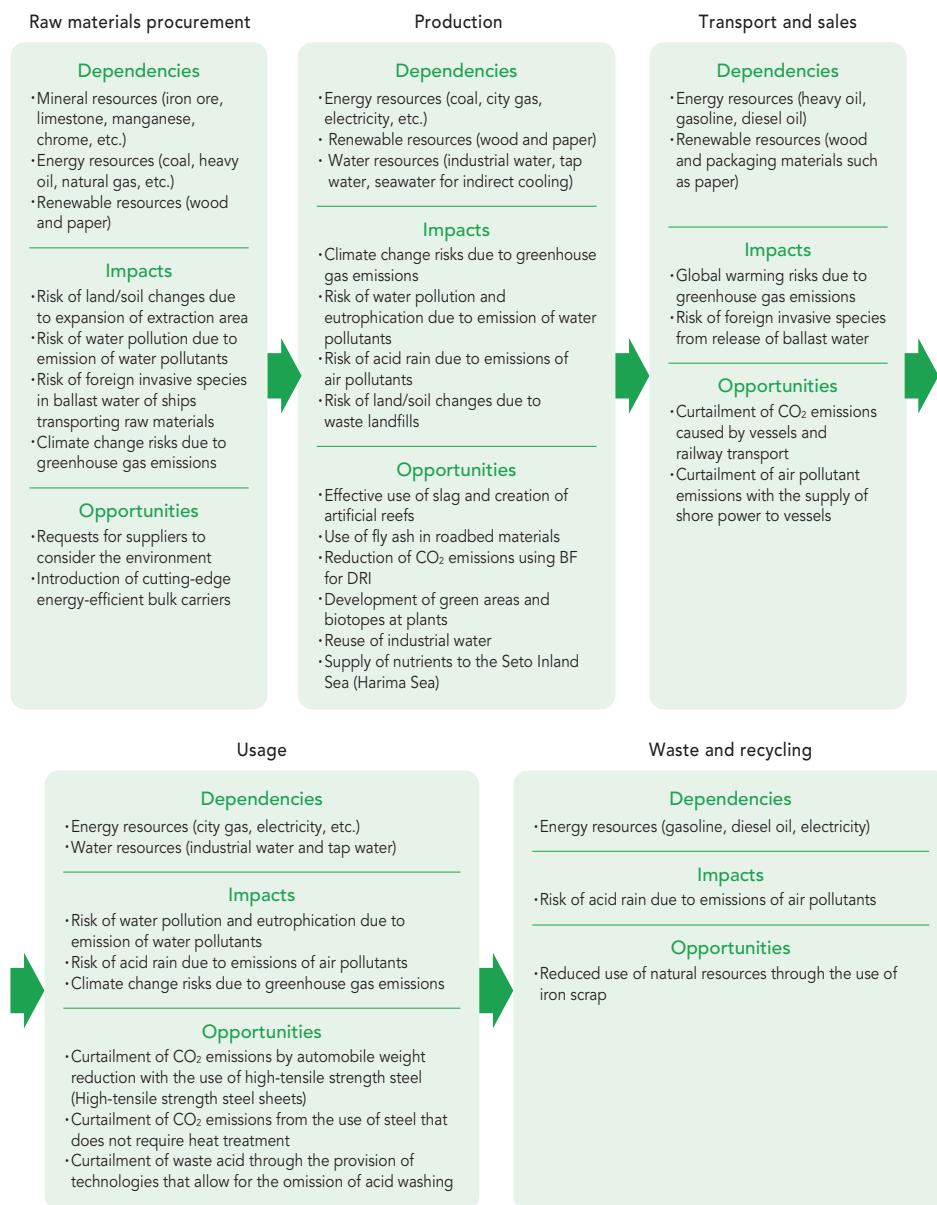
We utilize the Business & Biodiversity Interrelationship Map[®] developed by JBIB³ to organize the Group's business activities and associated impacts and contributions to biodiversity.

The Group's business activities are wide-ranging, including materials, machinery, and power, and the relationship between biodiversity in the Steel Business, which is our core business, is shown on the following page. We recognize that the Group's business activities, from raw materials procurement to manufacturing and disposal, may have an impact on biodiversity. Based on this, we will engage in activities that benefit the conservation of biodiversity.

³ Japan Business Initiative for Biodiversity

Contribution to Biodiversity

Business Process and Biodiversity Interrelationship (Steel Business)



Major Initiatives Results

Measures to Mitigate Dependence/Impact on Biodiversity

● Measures against Global Warming

To mitigate impacts on biodiversity, such as changes in ecosystems brought about by climate change, we have created a roadmap for reducing CO₂ in the steelmaking process and electric power business aiming for carbon neutrality by 2050, and we are now carrying out activities under this roadmap.

▶ Please see page 20 of the Kobelco Group Medium-Term Management Plan (Fiscal 2021–2023).

● Appropriate Management of Water Resources

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

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

▶ Appropriate Management of Water Resources

● Controlling Waste Generation and Promoting Recycling

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

We have set the fiscal 2025 target of achieving a recycling rate of 99% for major by-products (slag, dust, and sludge) resulting from our production activities.

▶ Promotion of Resource Recycling (Waste Reduction) and Raw Materials Usage Reduction

Contribution to Biodiversity

● Supply Chain

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

We also explain to our business partners our Group's approach to production activities that consider biodiversity, such as preventing overexploitation of resources, encompassing our suppliers of raw materials and ask them to take action.

▶ [Building Responsible Supply Chains](#)

Products/Activities That Contribute to Biodiversity

● Steel Slag

Steel slag has earned a favorable reputation from fishery operators, since demonstration testing has shown it to be effective in the restoration of the marine environment, including seaweed flourishing. As a result, iron and steel slag hydrated matrix was adopted as a material for the construction of submerged breakwaters in the Suma district. Going forward, we will continue to promote the use of steel slag products as materials for marine and port construction, taking advantage of our experience in using these products to improve marine environments.



Submerged breakwater construction material
(Filling material: Steel slag hydrated matrix)

● Reducing CO₂ Emissions with the direct reduced iron Method

The MIDREX[®] Process, a proprietary technology of the Group, is a technology using direct reduction with natural gas to obtain direct reduced iron (DRI) without melting the raw ore. In combination with an electric furnace, the MIDREX[®] Process makes it possible to produce steel with 20 to 40% less CO₂ emissions compared to the conventional BF-EAF method, contributing to the reduction of CO₂ emissions in the steel industry. Furthermore, we have developed a process that uses hydrogen instead of natural gas (MIDREX H₂TM), which contributes to significant reductions in CO₂ emissions.

▶ [Kobelco Group's CO₂ Reduction Solution for Blast Furnace Ironmaking](#)

● CO₂ Emissions Reduction Led by the Engineering Business

The Engineering Business aims to reduce CO₂ emissions mainly in plant design related to public works.

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

● CO₂ Emissions Reduction Led by the Machinery Business

The Machinery Business sells compressors for ship engines that use LNG as fuel, contributing to the reduction of ship CO₂ emissions.

Compressors are said to account for about 25% of the electricity used in factories in Japan. By supplying our customers with standard air compressors with world-class energy-saving performance, it is contributing to the reduction of CO₂ emissions around the world.

● Contributions to Biodiversity of the Electric Power Business

The Electric Power Business contributes to the reduction of CO₂ emissions and air pollution associated with fuel use on ships by supplying shore power to vessels at anchor.

In addition, it supplies steam to sake breweries and other neighboring companies in Kobe, contributing to energy conservation and reduction of CO₂ emissions in the local community.

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

● Contributions to Biodiversity of the Welding Business

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

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

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

Contribution to Biodiversity

● Contributions to Biodiversity of the Aluminum Business

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

● Participation in Hyogo Prefecture's Nutrient Management Plan

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

Creating a Biotope in Nadahama Science Square

At Nadahama Science Square (Nada Ward, Kobe City), which is a facility for communication with local residents, we set up biotope and grow *Sanguisorba tenuifolia*, *Pulsatilla cernua*, which are rare flora registered in Hyogo Prefecture's Red Data Book for 2020, along with chrysanthemum, etc. We work to preserve biodiversity and regularly hold nature observation events for local children through our association with NPO Rokko Nature Learning and specialists. (In fiscal 2020 to 2022, we canceled the event to prevent the spread of COVID-19, but we restarted it in fiscal 2023.)

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



Biotope in Nadahama Science Square

Kobelco Green Project

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

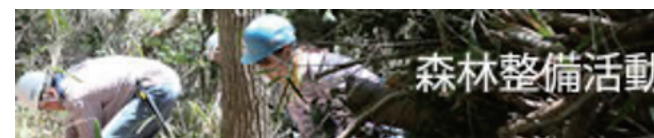


▶ [Forest Fairy Tale Prize website \(in Japanese only\)](#)

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

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

At the ECOWAY Forest in Kobe's Nada Ward (0.9ha), we participate in the Ministry of Land, Infrastructure, Transport and Tourism's Rokko Mountain Range Greenbelt Development Project to help prevent landslide disasters, to preserve and nurture diversity in ecosystems and species, and to promote better urban environments and scenic views. These activities are led by the NPO Rokko Nature Learning and specialists. Specific activities include forest thinning, underbrush clearing, and tree planting to develop a forest comprised of trees of various ages and species, which helps to preserve and promote biodiversity.



▶ [History of forest development activities \(in Japanese only\)](#)

Material Balance

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

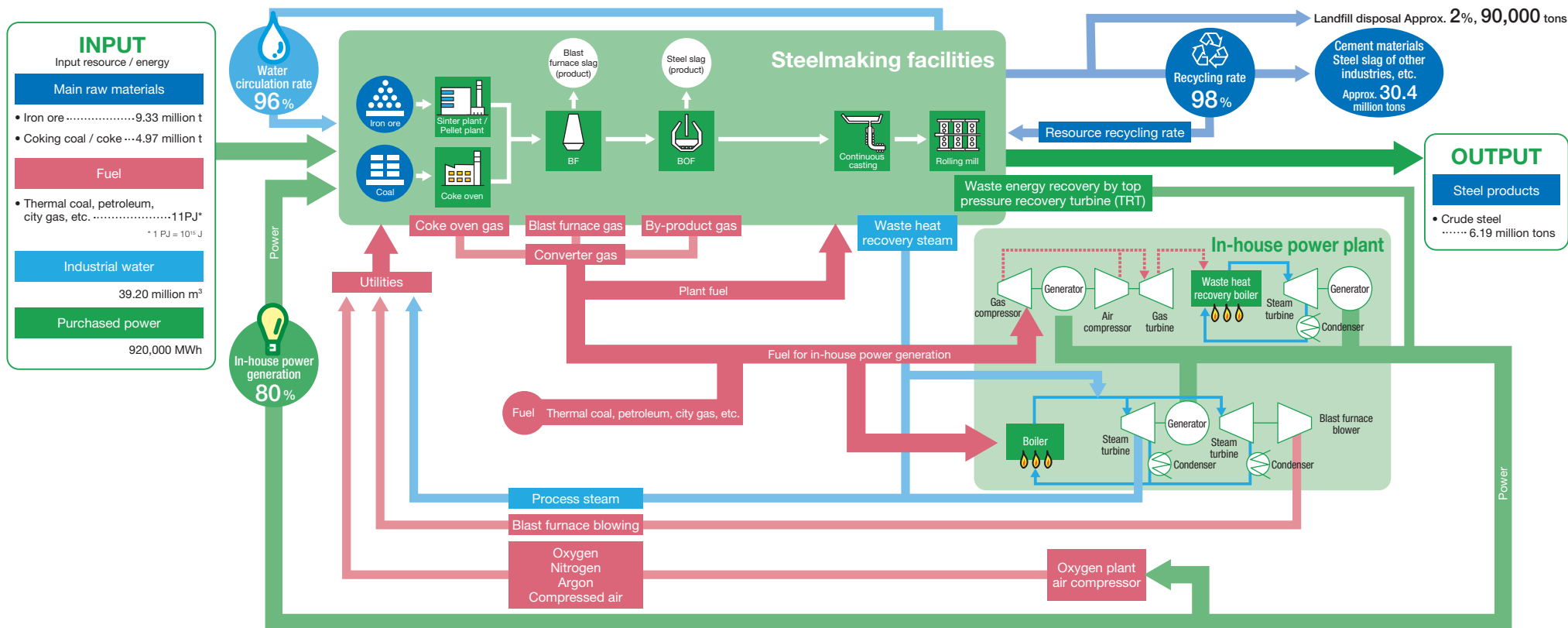
● Steel Business

At our Company, 94% of the energy used is consumed by the Steel Business. In fiscal 2022, this business division used 9.33 million tons of iron ore; 4.97 million tons of coking coal and coke; 11 PJ¹ of fuels such as coal, oil, and city gas; and 920,000 MWh of purchased power. Nearly all of the by-product gases—including coke oven gas, blast furnace gas, and converter gas—derived from

production processes are effectively reused as fuel for reheating steel or for use in in-house power plants. In addition, by-products produced during production processes, such as iron and steel slag,² dust, and sludge, are also turned to effective use as raw materials in applications such as cement and roadbeds. Together with in-company reuse, 98% of the by-products are recycled in this manner. In the future, Kobe Steel will continue to carry out environmentally friendly manufacturing practices throughout all aspects of its operations, striving for more efficient use of resources and energy and advancing the development of new technologies to that end.

1 1 PJ = 10¹⁵ J

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



Material Balance

● Welding Business

Using metal wire rods, hoops, fluxes, soluble glass, and other raw materials, the Welding Business produces welding electrodes and welding wires. In fiscal 2022, the Fujisawa, Ibaraki, Saijo, and Fukuchiyama plants used a total of 140,000 tons of raw materials, 55,000 MWh of electricity, and 0.2 PJ of city gas and other fuels to manufacture 130,000 tons of products. This generated 11,000 tons of by-products, of which 97% was successfully recycled.

Resource and Energy Use in the Welding Business (Fiscal 2022)

INPUT		OUTPUT	
Raw materials		Products	
Wire rods, hoops, fluxes, soluble glass, etc.	140,000 t	Welding rods, welding wires, etc.	130,000 tons
Energy		By-products	
Purchased power	55,000 MWh	Amount produced	11,000 tons
City gas, etc.	0.2 PJ	Recycling rate*	97%

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

● Aluminum and Copper Businesses

Using ingots and scrap as raw materials, the Aluminum and Copper businesses produce a variety of aluminum and copper products. In fiscal 2022, the business segments used 460,000 tons of raw materials, 500,000 MWh of electricity, and 4.0 PJ of city gas and other fuels to create 440,000 tons of products.

During melting and casting, 30,000 tons of by-products, such as slag, dust, and wastewater sludge, were produced. However, 92% of these by-products were successfully recycled.

Resource and Energy Use in the Aluminum and Copper Businesses (Fiscal 2022)

INPUT		OUTPUT	
Raw materials		Products	
Aluminum ingots, copper ingots, etc.	460,000 tons	Aluminum and copper products	440,000 tons
Energy		By-products	
Purchased power	500,000 MWh	Amount produced	30,000 tons
City gas, etc.	4.0 PJ	Recycling rate*	92%

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

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

Main Raw Materials	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022
Iron ore	10,000 t	931	1,047	933
Coking coal / coke	10,000 t	492	534	497
Aluminum ingots, copper ingots, etc.	10,000 t	43	49	46
Total	10,000 t	1,466	1,630	1,475

Note: The totals may not match as a result of rounding.

Social

Social

- 49 Human Rights and Labor
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Human Rights and Labor

Basic Stance Policies

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

▶ [Kobelco Group Basic Policy on Human Rights](#)

Management Structure Structure

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

▶ [For details on human rights due diligence, please refer to page 85 of Kobelco Group Integrated Report 2023.](#)

Kobelco Group Initiatives Strategies and Targets Results

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

In its Action Guide for Employees, which has been distributed to all employees, the Kobelco Group sets forth standards of behavior that respect human rights. As well as encouraging each and every employee to act in such a way as to respect human rights, we strive to prevent the occurrence of human rights violations by incorporating education that leads to greater awareness of the Kobelco Group Basic Policy on Human Rights and of human rights, such as by implementing training for new employees and training for those who have been promoted. We will continue to provide all employees, including executives, with the necessary education on respect for human rights on a regular basis.

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

● Efforts to Eliminate Discrimination

The Kobelco Group ensures a healthy workplace free from harassment and discrimination on the grounds of race, creed, color, religion, nationality, language, ethnicity, sex, sexual orientation, gender identity, marital status, age, physical characteristics, disease, disability, social status, property, and place of origin. We provide equal opportunities for hiring, promotion, treatment, pay raises, and placement without any disadvantages.

● Respect for the Rights of Workers

The Kobelco Group complies with the labor laws and practices of the countries and regions in which it operates, and respects the rights of its employees to freedom of association and collective bargaining. We do not engage in discrimination, harassment, retaliation, or any other disadvantageous treatment on the grounds of exercising their right to organize or bargain collectively as workers, such as joining a labor union, requesting collective bargaining, or participating in collective bargaining.

With regard to wages and working hours, we comply with the laws and regulations of the respective countries, regions, and industries, paying wages that are at least the level of the minimum wage, appropriately managing working hours, and observing regulations in upper limits for overtime.

The Kobelco Group strives to build sound and positive labor-management relations through sincere dialogue with each and every employee and their representatives. Specifically, meetings of the following labor council and committees are held, with discussions being conducted on management policy, operational conditions, management issues such as production and safety and health, as well as various working conditions and work-life balance. Labor unions and other organizations are also formed at the individual major Group companies.

Major Labor-Management Discussions

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

Human Rights and Labor

● Prohibition of Child Labor and Forced Labor

In the Kobelco Group Basic Policy on Human Rights, it is made clear that child labor and forced labor are prohibited in all countries and regions where our business activities are conducted. We implement regular monitoring surveys of Group companies, and strive to prevent the occurrence of those problems in the business activities of the Kobelco Group.

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

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

In preparation for any occurrence of harassment, we have put in place a system whereby stakeholders both inside and outside the Company can anonymously report or consult. Also, we have set up consultation desks at each business site that can be used by all employees. In the event of a consultation, we will confirm the facts, investigate the case, and explain the results of the investigation to the whistle-blower with their consent. We are also reviewing the workplace environment and taking thorough preventive measures. In both cases, the privacy of whistle-blowers and persons concerned is ensured.

Number of Harassment Consultations

Fiscal 2020	28 cases
Fiscal 2021	30 cases
Fiscal 2022	35 cases

● Communication with Stakeholders

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

● Efforts to Support Local Communities

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

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

▶ For details on the Kobelco Group's social contribution activities, please refer to "Communities (Communication with Stakeholders)" on pages 99 to 101.

Safety and Health

Basic Policies and Philosophy Policies

The Kobelco Group operates under the basic philosophy that safety and health are fundamental to business operations and take priority over all business activities. Under this philosophy we naturally comply with relevant laws and regulations and carry out various safety and health activities to create a vibrant workplace where employees can work in a safe and secure environment.

Safety Initiatives

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

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

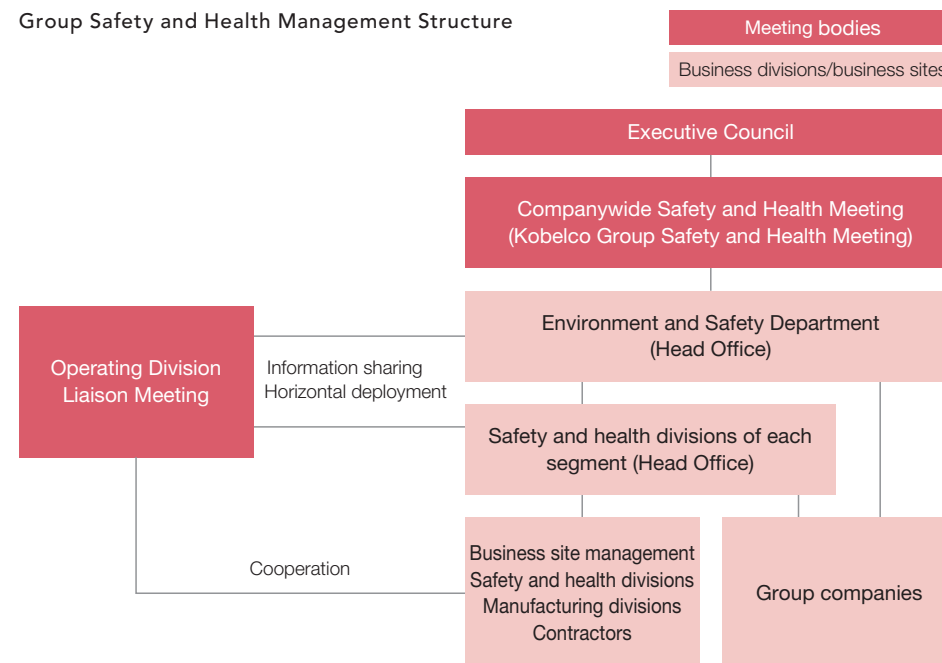
These activities include thorough sharing of hazard information and health and safety management rules with outside workers involved in production activities, including those of contractors.

Structure Structure

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

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

Group Safety and Health Management Structure



Safety and Health

Targets for Accident Reduction and Results Strategies and Targets Results

● Targets

Accidents leading to death or serious injury (involving three or more people at the same time): Zero

Lost time injury frequency rate (LTIFR): 0.10 or less

● Achievements against Targets

Results: Previous Number of Lost Time Injuries and Lost Time Injury Frequency Rates (with/without No-Lost Time Injuries¹)

Numbers in parentheses represent fatal accidents.

Fiscal Year	Kobe Steel Employees ²		Employees of Contractors ³		Overall Lost time injury frequency rate
	Number of lost time injuries	Injury frequency rate Lost time / No-lost time included	Number of lost time injuries	Injury frequency rate Lost time / No-lost time included	
2022	5 cases (0 cases)	0.21/0.21	8 cases (0 cases)	0.26/0.26	0.24
2021	7 cases (1 case)	0.29/0.33	5 cases (0 cases)	0.16/0.19	0.22
2020	8 cases (0 cases)	0.33/0.46	8 cases (0 cases)	0.24/0.33	0.28
2019	7 cases (0 cases)	0.29/0.37	3 cases (0 cases)	0.09/0.17	0.17
2018	5 cases (0 cases)	0.21/0.25	14 cases (0 cases)	0.39/0.39	0.32
2017	9 cases (1 case)	0.38/0.38	8 cases (1 case)	0.22/0.25	0.29

¹ Lost time injury frequency rates (with/without no-lost time injuries): The lost time injury frequency rates with no-lost time injuries included are calculated from the total of lost time injuries and no-lost time injuries.

² Kobe Steel employees: All employees of Kobe Steel (including seconded employees and temporary or part-time employees).

³ Employees of contractors: Employees of companies under contract with Kobe Steel (including temporary employees)

Injury Accidents and Occupational Safety Risk Countermeasures Results

● Response to Injury Accidents (Initiatives to Prevent Similar Accidents)

We investigate the causes and take corrective measures as part of our post-event response to injuries and accidents that occur in the Kobelco Group and relevant contractors, and deliver reports to and have discussions with related departments and labor unions at Safety and Health Committee and other meetings.

Specifically, we clarify the causes and identify issues in accidents that have occurred by focusing on the four categories of factors: human factors, mechanical factors, environmental factors, and management factors, and work to prevent recurrences by considering and taking preventive measures from three different perspectives (management, technical, and educational).

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

● Thorough Measures against Occupational Safety Risks

In order to address potential occupational safety risks in work and facilities, we regularly conduct risk assessments of new business planning projects as well as existing projects, and work to reduce those risks and enhance inherent safety.

Participation of Workers in Discussions Results

● Supervision by the Board of Directors and Executive Council

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

● Central Safety and Health Committee

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

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

Safety and Health

Education and Training Results

● Training on Safety and Health

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

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

Eligibility	Number of Trainees (Persons)		
	Fiscal 2020	Fiscal 2021	Fiscal 2022
New employees (Years 1–5)	629	223	1,053
Supervisors	65*	539	711
Line managers	—*	16	56

* Not held or only held partially due to the COVID-19 pandemic.

Global Health Issues and Pandemic Countermeasures Results

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

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

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

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

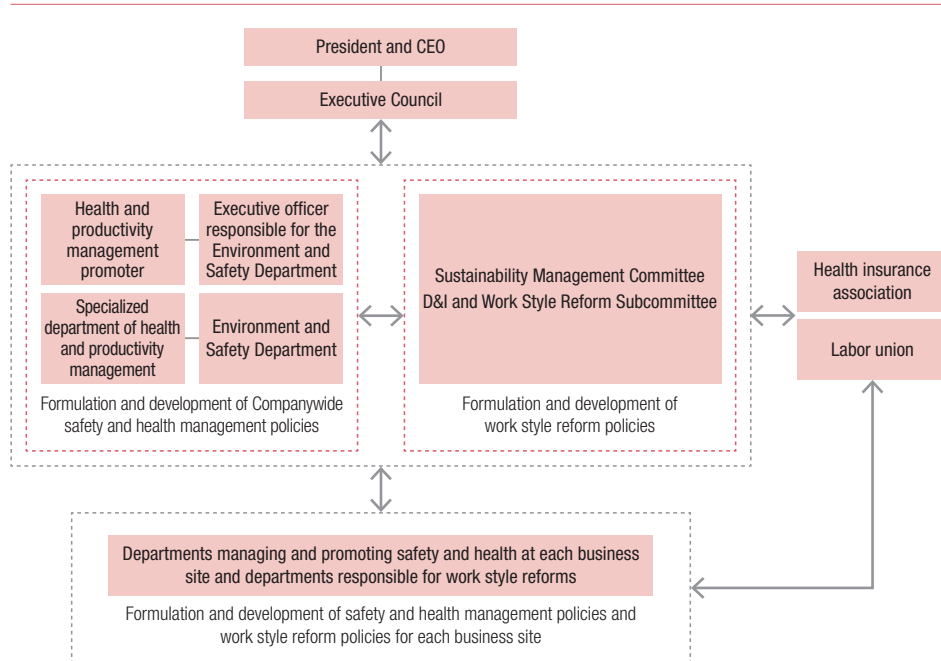
Furthermore, through a partnership with International SOS, which provides support services for safety and health around the world, we have put in place a system for gathering the latest information on local safety, and for receiving appropriate guidance and assistance in the event of trouble overseas.

Health and Productivity Management

Purpose of Promoting Health and Productivity Management Policies

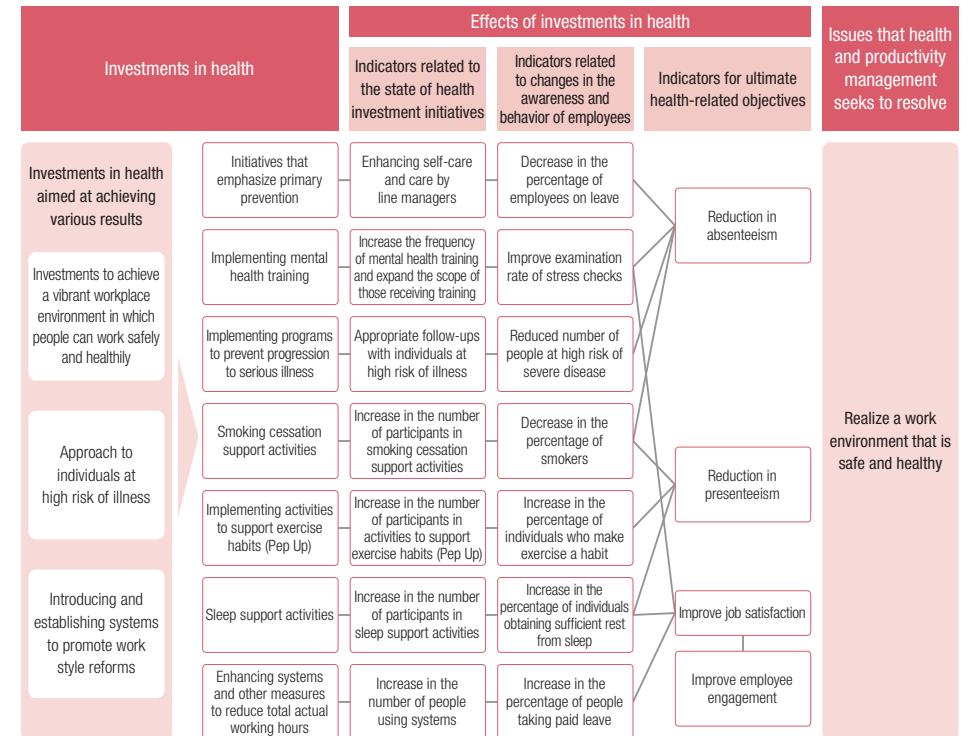
Based on the basic policy, we are promoting health and productivity management as an issue of paramount importance to corporate activities of our Company, which embraces a corporate culture that places the highest priority on safety and health, regardless of the social and business environment, recognizing that it contributes to corporate growth and sustainability.

Management Structure Structure



Health and Productivity Management Strategy Map Strategies and Targets

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



Health and Productivity Management

Main Health and Productivity Management Initiatives Results

● Mental Health

	Details
Primary prevention	<ul style="list-style-type: none"> ■ Self-care <ul style="list-style-type: none"> • Awareness through stress checks • Mental health education ■ Care by line managers <ul style="list-style-type: none"> • Organizational management (daily communication within the organizational structure) • Mental health education ■ Workplace support based on the results of stress checks <ul style="list-style-type: none"> • Assessments classified into quadrants (motivated organization, low-motivation organization, workaholism, burnout) in accordance with the degree of employee engagement and stress, based on the results of stress checks for each department. Particularly for workplaces that come under “burnout,” industrial physicians, departments responsible for safety and health, and departments responsible for human resources and labor relations strive to understand the situation and engage in improvements (utilizing outside consultants as needed).
Secondary prevention	<ul style="list-style-type: none"> • Regular opening of consultation desks (“ask me anything” sessions) staffed by industrial counselors • Support provided by industrial health staff assigned to business sites (industrial physicians, nurses, and industrial counselors)
Tertiary prevention	<ul style="list-style-type: none"> • Support for returning to the workplace provided by industrial health staff assigned to business sites and departments responsible for human resources and labor relations • Support by a consulting psychiatrist

● Physical Health (In cooperation with the health insurance association)

	Details
Primary prevention Disease prevention Health advancement	<ul style="list-style-type: none"> ■ Initiatives for increasing health literacy <ul style="list-style-type: none"> • Initiatives to encourage regular exercise using the Pep Up health support app. • As part of our efforts to address lack of exercise, videos of easy stretching and back pain prevention exercises are posted on the corporate intranet. • At some business locations, we assess physical fitness age by measuring physical fitness (body composition, forward bends, standing on one leg with eyes closed, reflex measurements, etc.). • Support for smoking cessation provided by industrial health staff utilizing nicotine patch treatment (Subsidies for health insurance costs available) • Dissemination of educational materials on smoking cessation created in cooperation with the Kobe Steel health insurance association (through posting on the corporate intranet, etc.) Initiatives for better sleep <ul style="list-style-type: none"> • Creation and dissemination of educational materials on sleep (video) • Formulation and dissemination of sleep-related materials under the supervision of a consulting psychiatrist ■ Vaccinations <ul style="list-style-type: none"> • Influenza vaccinations (fully covered for employees and their health insurance dependents) • Vaccinations for employees transferred overseas
Secondary prevention Early detection Early treatment	<ul style="list-style-type: none"> ■ Health checkups and ex post measures <ul style="list-style-type: none"> • Health checkups and health guidance pursuant to the Industrial Safety and Health Act • Health checkups and health guidance for employees requiring follow-up observation • Checkups at health screening clinics for employees reaching the age of 50 or 60 as well as their spouses • Use of blood tests and endoscopic checkups. Treatment for individuals infected with <i>Helicobacter pylori</i>. • Initiatives to prevent progression to serious illness for individuals at high risk (selected in accordance with the Company’s criteria from among those considered to be high risk due to blood pressure or blood sugar levels)
Tertiary prevention Returning to work Relapse prevention	<ul style="list-style-type: none"> ■ Support for returning to the workplace provided by industrial health staff assigned to business sites and departments responsible for human resources and labor relations ■ Support for achieving a balance between work and health

Health and Productivity Management

Health-Related Data Results

Category	Target Value	Fiscal 2020 Results	Fiscal 2021 Results	Fiscal 2022 Results
Examination rate of stress checks	100%	95.6%	96.0%	97.0%
Percentage of individuals at high risk of illness	1.0% ¹	1.9%	2.1%	2.3%
Percentage of individuals registered with Pep Up	100%	—	86.4%	86.4%
Smoking rate	29.0% ²	30.7%	28.9%	28.3%
Percentage of individuals obtaining sufficient rest from sleep	70% or more	61.0%	64.8%	65.6%
Percentage of individuals taking leave of absence due to poor mental health ³	—	1.2%	1.2%	1.3%
Job satisfaction ⁴	—	51.4	50.7	50.7
Work engagement ⁴	—	49.3	48.6	48.4

1 Reduction of 50% compared to the fiscal 2019 level by fiscal 2023

2 Reduction of 3% compared to the fiscal 2019 level by fiscal 2023

3 Percentage for the most recent three years

4 Value when the national survey result has a deviation value of 50

External Awards and Assessments Results

We aim to create a healthy work environment with safety and security ensured where employees can maintain and improve their mental and physical well-being. In recognition of these initiatives, we were selected as a 2023 Health & Productivity Stock Selection for the fourth time total and first time in six years and recognized as a 2023 Certified Health & Productivity Management Outstanding Organization (White 500) for the fourth time in total and the first time in two years.



Disaster Preparedness

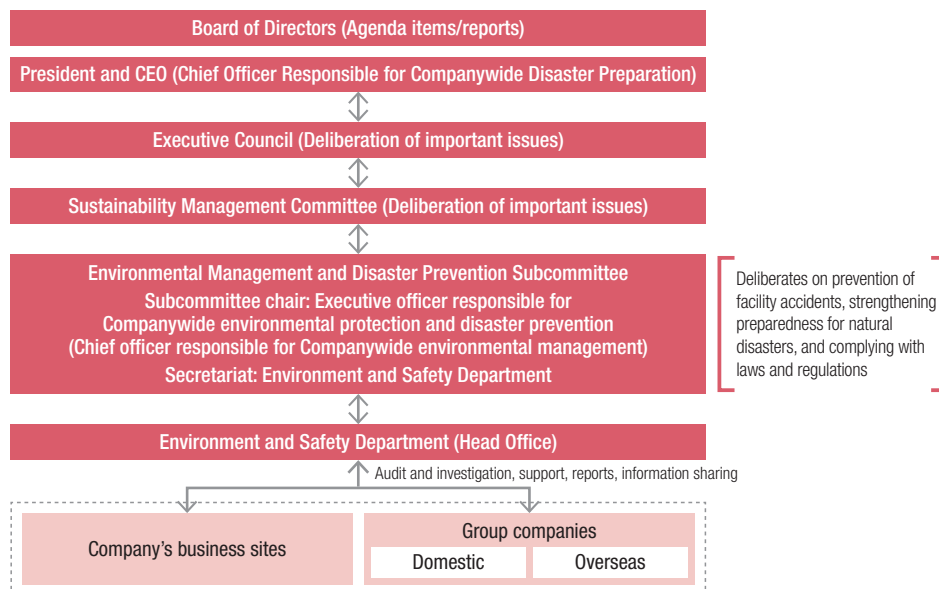
Recognizing facility accidents, natural disasters, and violations of disaster prevention laws and regulations as risks that have a material impact on the overall management of the Group, the Kobelco Group is working to address these risks across the Group.

Companywide Disaster Preparation Management Policy Policies



Management Structure Structure

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



Kobelco Group Initiatives Results

Prevention of Facility Accidents

● Response to Facility Accident Risk

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

Strengthening Preparedness for Natural Disasters

● Business Continuity Plan (BCP)

The Kobelco Group is formulating a BCP with the following basic policies: (1) Ensuring the lives and safety of employees, and (2) Ensuring the supply of products and services to customers. As one of our ongoing initiatives, we have conducted seismic reinforcement and instituted anti-flood measures according to the geographic conditions of each site, in order to reduce damage from natural disasters such as earthquakes and tsunamis. At present, we are mainly working to further enhance business plans for the restoration period.

● Response to Wind and Flood Damage

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

Disaster Preparedness

1st KOBELCO Disaster Preparedness Festa

The Group held the 1st Kobelco Disaster Preparedness Festa at the Kobe Head Office to pass on the memories of the Great Hanshin-Awaji Earthquake and maintain and raise awareness of disaster preparedness among employees.

The event, which was held with the cooperation of experts in the field, featured the following activities to heighten awareness and knowledge of disaster preparedness.

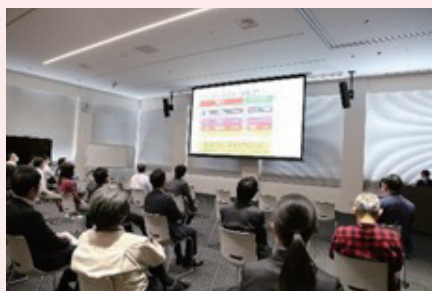
1. Presentation on disaster preparedness: Correct Knowledge and Preparations for Disasters by Kobe Chuo Fire Station
2. First-aid training: Hands-on first-aid training and learning by volunteer group
3. Exhibit of disaster preparedness items: Various disaster preparedness items and panel display of disasters

The Group will continue to hold similar initiatives going forward to raise awareness among Group employees and prepare for contingencies.

Photographs from the event



Panel display of disasters



Presentation on disaster preparedness

Compliance with Disaster Preparation-Related Laws and Regulations

● Disaster Preparedness Inspections

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

We will continue to reinforce the disaster preparation management structure throughout the Group.

Contributions to Society in Disaster Preparation

● Businesses, Products, and Technologies That Contribute to Disaster Preparation

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

Category	Company Name	Description
Power generation business	Kobelco Power Moka Inc.	Our power generation business was selected as a private-sector initiative for building national resilience by the Cabinet Office (2015).
Vehicle-type mobile power station	Shinko Engineering Co., Ltd.	The vehicles are equipped with diesel engine generators as well as cables and equipment required for supplying electrical power, and can be driven to any location where electrical power is required.
High-strength bolt	Shinko Bolt, Ltd.	A product with high strength and tensile force used in steel structure joints of buildings, civil engineering structures, and bridges.
Structural analysis	Kobelco Research Institute, Inc.	Analyzes structures during earthquakes by computer simulation.
Construction machinery	Kobelco Construction Machinery Co., Ltd.	Utilized for restoration work during a disaster.
Bridge cables	Kobelco Wire Company, Ltd.	A product that prevents bridges from collapsing caused by major positional changes in an earthquake, etc.

● Disaster Preparation Initiatives Contributing to Local Communities

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

Kobelco Group Disaster Prevention Conference

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



Human Resources

Basic Policy Policies Strategies and Targets

The Kobelco Group believes that in order to fulfill its social responsibilities as a corporate group and create new value, it is important to develop human resources who understand and implement the Group Corporate Philosophy.

We believe that employing human resources with diverse backgrounds, values, and skills within the Group, which engages in a wide range of business fields, and empowering them to contribute to society and boldly take on challenges associated with such work in the midst of changes in the times and society will help to further bolster our strengths. We will create an environment where these diverse human resources can play an active role to the fullest.

Major Initiatives Strategies and Targets

Major measures	Examples of Initiatives
Recruitment of diverse human resources	<ul style="list-style-type: none"> • Increased recruitment rate of women • Diverse recruitment strategy (mid-career recruitment and referral-based recruitment, etc.)
Development of human resources	<ul style="list-style-type: none"> • Development of Human Resources in Technical Positions • Shift to and entrenchment of self-directed, self-driven learning support • Early development and systematic placement of management personnel • Training for Directors and Executive Officers • KOBELCO TQM human resources development/training • DX strategy human resources development, etc.
Treatment and assignment	<ul style="list-style-type: none"> • Review of managerial position structure • Support for autonomous career development (internal job posting system), etc.
Promotion of D&I and work style reform	<ul style="list-style-type: none"> • Support balancing work and childcare • Diversity Network • Reduction of total hours worked and overtime hours • Increase number of annual paid leave days taken • Promotion of flexible work styles, etc.
Increased awareness of human rights	<ul style="list-style-type: none"> • Formulation of basic policy on human rights • Implementation of human rights due diligence • Activities to educate and enlighten employees on respecting human rights, etc.

Results

● Development of Human Resources in Technical Positions

To maintain and enhance *monodzukuri* capabilities that are the source of our competitiveness, we have established various types of educational programs that are centered on on-the-job training (OJT) and classified by rank and job type. Younger employees, up to their fifth year after joining the Company, gather at the Kakogawa training center every year, to receive education in the knowledge and skills required for operations. In addition, we work to enhance the technical level of employees by holding annual technical competitions and encouraging employees to acquire skill certifications.

For managers and supervisors, who play key roles in the workplace, we provide training programs that specialize in management and communication as well as basic knowledge of safety, the environment, quality, etc., and conduct training aimed at building a better work environment. Going forward, we will continue to review and modify the content and structure of internal education programs in accordance with every change in the environment, both inside and outside the Company.



A technical competition

Human Resources

● Early Development and Systematic Placement of Management Personnel

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

● Shift to and Entrenchment of Self-Directed, Self-Driven Learning Support

We are reducing the ratio of conventional standard/stratified programs, and shifting toward human resources development that is self-directed and self-driven. While employees are encouraged to autonomously build their own careers and learn on their own, the Company will provide growth opportunities for them and support the active participation of diverse human resources.

Results of Skills Development Training over the Past Three Years

Fiscal Year		2020		2021		2022	
Number of Employees (Persons)		11,837		11,296		11,368	
Learning hours	Training participation	Total hours for all employees (hours/year)	Average hours per employee (hours/person/year)	Total hours for all employees (hours/year)	Average hours per employee (hours/person/year)	Total hours for all employees (hours/year)	Average hours per employee (hours/person/year)
	Stratified	237,153	20.0	217,387	19.2	241,089	21.2
	Open	57,669	4.9	58,716	5.2	89,478	7.9
	Selective	31,635	2.7	27,813	2.5	31,466	2.8
	Language training	12,180	1.0	21,246	1.9	18,539	1.6
	Total training	338,637	28.6	325,161	28.8	380,573	33.5
	E-learning	25,908	2.2	24,424	2.2	27,644	2.4
	Total learning hours	364,545	30.8	349,585	30.9	408,216	35.9

Notes: 1. Training related to compliance, ROIC and diversity administered by the Head Office is calculated as stratified training.
2. E-learning is calculated as 15 minutes per training per person.

Diversity and Inclusion (D&I)

Activity Policy Policies

We have been working to enhance the growth potential of the entire organization by encouraging people with diverse backgrounds and values to make the most of their abilities in the workplace. We believe this will lead to vigorous development of our business. The Group has positioned D&I as an important management issue and set forth its vision for the future, basic policy, and key performance indicators (KPIs) for promotion of D&I, which it is working toward under Medium-Term Management Plan (Fiscal 2021–2023). Our Group will further strengthen its D&I development so that people with diverse backgrounds and values can fully demonstrate their abilities in the workplace.

Vision for the Future

Creating a Work Environment Where Diverse Human Resources Can All Play Active Roles

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

Basic Policy

Value 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 Work Styles

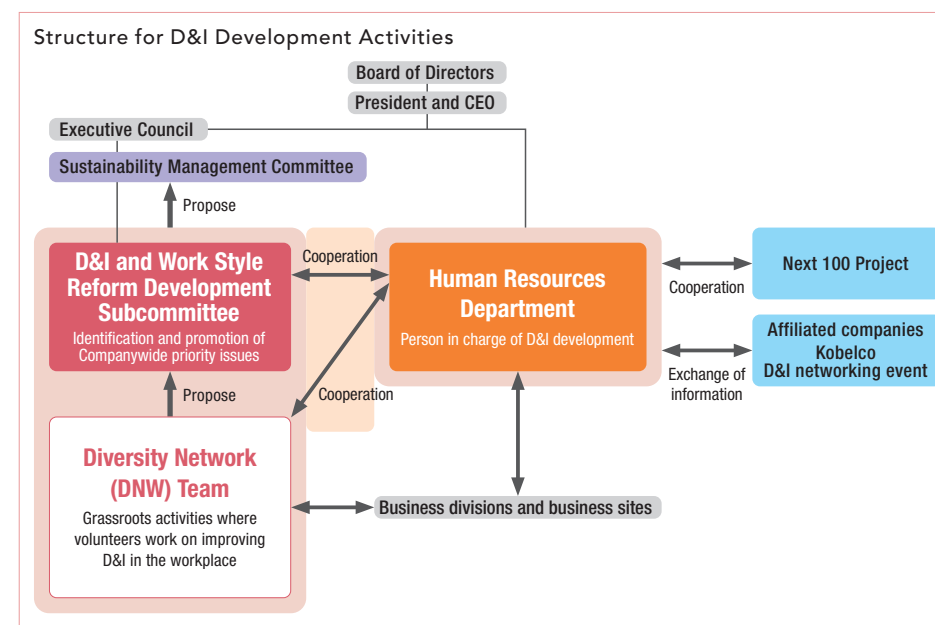
- Create a workplace environment where employees can work comfortably regardless of their job types, restrictions in work style, or life stages.
- Create a workplace that is highly motivating and fulfilling.

Take on the Challenge of Creating New Value

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

Organizational Structure for D&I Development Structure

The Human Resources Department plays a leading role in D&I development activities and cooperates with various projects. We have established the D&I and Work Style Reform Development Subcommittee and Diversity Network Team to strengthen cross-organizational activities. By doing so, we are further strengthening our D&I development activities.



Diversity and Inclusion (D&I)

KPIs Strategies and Targets

Increasing the employment rate of female new graduates

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

Development of female leaders

Number of managers (compared with fiscal 2020)*

2 times
(5.4%)

Support for male employees' participation in childcare

Percentage of employees taking special childcare leave

100%

Fiscal 2022 Results Results

Increasing the employment rate of female new graduates

Female administrative employees in career-track positions

48%

Female technical employees in career-track positions

10%

Female technical employees in general positions

8%

Development of female leaders

Percentage of female employees in managerial positions

3.0%

Support for male employees' participation in childcare

Percentage of employees taking special childcare leave

88%

External Awards and Assessments Results

- Received the Best Work Place, the highest recognition, and the D&I Award at the D&I Awards
- Awarded Gold for 2021 and Best Practice Award for 2022 in PRIDE Index (index for LGBTQ-related initiatives by companies)

▶ For details, please refer to "Initiative to Support LGBT People" on page 65.

- Received "Platinum Kurumin" certification in recognition of its support for child-rearing
- Endorsement of Action by Male Leaders Coalition for Empowerment of Women, Cabinet Office / Endorsement of the "30% by 2030" challenge
- Recognized as Hyogo Kobe Women's Empowerment Business (Mimosa Company)
- Received "Hyogo work-life balance company" award
- Registered as a company supporting the Tokyo metropolitan government's "barrier-free mindset" initiative



Initiatives for Transformation of Corporate Culture Results

● Diversity Network (DNW) Team

The Team implements grassroots activities primarily by volunteers to improve D&I in the workplace. The Team analyzes issues for each theme and the conducts countermeasure trials, with the results shared and proposed to the Human Resources Department and the D&I and Work Style Reform Development Subcommittee. In fiscal 2022, it made 20 improvement proposals that were rolled out Companywide.

● Lunchtime Sessions

Lunchtime sessions are monthly online seminars held for employees to learn about careers and D&I from leaders from inside and outside the Company. In addition to officers and leaders from outside the Company, seminars are also led by male employees with experience taking childcare leave, employees with disabilities, and employees who have fought illnesses.

Diversity and Inclusion (D&I)

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

Promoting Women's Participation in the Workplace

Policies | Strategies and Targets | Results

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

Percentage of Women in the Workforce

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Percentage of women in the workforce (Including Group companies) (%)	9.60	9.90	10.60	10.30	14.30	14.20	14.59

* The percentages of women in the workforce in fiscal 2016–2019 represent the domestic Group only.

Recruitment

	Fiscal 2021			Fiscal 2022		
	Recruitment through the regular hiring process	Mid-career recruitment	Total	Recruitment through the regular hiring process	Mid-career recruitment	Total
Men	254	71	325	224	188	412
Women	39	5	44	25	33	58
Total	293	76	369	249	221	470
Percentage of women in recruitment (%)	13.3	6.6	11.9	10.0	14.9	12.3

Workforce

	Fiscal 2021	Fiscal 2022
Men	10,231	10,284
Women	1,065	1,084
Total	11,296	11,368
Percentage of women in the workplace (%)	9.4	9.5

Years of Continuous Service

	Fiscal 2021	Fiscal 2022
Men (Years)	15.3	15.4
Women (Years)	14.3	14.5
Difference in average continuous years of service between men and women (%)	-6.5	-5.8

Note: Regular employees only

Managers

	Fiscal 2021	Fiscal 2022
Men	1,888	1,970
Women	55	61
Total	1,943	2,031
Percentage of women in the workplace (%)	2.8	3.0

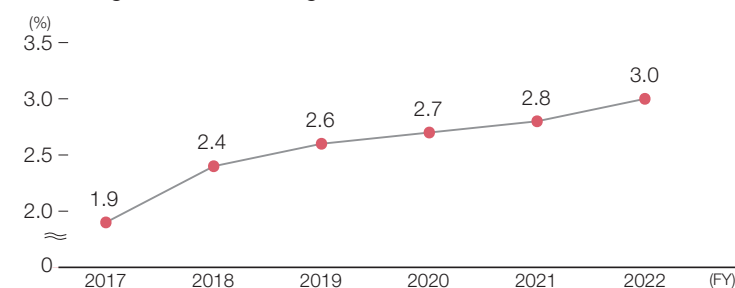
Directors

	Fiscal 2021	Fiscal 2022
Men	11	11
Women	2	2
Total	13	13
Percentage of women in the workplace (%)	15.4	15.4

Initiative to Develop Female Leaders

We are working to develop female leaders with the numerical target of increasing the number of female managers by a factor of 2 (5.4%) compared to fiscal 2020. In fiscal 2022, we jointly held a selective women's leadership training program together with six companies.

Percentage of Female Managers (Kobe Steel)



Diversity and Inclusion (D&I)

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

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

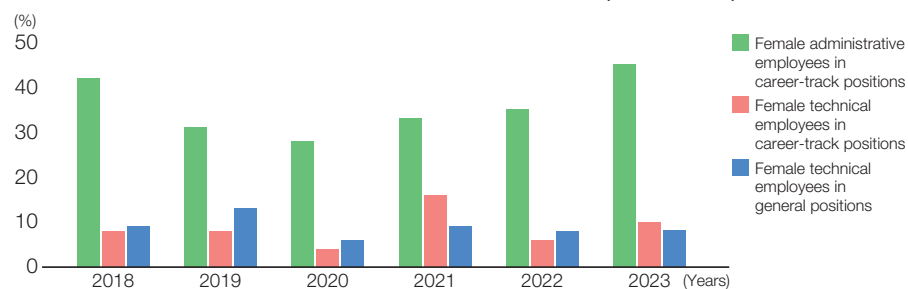
Second Action Plan (Fiscal 2021–2023)

Target 1	Increase the employment rate of female new graduates to: 50% for administrative career-track positions; 15% for technical career-track positions; and 15% for general technical positions.
Target 2	Reduce the retirement rate of female employees who have not reached 10 years of service at the Company (to less than 15%)
Target 3	Promote active communication beyond organizational boundaries (Improve scores in the employee awareness survey)

● Initiative to Increase the Number of Female New Graduates Employed

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

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



● Introduction of Maternity Work Clothes

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

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



Initiative to Support Foreign Employees Results

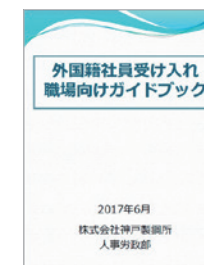
Foreign employees are active in a wide range of fields at our Company. Since foreign employees have various backgrounds, including where they are from, and diverse values, we support each individual so that they can draw out their strengths and play an active role.

● Cross-Cultural Management Training for the Supervisors of Foreign Employees

We hold regular training sessions to help supervisors who have foreign employees as subordinates deepen their understanding of differences in cultural backgrounds and learn management skills that are useful in their daily management.

● Providing a Guidebook for Workplaces with Foreign Employees

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



Diversity and Inclusion (D&I)

● Exchange Meetings for Foreign Employees

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



● Provision of a Prayer Room

Some of our business sites have set up a prayer room for employees to use. Customers visiting our offices from overseas can make use of them as well.

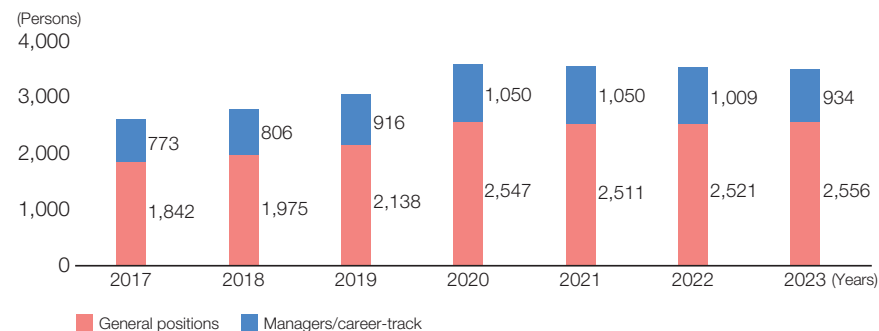


Initiatives for Mid-Career Hires Results

We actively promote mid-career hiring, and many employees who were hired mid-career are playing active roles in our Company.

In order to create an environment in which they can leverage know-how that is new to the Company and demonstrate their abilities at an early stage, we provide education and training when mid-career hires first join the Company.

Number of Mid-Career Hires (As of April 1)



Initiatives for Employment of Persons with Disabilities Results

We actively promote the hiring of persons with disabilities.

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

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

Employment Rate of People with Disabilities

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Percentage of employees with disabilities (Non-consolidated)	2.38%	2.30%	2.35%	2.37%	2.34%	2.56%	2.64%

Initiative to Support LGBT People Results

We are working to promote greater understanding of the LGBT community.

We provide training to senior management and managers/supervisors and for general employees on LGBT topics. Also, we are improving the environment with better in-house offerings, including the Kobelco Familyship Program, in which LGBT individuals who are unable to legally marry can use the internal family program in the same way as legally married couples. We are also working to increase the number of people who become an Ally¹ through seminars and by distributing stickers with the Kobelco LGBT ALLY logo. In recognition of these initiatives, we received the highest ranking of Gold in the PRIDE Index² for the second consecutive year in 2022 and received the Best Practice Award in 2022.

¹ An Ally is a person who acts proactively for LGBT issues as one's own matter

² An index that evaluates companies/organizations for their initiatives for LGBT and other sexual minorities in the workplace.

Established by "work with Pride," a voluntary organization that supports the promotion and establishment of diversity management for sexual minorities.

Kobelco
LGBT ALLY Logo



Gold Award in 2022
PRIDE Index



Best Practice



Diversity and Inclusion (D&I)

Work Style Reform

Policies

Strategies and Targets

With the goal of establishing a fulfilling workplace environment that enables the acquisition and retention of outstanding human resources, the Kobelco Group is working on work style reform activities for our employees, which include increasing the amount of annual leave taken, supporting a balance between work and family life, and increasing operational efficiency.

In our work style reform activities, we are undertaking a variety of initiatives, from the development of systems and tools to the transformation of the corporate culture and mindset, with the aim of creating a work style that allows each and every employee to work with enthusiasm, demonstrate their fullest potential, and continue to create new value.

Development of Systems and Tools Results

Results

• Telework System

We have introduced a work system that allows employees to autonomously choose the right place to work, with an awareness of improving productivity. We recommend that employees flexibly choose between coming to the office and teleworking depending on their work characteristics and circumstances.

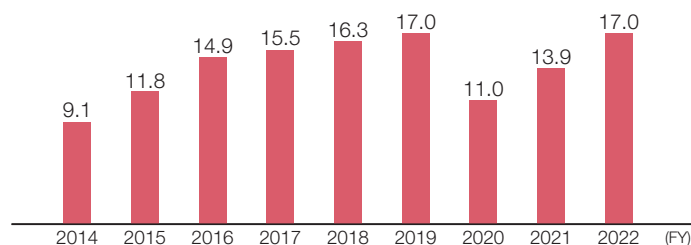
• Flextime System

We have introduced a work system that allows employees to autonomously decide when to start/end work and how long they work each day according to their work and life circumstances.

• Planned Annual Leave System

With the aim of ensuring that both supervisors and subordinates have awareness of the need to take planned rest, each individual is encouraged to create an annual plan based on the necessary communication between supervisors and subordinates for planned taking of annual leave.

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



• Use of Microsoft Teams

We have introduced Microsoft Teams as a tool for promoting online meetings and communication.

Transformation of Corporate Culture and Mindset

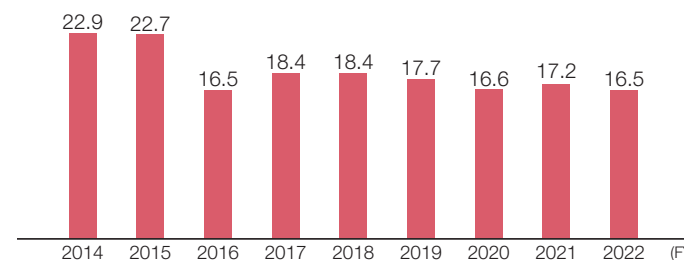
Results

• Supporting Work-Life Balance

Each department takes steps to support work-life balance by encouraging employees to finish work by 7 p.m., setting no-overtime days, and designating days for everybody to leave the office at a set time.

By being conscious of the end of work hours, employees can work more efficiently and effectively. This leads to improved work-life balance.

Overtime (Hours per month/person)



• Promoting Operational Improvement

We present awards for initiatives aimed at operational improvements and increasing efficiency in each workplace. Through this, we aim to promote operational improvement and create a culture of mutual praise and recognition. We also distribute videos that introduce the concepts and techniques of operational improvement and introduce examples of business improvement and standardization initiatives at each workplace.

• Dissemination of Information to Raise Awareness of Work Style Reforms throughout the Company

A dedicated page has been set up on the corporate intranet to disseminate information related to work style reforms.

Diversity and Inclusion (D&I)

• Initiatives for Effective Use of Office Space

Making effective use of the cafeteria, we have set up not only spaces for communication and meetings, but also solo work areas to encourage autonomous work styles.

1) Revitalizing communication



Communication area

The communication area promotes casual communication with co-workers in the cafeteria.

2) Making effective use of the office



Meeting area

The meeting area can be used without reservations or payment. Perfect for last-minute guests and meetings. Fully equipped with monitors.

3) Establishing autonomous work styles



Solo work area

The solo work area facilitates the holding of online meetings and concentrating on work for a short period of time.

• Encouraging Addressing by Name, Not Title

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

• Shift to Less Formal Attire

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

Work-Life Balance

Support for Work-Life Balance

Policies

Strategies and Targets

Results

We are actively working to establish an environment that facilitates work-life balance.

Childcare Support

We are moving forward with initiatives to support a balance between work and childcare, regardless of gender. Our initiatives in childcare support have gained recognition, and the Company received the "Platinum Kurumin"² certification as an Outstanding Childcare Support Company (acquired in 2019).

Our Company has received Kurumin¹ certification twice in the past (2012 and 2015). The Platinum Kurumin certification was awarded to our Company for the recognition of our efforts such as promoting work style reform activities, which increased the rate of employees taking annual paid leave, and encouraging male employees to take the Company's own special leave for childcare.



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

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

Usage of Main Childcare Support Systems

Results

● Usage of Childcare Support Systems

Percentage of Employees Taking Childcare Leave¹ and Average Number of Days Taken²

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Men	8.2%	16.5%	32.0%
	76 days	57 days	62 days
Women	97.3%	100.0%	100.0%
	470 days	431 days	487 days

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

2 Number includes persons who took leave the previous fiscal year and the current fiscal year.

Percentage of Employees Taking Special Childcare Leave

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Men	77.8%	78.5%	88.0%

● Support for Male Participation in Childcare

Strategies and Targets

With the aim of supporting men's participation in childcare, we are conducting activities to encourage male employees to take childcare leave* with the goal of reaching a 100% rate of male employees with infants taking childcare leave* by the end of fiscal 2023.

We inform eligible employees of this system through emails and letters, and we also hang posters and other notices in workplaces and Company housing to encourage people to take leave under the childcare leave system and related systems. Through our internal D&I promotion website, we discuss how to take childcare leave, introduce examples of male employees who have taken childcare leave, and hold seminars and other events for taking childcare leave.

The number of employees taking childcare leave is increasing, and the average number of days taken is also on the rise.

* Special paid leave that can be taken by employees with children under the age of three.



Nursing Care Support

Policies

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

Work-Life Balance

Support for Employees Battling Illness or Undergoing Infertility Treatments Policies

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

Other Support for Work-Life Balance Policies

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

● Career Continuation Leave System

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

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

● Reemployment Entry System

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

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

● System Supporting Early Return from Childcare Leave

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

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

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

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



Building Responsible Supply Chains

Basic Stance Strategies and Targets

In order for the Group to realize KOBELCO's View of the Future, as a responsible member of the global supply chain, we actively promote initiatives to address issues such as human rights and environmental challenges, not only in our own Group but also throughout our supply chains.

In September 2022, the Group released its Basic CSR Procurement Policy for Building Responsible Supply Chains. We will fulfill our social responsibilities while working to grasp the supply chain issues in the procurement of raw and other materials in order to ensure a stable supply of our products and services.

Basic Procurement Policy Policies

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

1. Compliance with laws, regulations, and other social norms

In conducting purchasing operations, we will comply with relevant domestic and overseas laws, social norms, and internal regulations. The person in charge of procurement will have no private benefit in any business partner.

We will never have any relationship with antisocial forces and organizations that threaten the order and security of civil society and will not respond to illegal or unjust demands.

2. Fair and impartial transactions

Purchasing operations will be conducted based on reasonable standards, in terms of quality, delivery time, and price, and will be open to the public both in Japan and abroad.

3. Coexistence with the global environment through procurement

When conducting purchasing operations, we will pay attention to social conditions and demands, and give due consideration to environmental protection, resource protection, etc.

4. Strengthening of partnerships with business partners

We aim for mutual development by establishing a relationship of trust with our business partners.

5. Management of confidential information

We will strictly manage information and personal information obtained through purchasing operations and use it only for the permitted purposes.

Requests to Our Business Partners Strategies and Targets

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

[▶ Procurement](#)

1. Compliance

Comply with applicable laws and regulations in your country and the countries/regions in which you operate.

2. Human rights and labor

- Prohibited items (forced labor, child labor, inhumane treatment, and discrimination)
- Consideration for working hours, adequate wages and benefits, and freedom of association/right to collective bargaining

3. Safety and health

Occupational safety, emergency preparedness, occupational accidents and diseases, industrial hygiene, consideration for physically demanding tasks, safety measures for machinery and equipment, safety and health of facilities, safety and health communication, and health care of workers

4. The environment

Obtain environmental permits and reports, reducing energy consumption and greenhouse gas emissions, emissions into the atmosphere, management of water, effective use of resources and waste management, control of chemical substances, and management of chemical substances contained in products

5. Fair trade and ethics

Anti-corruption, prohibition of giving or receiving unreasonable or improper benefits or facilities, appropriate information disclosure, respect for intellectual property, conduct business fairly, protection of the informant, and prohibition of the use of conflict minerals

6. Quality and safety

Ensuring product safety and establishment and operation of quality management system

7. Information security

Defense against cyberattacks, protection of personal information, and preventing leakage of confidential information

8. Business continuity plan

Business continuity planning and preparation

9. Social contribution

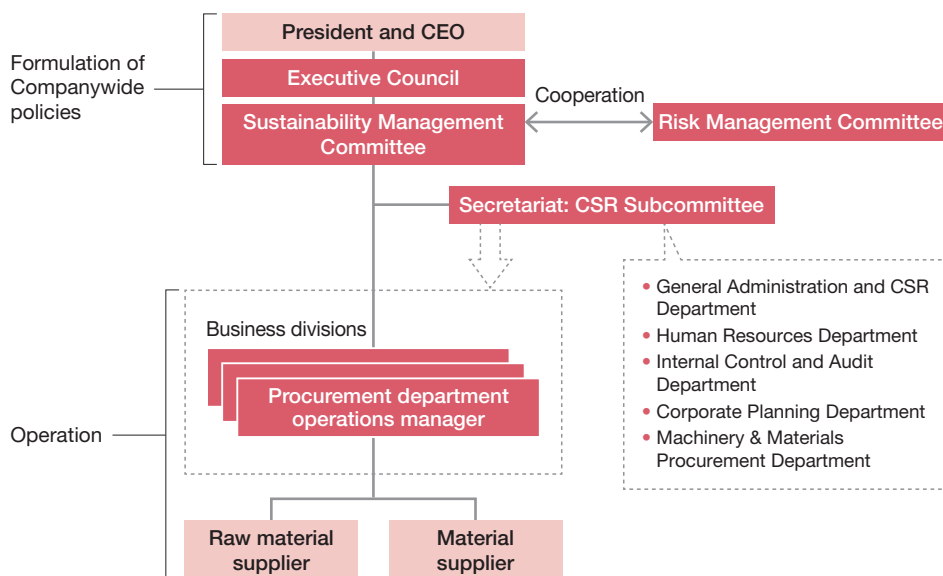
Voluntary engagement in activities that contribute to the development of international and local communities

Building Responsible Supply Chains

Promotion System Structure

The Companywide policy is proposed by the Sustainability Management Committee to the Executive Council for deliberation to build consensus. The approved policy is promoted by operation managers at procurement divisions under respective business divisions.

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



History of Kobelco Group's Initiatives Results

The Group carried out the initiatives in the following table for building responsible supply chains.

Month and Year	Details
September 2020	Released the Basic Procurement Policy and Requests to Our Business Partners
September 2021	Streamed an explanatory video for our business partners
March 2022	Conducted the CSR survey (first time)* on our main business partners * Survey on our CSR initiative structure
September 2022	Released Basic CSR Procurement Policy
October 2022	Notified Group companies of the Basic CSR Procurement Policy
December 2022	Held a briefing on the Basic CSR Procurement Policy for main business partners (Participants: 170)
December 2022	Streamed video of the briefing on the Basic CSR Procurement Policy for main business partners
March 2023	Received letters of consent from main business partners who endorse the Basic CSR Procurement Policy

(The entire Basic CSR Procurement Policy, explanatory video for business partners, and the explanatory video of the briefing on the Basic CSR Procurement Policy are available on the Kobelco website.)

[▶ Procurement](#)

Initiatives Scheduled for Fiscal 2023 and Beyond Strategies and Targets

We intend to ask business partners for their cooperation in responding to the CSR survey (second survey) and the survey on the state of their compliance with important items such as human rights and conflict minerals.

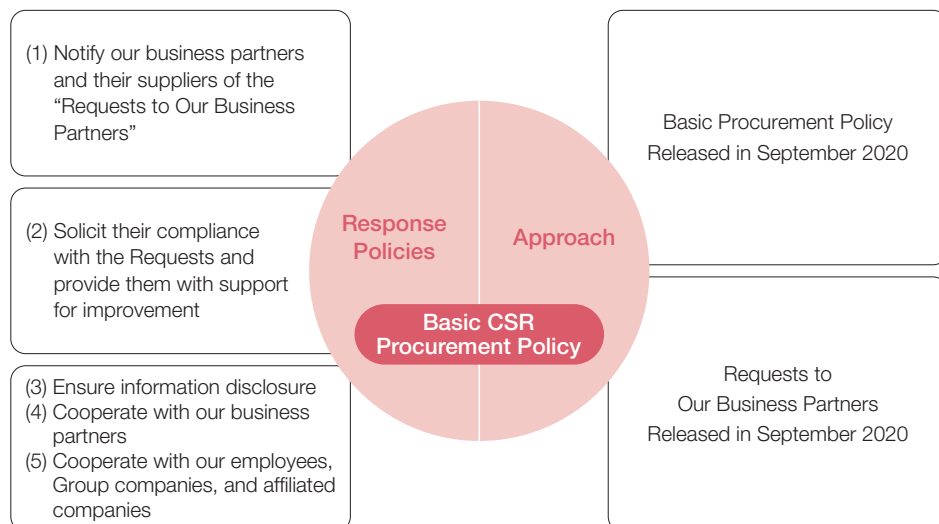
Building Responsible Supply Chains

Basic CSR Procurement Policy Results

In September 2022, we added our Response Policies for building responsible supply chains to our Basic Procurement Policy and Requests to Our Business Partners, which are already in place, creating the Basic CSR Procurement Policy.

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

► Procurement



(Policy for Building Responsible Supply Chains)

(1) Notification of the suppliers of our business partners of Requests to Our Business Partners

We also ask our business partners to ensure that their suppliers thoroughly understand and implement the above Requests to Our Business Partners.

(2) Compliance with Requests to Our Business Partners and provision of support for improvements

- We confirm the progress of business partners that require improvements while providing support.
- We may visit business partners in-person, including performing third-party audits as needed.
- If appropriate improvements are not made, we may elect to terminate the business relationship.

(3) Information disclosure

We disclose relevant information in a timely and suitable manner.

(4) Cooperation with business partners

We share the Basic CSR Procurement Policy with business partners and pursue various avenues of collaboration while striving to understand any issues.

(5) Cooperation with employees, Group companies, and affiliates

We continuously raise awareness and organize training with regard to the importance of the environment and human rights in the supply chain and our Basic CSR Procurement Policy.

Social and Labor Data

			Fiscal 2020	Fiscal 2021	Fiscal 2022	
Number of employees	Consolidated	Persons	40,517	38,106	38,488	
		Non-consolidated	Persons	11,837	11,296	11,368
		Men	Persons	10,750	10,231	10,284
		Women	Persons	1,087	1,065	1,084
		Non-Japanese	Persons	87	76	74
Percentage of female managers	Non-consolidated	%	2.7	2.8	3.0	
Percentage of female employees	Consolidated	%	14.3	14.2	14.6	
Percentage of employees with disabilities ¹	Non-consolidated	%	2.34 (2.2)	2.56 (2.3)	2.64 (2.3)	
Number of employees taking childcare leave ²	Non-consolidated	Men	Persons	48	82	142
		Women	Persons	63	49	31
Percentage of employees returning from childcare leave	Non-consolidated	%	99.1	99.0	99.4	
Number of new graduates employed	Non-consolidated	Men	Persons	349	254	224
		Women	Persons	38	39	25
Turnover of employees with less than 3 years of service (non-consolidated) ³	Non-consolidated	%	11.9	10.2	4.0	
Turnover of employees with less than 10 years of service (non-consolidated) ⁴	Non-consolidated	%	15.8	19.5	20.0	
Number of annual paid leave days taken	Non-consolidated	Days/year per employee	11.0	13.9	17.0	
Overtime hours	Non-consolidated	Hours/month per employee	16.6	17.2	16.5	
Total hours worked	Non-consolidated	Hours	1,978	2,057	2,050	
Employee training ⁵	Non-consolidated	Total hours of training	Hours	364,545	349,585	408,216
		Average hours of training per employee	Hours per employee	30.8	30.9	35.9
Voluntary turnover of full-time employees	Regular employees	%	2.3	2.7	2.3	

¹ Figures in parentheses are the statutory employment rate.

² The period of the Company's childcare leave is up to three years. The number of employees includes those who continue to be on leave from the previous fiscal year.

³ The figure shows the percentage of those who retired with less than three years of continuous service, among the employees who joined the Company during these fiscal years through the regular hiring process (for fiscal 2020 and 2021, the percentage of those retiring by the end of fiscal 2022).

⁴ The figure shows the percentage of those who left the Company with less than 10 years of continuous service, among the employees who joined the Company during these fiscal years through the regular hiring process (the percentage of those who retired from fiscal 2013 to the end of fiscal 2022).

⁵ Figures for fiscal 2020 and 2021 for employee training have been revised due to changes in the aggregation method (such as the addition of training and e-learning conducted at each business unit or business site). In addition, e-learning is calculated at 15 minutes per training per person.

Governance

Governance

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Corporate Governance

Basic Stance on Corporate Governance

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

Therefore, corporate governance is not merely a form of the organization, but it is a framework for realizing all the efforts the Group is undertaking. In the development of the framework, the Group places

importance on the following: establishing a system that contributes to improving corporate value through appropriate risk-taking, collaborating with stakeholders, promoting appropriate dialogue with investors in the capital market, ensuring the rights of and fairness for shareholders, and ensuring transparency.

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

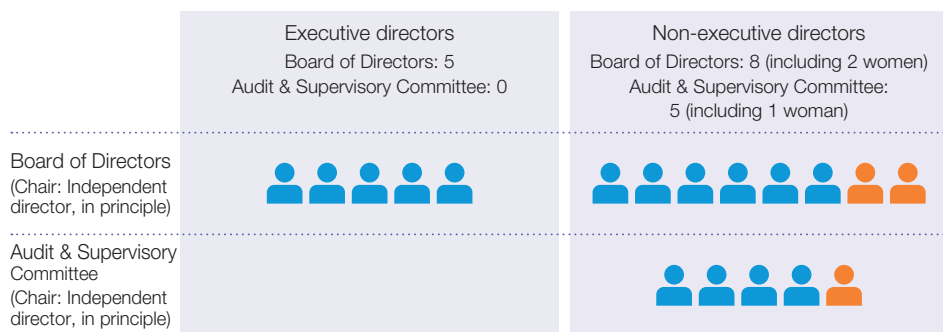
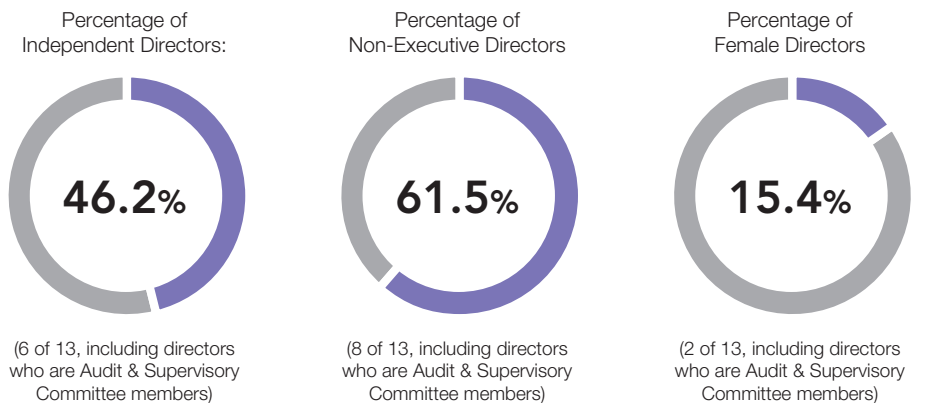
▶ **Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd.**

Initiatives to Strengthen Corporate Governance

	1999	2010	2015	2020	(FY)
Philosophy and Policies		<ul style="list-style-type: none"> •2000 Establishes Corporate Code of Ethics → •2006 Establishes corporate philosophy 		<ul style="list-style-type: none"> → •2017 Turns corporate philosophy into the Core Values of KOBELCO and establishes the Six Pledges of KOBELCO Men and Women → •2020 Establishes the new Group Corporate Philosophy by integrating the newly formulated KOBELCO's View of the Future and KOBELCO's Mission 	
Organizational Structure	<ul style="list-style-type: none"> •1999 Introduces an internal company system and adopts an executive officer system 	<ul style="list-style-type: none"> → •2010 Abolishes the internal company system and introduces a business unit system 	<ul style="list-style-type: none"> •2015 Establishes the Meetings of Independent Directors •2016 Becomes a company with an Audit & Supervisory Committee 	<ul style="list-style-type: none"> •2018 Reassesses the role of the Board of Directors from the standpoint of enhancing its oversight functions 	<ul style="list-style-type: none"> → •2021 – Shifts to a Board of Directors that places greater emphasis on decisions regarding important management directions as well as on monitoring that encompasses risk management – Establishes the Corporate Governance Committee as an advisory body to the Board of Directors •2022 Reduces the maximum number of directors (excluding directors who are Audit & Supervisory Committee members) from 15 to 10
Directors and Executive Officers		<ul style="list-style-type: none"> •2007 Appoints two independent directors 	<ul style="list-style-type: none"> •2015 Establishes principles on appointment of directors/Audit & Supervisory Board members and establishes standards for independent directors/auditors •2016 Establishes training policy for directors and executive officers •2019 Appoints the Company's first female director •2021 Abolishes the positions of senior managing executive officer and managing executive officer 		
Effectiveness Evaluation			<ul style="list-style-type: none"> •2016 Introduces evaluation system for the Board of Directors 		
Remuneration			<ul style="list-style-type: none"> •2016 Revises directors' remuneration system (introduces stock-type remuneration) → •2022 Partially revises the remuneration system for directors and executive officers (including lowering the maximum remuneration) 		

Corporate Governance

● Corporate Governance Highlights



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

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

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

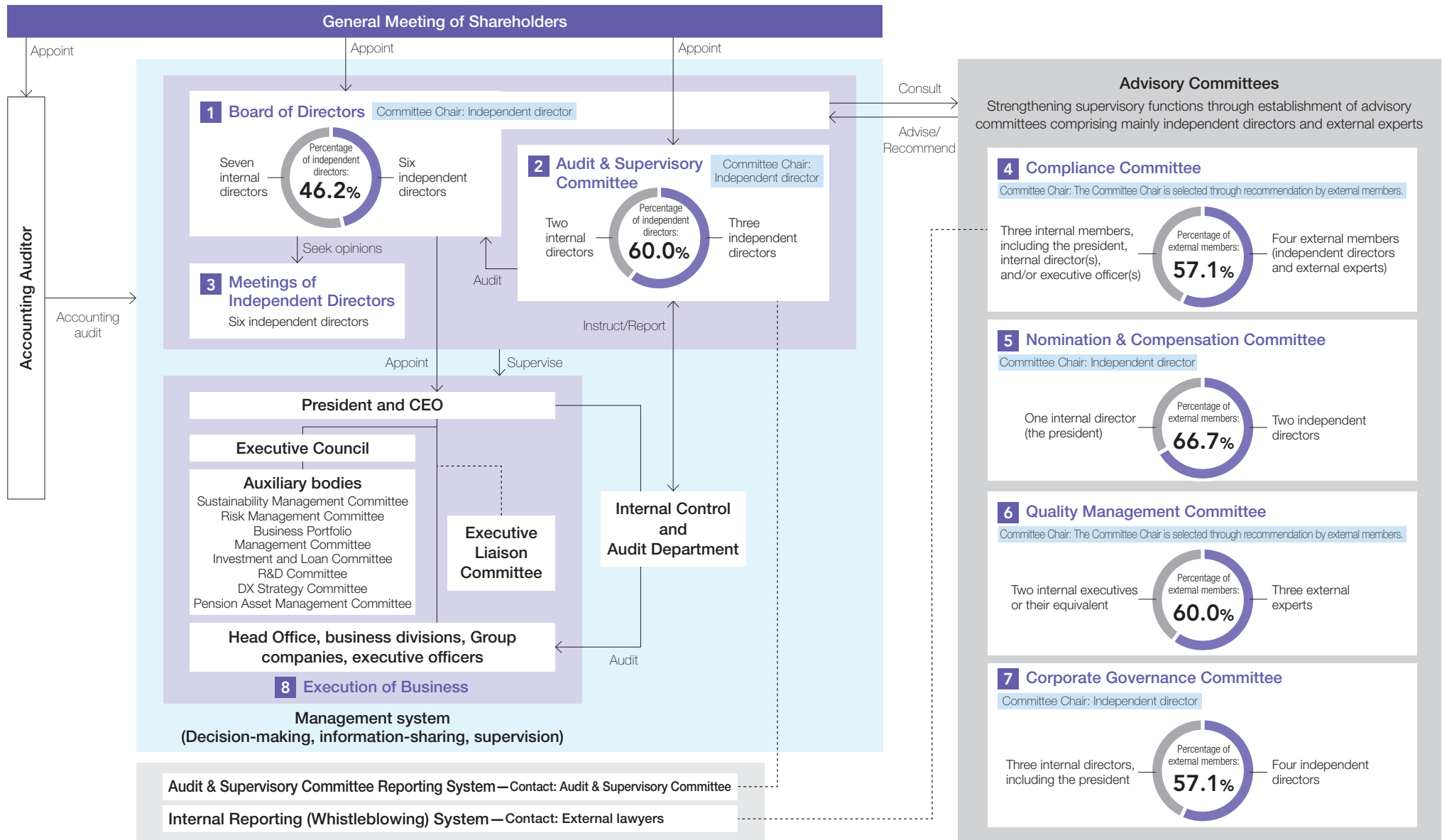
Furthermore, the Company believes it is necessary for the Board of Directors to hold active discussions and make appropriate decisions regarding the risk management and the distribution of management resources for a wide range of businesses, and at the same time, to flexibly supervise business execution.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

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

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

Corporate Governance

Our Corporate Governance System



Corporate Governance

1 Board of Directors

The number of directors (excluding directors who are Audit & Supervisory Committee members) shall be not more than 10 as stipulated under the Articles of Incorporation of the Company.

The Company takes the following measures to ensure that an appropriate number of directors constitutes the Board of Directors to facilitate substantial discussion at meetings of the Board of Directors as well as enhance the auditing function, while considering its diversity. The Company's Board of Directors places emphasis on determining important management directions and monitoring, including risk management. In addition to the president, directors who oversee the specific functions of Companywide importance shall be appointed as executive directors. In order to further enhance active discussions, appropriate decision-making, and supervision, it is essential to reflect external fair and neutral viewpoints and the viewpoints of stakeholders including minority shareholders. Therefore, in addition to the independent directors who are Audit & Supervisory Committee members, the Company invites several independent directors who are not Audit & Supervisory Committee members to the Board of Directors. The Chairman of the Board of Directors is elected from among the independent directors.

2 Audit & Supervisory Committee

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

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

3 Meetings of Independent Directors

The Company has established the Meetings of Independent Directors to take full advantage of the independent directors' capabilities. The meetings are a platform where the Company shares with independent directors information regarding the Company's businesses excluding the nomination and compensation of executives. The Meetings of Independent Directors consist solely of independent directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary.

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

4 Compliance Committee

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

The Compliance Committee consists of the president, the director/executive officer overseeing Companywide compliance, the executive officer responsible for Companywide compliance, lawyers (without a retainer agreement executed by the Company) in charge of receiving reports via the Internal Reporting (Whistleblowing) System, independent directors, and external experts. The majority of the committee consists of members from outside the Company. The committee chair is selected through mutual recommendation among the external members.

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

5 Nomination & Compensation Committee

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

Corporate Governance

6 Quality Management Committee

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

7 Corporate Governance Committee

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

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

8 Execution of Business

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

The Executive Council is not a decision-making body, but a forum for frank discussion aimed at giving additional consideration to the execution of business by each business division and the Group

from various aspects. Matters deliberated by the Executive Council are submitted to the Board of Directors as matters to be resolved or reported.

In order to enhance the effectiveness of deliberations by the Executive Council, various committees will be established as auxiliary bodies for important matters related to business strategy, such as sustainability management, risk management, business portfolio management, and investment and loans.

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

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

Knowledge, Experience, and Skills That Are Particularly Expected to Be Demonstrated for the Improvement of the Functions of the Board of Directors (Skills Matrix)

In order to address the Group's medium- to long-term material issues (materiality) and to implement the Medium-Term Management Plan (Fiscal 2021–2023), 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. These areas of knowledge, experience, and skills will be reviewed as necessary in response to changes in the business environment, the formulation of new management plans, and other changes.

Corporate Governance

Views on Knowledge, Experience, and Skills That Are Particularly Expected to Be Demonstrated for the Improvement of the Functions of the Board of Directors

- The Kobelco Group aims to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities.
- In order for the Board of Directors to appropriately determine important management directions and conduct monitoring that encompasses risk management, aimed at enhancing the Kobelco Group's corporate value over the medium to long term, we believe it is necessary to have the Board of

Directors consisting of directors who have well-balanced knowledge, experience, and skills in the following three key areas: (1) Comprehensive skills in overall management, (2) Skills in resolving social issues and creating new value, and (3) Skills in further strengthening the management foundation. In particular, we expect independent directors to demonstrate their knowledge, experience, and skills with regard to insights into other industry sectors.

- Items in the key areas have been determined after discussion at the Corporate Governance Committee and the Nomination & Compensation Committee, taking into account the Company's business strategy and business characteristics as well as the business environment and the Company's management plan.

Name	Gender	Length of Service as Director (Years)	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	Attendance at Board of Directors' Meetings (fiscal 2022)	Attendance at Audit & Supervisory Committee Meetings (fiscal 2022)
			Business management and administration	ESG	Sales strategy and marketing	Technical development, intellectual properties, production technologies, and DX	Global business	Finance and accounting	Organization and human resources	Legal and risk management			
President, CEO and Representative Director Mitsugu Yamaguchi	Male	7	●	●	●		●					16 of 16 meetings (100%)	—
Executive Vice President and Representative Director Yoshihiko Katsukawa	Male	5	●				●	●		●		16 of 16 meetings (100%)	—
Executive Vice President and Representative Director Hajime Nagara	Male	3	●	●					●	●		16 of 16 meetings (100%)	—
Director, Executive Officer Koichi Sakamoto	Male	—	●	●		●						—	—
Director, Executive Officer Shinji Miyaoka	Male	—	●		●	●	●					—	—
Independent Director Hiroyuki Bamba	Male	6	●	●		●					●	16 of 16 meetings (100%)	—
Independent Director Yumiko Ito	Female	4		●			●			●	●	16 of 16 meetings (100%)	—
Independent Director Shinsuke Kitagawa	Male	1		●			●			●	●	11 of 11 meetings (100%)	—
Directors who are Audit & Supervisory Committee members Hiroshi Ishikawa	Male	5	●		●		●					16 of 16 meetings (100%)	18 of 18 meetings (100%)
Directors who are Audit & Supervisory Committee members Gunyu Matsumoto	Male	—	●					●	●			—	—
Independent Director, Audit & Supervisory Committee Member Masaaki Kono	Male	3	●	●					●		●	16 of 16 meetings (100%)	18 of 18 meetings (100%)
Independent Director, Audit & Supervisory Committee Member Kunio Miura	Male	3		●						●	●	16 of 16 meetings (100%)	17 of 18 meetings (94%)
Independent Director, Audit & Supervisory Committee Member Nobuko Sekiguchi	Female	1		●			●	●			●	11 of 11 meetings (100%)	13 of 13 meetings (100%)

Notes: 1. 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.

2. Since June 22, 2022, when Shinsuke Kitagawa and Nobuko Sekiguchi were appointed as directors, the Board of Directors and the Audit & Supervisory Committee have met 11 times and 13 meetings, respectively.

Corporate Governance

Initiatives to Ensure the Effectiveness of the Board of Directors

The Company carries out the following initiatives in order to ensure that the Board of Directors fulfills its decision-making and supervisory functions appropriately.

- Every year, the Audit & Supervisory Committee interviews each director to verify the decisions on business execution made by the Board of Directors and the implementation of efficient business execution as stipulated in the basic policy of the internal control system.
- In the operation of the Board of Directors, the Company distributes meeting materials at least three days prior to the date of the meeting as necessary in order to enable active and sufficient deliberations at meetings of the Board of Directors. To this end, the Company will promote the use of electromagnetic means with due consideration for the protection of trade secrets, so that meeting materials can be received regardless of the whereabouts of the directors.
- In addition to meeting materials for the Board of Directors, the Company provides the directors with sufficient information and explanation as necessary, upon the request of the directors, etc.
- To revitalize and deepen discussions at meetings of the Board of Directors and further enhance the monitoring function for business activities, the Company has an independent director serve as the Chairman of the Board of Directors, in principle.
- The Company has established a secretariat for the Board of Directors within the Corporate Planning Department. The Secretariat determines and organizes the annual schedule of meetings of the Board of Directors and anticipates agenda items to the extent possible, in advance of the fiscal year. In addition, the Secretariat coordinates with each department to ensure that the number of deliberation items and the frequency of meetings are appropriate, and that sufficient deliberation time is secured.
- The Board of Directors and the Audit & Supervisory Committee strive to improve the effectiveness of the supervisory function of the Board of Directors by seeking advice from external experts and others at the Company's expense when deemed necessary.
- Through supervision and auditing of the internal control system, the Board of Directors and the Audit & Supervisory Committee ensures the smooth provision of information as requested by each director and Audit & Supervisory Committee member.
- For the verification of the effectiveness of the Board of Directors, the Corporate Governance Committee requests each director to complete a questionnaire every fiscal year and provides a preliminary evaluation of the survey results. Based on this, the Board of Directors discusses and evaluates its effectiveness and identifies issues at its meetings. The questionnaire items are reviewed by the Board of Directors based on the evaluation results of each fiscal year. A summary of evaluation results is disclosed every fiscal year.

● Evaluation Results for Fiscal 2022

Overview of the Effectiveness Evaluation of the Board of Directors

Targets	All 12 directors
Implementation Process	Questionnaire survey targeting all directors and individual interviews by the Corporate Governance Committee A third-party organization is contracted to conduct the questionnaire survey.
Evaluation Items	(1) Structure of the Board of Directors, (2) Agenda of Board of Directors' meetings, (3) Materials for Board of Directors' meetings, (4) Operation of the Board of Directors, (5) Provision of information to directors, (6) Discussions during Board of Directors' meetings, (7) Monitoring function of the Board of Directors, (8) Mutual evaluation of directors, and (9) Other
Evaluation Method	<ul style="list-style-type: none"> • Based on the results of the questionnaire and interviews, the Corporate Governance Committee submits to the Board of Directors the results of the effectiveness evaluation and proposes the future direction for improving the effectiveness. • The Board of Directors reviews the evaluation results and identifies current issues. Based on these, the Board of Directors deliberates future initiatives for improving effectiveness and makes decisions on future measures.

● Summary of Analysis and Evaluation Results

- In the fiscal 2021 effectiveness evaluation, the Board of Directors held many discussions on individual business issues, and among the various initiatives to enhance corporate value, the Company recognized that few opportunities to discuss themes related to the management foundation area is an issue.
- Therefore, in fiscal 2022, as a result of efforts to share information with directors and hold discussions with the business execution side on themes centered on the management foundation area by utilizing meetings of independent outside directors and offline meetings, the Board of Directors' has deepened its understanding of the business execution side's efforts in the management foundation area and found that the function of the Board of Directors as a monitoring board has been enhanced.
- Based on the above, the Company believes that the effectiveness of the Board of Directors has been continuously improved based on the effectiveness evaluation results so far. We will continue with these initiatives in fiscal 2023 and strive to make further improvements.
- On the other hand, as the monitoring function of the Board of Directors has been strengthened, the Company recognizes that it is necessary to narrow down the themes to be discussed at Board of Directors' meetings and to set agenda items planned annually. In fiscal 2023, the Company will set an agenda with an eye on the formulation of the next Medium-Term Management Plan, and discuss the plan accordingly.

Corporate Governance

● Future Initiatives for Improving Effectiveness

- The Company will set a planned out annual agenda for the realization of a path to enhance corporate value over the medium to long term, which in turn will be discussed by the Board of Directors.
- The Company will consider initiatives for the efficient operation of the Board of Directors.

Training and Succession Plan for Directors and Executive Officers

● Training for Directors and Executive Officers

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

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

● Views on the Development of Successors to the CEO

The Company recognizes that the development of successors to the CEO is one of the most important issues for its management. The qualities and human resources required to solve the Company's management issues and enhance corporate value are discussed on a continued basis at the Nomination & Compensation Committee, chaired by an independent director and composed of a majority of independent directors.

- The appointment of the CEO is determined by the Board of Directors after deliberations at the Nomination & Compensation Committee taking into account the Company's business environment and the implementation of management plans, etc., which are reported to the Board of Directors.
- In developing successors to the CEO, the Company selects multiple candidates from among directors and executive officers and appoints them to important management roles after discussion at the Nomination & Compensation Committee.
- The Company provides directors and executive officers with training opportunities to acquire the knowledge and qualities necessary for the management of the Company. The Corporate Governance Committee examines the training menu in light of the Company's business environment and other factors and reports to the Board of Directors every fiscal year.
- The training status of each director and executive officer is checked by the Corporate Governance Committee once a year.

Corporate Governance

Remuneration for Directors, Executive Officers, and Accounting Auditor

1 Basic Approach to Remuneration for Directors and Executive Officers

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

2 Remuneration Framework

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

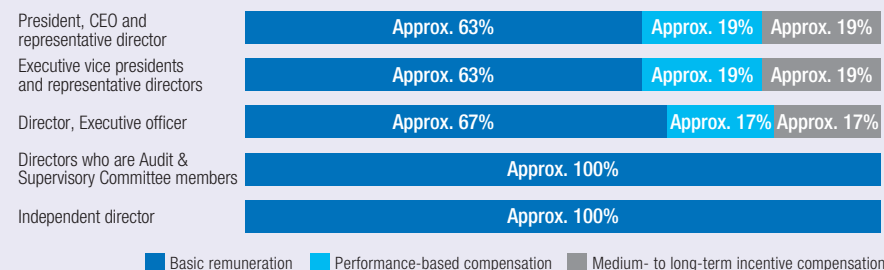
medium- to long-term incentive compensation provided per fiscal year will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank.

4. Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders are as follows.
 - Remuneration for directors (excluding directors who are Audit & Supervisory Committee members)
 - The limit of basic remuneration: Within a total of 460 million yen per fiscal year
 - The limit of performance-based compensation: Within a total of 240 million yen per fiscal year
 - Maximum points to be granted for medium- to long-term incentive compensation: Within a total of 424,100 points per fiscal year
 - Remuneration for directors who are also Audit & Supervisory Committee members (basic remuneration only): Within a total of 132 million yen per fiscal year

Reference

Composition of Remuneration for Directors and Executive Officers

The graph below shows the composition of remuneration. The percentages of the performance-based compensation and medium- to long-term incentive compensation are higher for the positions that require a higher level of performance and responsibility.



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

Corporate Governance

3 Performance-Based Compensation

- In terms of the portion linked to division performance of performance-based compensation, a performance target will be set based on business management indices as stated in the Medium-Term Management Plan. Each business division will also set a performance target based on performance management indices for each business division. The amount to be paid is determined by multiplying the standard pay amount for each rank and remuneration rank by 0–200% according to the accomplishment of the target. The business management indices, which serve as the basis of calculation, are established by the Board of Directors.
- The portion linked to individual evaluation of performance-based compensation is subject to comprehensive evaluation, including the performance of assigned duties and business unit, the accomplishment of the target, and other aspects. The amount to be paid is determined by multiplying the basic remuneration for each rank and remuneration rank by -5% to 5% according to the evaluation results. Evaluation for executive officers overseeing business divisions and heads of business divisions is determined by the president, and evaluation for other executive officers is determined by the president after primary evaluation by executive officers overseeing business divisions and heads of business divisions. The details of evaluation are reported to the Nomination & Compensation Committee.

Note: The portion linked to individual evaluation is determined by comprehensively taking into account the status of ESG-related initiatives in the commissioned duties of each director and executive officer.

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

$$\text{Performance-based compensation (portion linked to division performance)} = \text{Standard pay amount for each rank and remuneration rank}^1 \times \text{Coefficient based on evaluation index}^2$$

1 The standard pay amount for each rank and remuneration rank is set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.

2 The ROIC for the evaluation period is used as an evaluation index. Coefficient is calculated based on a certain formula. The applicable business division for the portion linked to division performance is determined for each prospective recipient based on their commissioned work. In addition, in the case where the assigned duties to a director are performed in the Head Office divisions (including the Technical Development Group) or the electric power business division, the said director's performance-based compensation does not include the portion of compensation linked to division performance and is calculated by multiplying the portion linked to Companywide performance by a factor of 1.0 [Portion linked to Companywide performance × 1.0] regardless of the following formula.

$$\begin{aligned} \text{Coefficient based on evaluation index (\%)} &= \text{(A) Portion linked to Companywide performance (\%)} \times 0.7 + \text{(B) Portion linked to division performance (\%)} \times 0.3 \\ \text{(A) Portion linked to Companywide performance (\%)} &= \left[\frac{100/3}{\text{Companywide consolidated ROIC}} \times \frac{2}{3} \right] \times 100 \\ \text{(B) Portion linked to division performance (\%)} &= \left[\frac{100/3}{\text{Consolidated ROIC for each business division}} - \frac{2}{3} \right] \times 100 \end{aligned}$$

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

- The calculation methods for the standard pay amount and coefficients for each rank and remuneration rank are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
- Business management indices are disclosed in the Business Report.

Note: From fiscal 2021, ROIC is used as an evaluation indicator to promote the efficiency of management resources and strengthen the business foundation with an awareness of cost of capital. The base value for calculation is set at a ROIC of 5%, based on the targets set forth in the Medium-Term Management Plan.

4 Medium- to Long-Term Incentive Compensation

- For medium- to long-term incentive compensation, a system known as Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit uses a base point number calculated based on the standard pay amount for each rank and remuneration rank, and the number of points determined by multiplying the base point number by 0–100% according to consolidated profit attributable to owners of parent and the state of dividend payment for each fiscal year will be granted. On a fixed date during each trust period of three years, the number of the Company's shares will be provided according to the number of points granted.

Note: Since the Company considers the return of profits to shareholders as an important issue for management, it uses profit attributable to owners of parent (hereinafter "net income") as the evaluation indicator. The base value for the calculation is net income of 79.4 billion yen, which is based on the dividend payout ratio set forth in the Company's dividend policy.

- The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
- As funds for acquisition of shares by the trust, in principle, 1.1 billion yen will be contributed every three years. However, when there are remaining shares of the Company in the trust property as of the last day of the previous trust period, they will be used as funds for the subsequent trust periods, and the Company will contribute an amount derived by deducting the amount of the remaining Company shares, etc., from 1.1 billion yen.

Calculation method of points granted for medium- to long-term incentive compensation

$$\text{Number of points to be granted} = \text{Base point number for each rank and remuneration rank}^1 \times \text{Coefficient based on evaluation index}^2$$

1 Stipulated in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.

2 Determined based on the results of dividends and net income.

Corporate Governance

5 Timing of the Determination and the Payment of Remuneration Amount

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

6 Method to Determine Remuneration Standards

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

7 Method to Determine and Examine Remuneration Policy

1. The policy concerning remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is determined by resolution of the Board of Directors, and the policy concerning remuneration for directors who are Audit & Supervisory Committee members is determined through discussions among all Audit & Supervisory Committee members.
2. The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee. If it is necessary to revise the remuneration system, the committee will present a revised remuneration plan at a meeting of the Board of Directors for resolution.

Reference

Base Value and Actual Value for Each Remuneration Category

Remuneration Category	Performance-Based Compensation	Medium- to Long-Term Incentive Compensation
Indicators	ROIC	Profit attributable to owners of parent
Base value for fiscal 2022	5.0%	79.4 billion yen
Actual value for fiscal 2022	4.9%	72.5 billion yen

Activities of the Board of Directors and the Nomination & Compensation Committee in Recent Fiscal Years

The following items regarding the remuneration for directors and executive officers in fiscal 2022 have been deliberated by the Nomination & Compensation Committee and then decided on by the Board of Directors.

Timing	Items Deliberated and Decided on
Apr. and May 2022	Submission of proposal on changes to the maximum amount of remuneration for directors (and other officers) to the General Meeting of Shareholders
Jun. 2022	Revisions to basic policy on remuneration for directors (and other officers) (changes to the maximum amount of remuneration for directors [and other officers])
May 2023	Amounts of performance-based compensation and medium- to long-term incentive compensation in fiscal 2022

Fiscal 2022 Remuneration for Directors

Category	Number of Directors (Persons)	Amount (Millions of yen)	Breakdown of Total Remuneration (Millions of yen)			Remarks
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation	
Directors excluding Audit & Supervisory Committee members (of whom are independent directors)	9 (4)	459 (40)	312 (40)	82 (-)	65 (-)	The number of payees and the amount of payment include one outside director (not an Audit & Supervisory Committee member), one internal director (Audit & Supervisory Committee member), and one outside director (Audit & Supervisory Committee member) who resigned during fiscal 2022.
Directors who are Audit & Supervisory Committee members (of whom are independent directors)	6 (4)	107 (44)	107 (44)	- (-)	- (-)	
Total	15	567	419	82	65	

Remuneration for Accounting Auditor

In fiscal 2022, remuneration and other amounts payable to the Accounting Auditor by the Company totaled 169 million yen, and the total amount of money and other financial interests payable by the Company and its subsidiaries was 475 million yen.

Corporate Governance

Strategic Holdings of Shares

● Basic Policy on Strategic Holdings of Shares

Our policy on strategic holdings of shares is as follows.

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

● Criteria for Exercising Voting Rights

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

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

● Verification Results Regarding Strategic Holdings of Shares

Kobe Steel, Ltd. has reviewed the necessity of all the strategic holdings of shares that the Company holds in listed companies as of March 31, 2023 at its Board of Directors' meeting. A summary of the verification results is as follows.

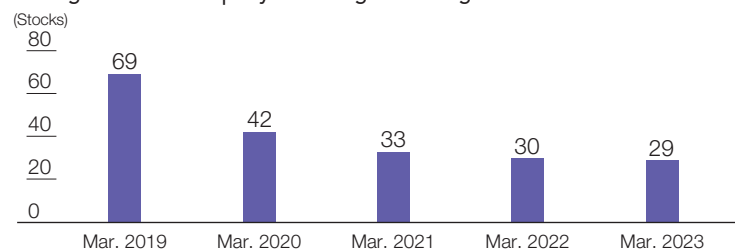
Targets	All the strategic holdings of shares that the Company holds in listed companies as of March 31, 2023 (29 stocks)
Verification Details	<p>We verified whether the holding of each company's shares contributes to strengthening the Company's business foundation and to improving the Company's corporate value over the medium to long term, based on the following evaluation items, and comprehensively judged the reasonableness of each shareholding.</p> <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

● Verification Results

- In fiscal 2022, the Company reviewed the significance of strategic holdings of shares in listed companies from the perspective of improving the capital and asset efficiency. As a result, it was confirmed that, of the 30 stocks that the Company held as of the end of March 2022, all shares in one stock and some of the shares of another stock had been sold under the agreement with the counterparties.
- As of March 31, 2023, the Company holds 29 stocks. The holdings of these shares have been judged to be reasonable as they are contributing to strengthening the Company's business foundation and to enhancing the Company's corporate value over the medium to long term, based on the scale and importance of the companies as business partners (volume of transactions, share of transactions, and stable procurement) and the relationships as alliance partners.

However, to ensure these holdings are kept to the minimum amount necessary, going forward, the Company will continue to verify the necessity of strategic holdings of listed companies' shares, and those holdings that are judged to have diminished significance will be reduced through sale or other means.

Changes in the Company's Strategic Holdings of Shares



Corporate Governance

Approach to Listed Group Companies

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

Group companies.

The Company pursues the ideal form of capital relations by comprehensively taking into account the various situations of Group companies in terms of the business contents, scale, financial strategies for business development, financing, etc., for the overall enhancement of corporate value as a corporate group. Under this approach, two of the Company's subsidiaries are currently listed. Going forward, the Company will continue to examine how the ideal corporate group should be from the perspective of enhancing corporate value including the corporate governance of the Group.

Listed Subsidiaries	Benefits of Listing	Uniqueness of Business	Independent Directors
Nippon Koshuha Steel Co., Ltd.	<ul style="list-style-type: none"> Heightened employee motivation Highly skilled human resources Flexible fundraising from capital markets 	<ul style="list-style-type: none"> The company is responsible for part of the Group's special steel business (secondary processing of bearing steel products). The company has no business restrictions from the parent company and conducts its business activities independently. When doing business with the Company, the company shall obtain approval of the Board of Directors of the Company for transactions of high importance in accordance with the Regulations of the Board of Directors and the Guidelines for Handling Matters for Deliberation of the Board of Directors. Terms and conditions of transactions are determined in the same manner as for ordinary business transactions. 	The Company has appointed two independent directors from the perspectives of protecting minority shareholders, improving management fairness, and increasing transparency. These two directors have never belonged to the Company or any Group company that has a capital relationship with the Company.
Kobelco Wire Company, Ltd.	<ul style="list-style-type: none"> Heightened employee motivation Highly skilled human resources Flexible fundraising from capital markets 	<ul style="list-style-type: none"> As a secondary wire rod product manufacturer of the Group, the company undertakes the manufacture and sale of pre-cut steel wire, steel wire, stainless steel wire, wire rope, steel wire processed products, etc. It is a core company in the wire rod and bar business, and it has no business restrictions from the parent company and conducts its business activities independently. When doing business with the Company, the terms and conditions of transactions shall be competitive (in price, quality, delivery date, etc.) similar to those for ordinary business transactions. The Company decides on them after comprehensively taking into account the types of projects such as joint technical development, joint ventures, etc. 	The Company has appointed two independent directors from the perspectives of protecting minority shareholders, improving management fairness, and increasing transparency. These two directors have never belonged to the Company or any Group company that has a capital relationship with the Company.

▶ [Approach to Listed Group Companies \(in Japanese only\)](#)

Compliance

1. Compliance Code and Standards

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

2. Compliance Structure

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

(1) Compliance Committee

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

(2) KOBELCO Group's Compliance Program

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

The Kobelco Group's Compliance Program consists of five pillars: (1) Commitment and Risk Assessment, (2) Setting Rules and Procedures and Securing Resources, (3) Training and Communication, (4) Monitoring and Response to Reports, and (5) Review and Improvement.

By assessing the progress of each company's initiatives following these five items and implementing them based on the characteristics of respective businesses and regions, we carry out comprehensive and effective compliance activities throughout the Group.

Kobelco Group's Compliance Program

Commitment and Risk Assessment

Setting Rules and Procedures and Securing Resources

Training and Communication

Monitoring and Response to Reports

Review and Improvement

Compliance

3. Compliance Activities Based on the Compliance Program

Commitment and Risk Assessment

● Commitment

The Kobelco Group recognizes that in order to thoroughly prevent all kinds of misconduct, including violations of competition laws, anti-bribery laws, and security trade control laws, top management needs to show its stance of no tolerance to compliance violations. To this end, we regularly deliver messages on compliance from the president to employees. With regard to preventing bribery, we have established the Kobelco Group's Anti-Bribery Policy, which is posted on our corporate website. This policy clearly states to prohibit the provision of money and benefits such as excessive entertainment which may lead to corruption of public officials, and any similar acts that lead to embezzlement or breach of trust among private individuals.

At the time of the formulation of this policy, the president sent a message internally and externally to declare the Group's commitment to thorough prevention of bribery.

● Risk Assessment

As part of its risk management activities, the Group regularly analyzes and assesses compliance risks associated with its business and activities based on any internal and/or external trends. In particular, violations of competition laws, anti-bribery laws, and security export control laws are regarded as Top Risks since they may have a material impact on the Group, and we are working to establish a compliance system. The Compliance Committee formulates a plan for compliance-related activities and presents it to the Board of Directors.

Setting Rules and Procedures and Securing Resources

● Setting Rules and Procedures

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

Regarding the prevention of bribery, we have established policies, regulations, various guidelines, and manuals for each country, to prohibit the provision of money and benefits such as excessive entertainment which may lead to corruption of public officials, and any similar acts that lead to embezzlement or breach of trust among private individuals. We have implemented procedures for pre-approval of entertainment expenditures and due diligence of business partners.

● Securing Resources

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

Training and Communication

● Training

In order to instill awareness of compliance among all employees, our Group conducts stratified training on compliance.

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

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

● Communication

We disseminate information on amendments to laws and regulations through newsletters and provide manuals on the Company's intranet. We are also making continued efforts to make our whistle-blowing systems widely known through the distribution of cards, posters, the intranet, Group newsletters, etc.

Compliance

Monitoring and Response to Reports

● Monitoring

Our Group regularly monitors compliance with competition laws, prevention of bribery, and security trade control, which are positioned as Top Risks. We have gradually introduced the Kobelco Compliance Program at Group companies, and checks activities in areas such as compliance systems, competition laws, prevention of bribery, security trade control, etc.

● Response to Reports

Our Group provides multiple points of contact to receive reports and inquiries from various stakeholders.

For example, we have established an internal whistleblowing system with an external law firm as a point of contact to receive anonymous reports and consultations regarding all kinds of misconduct, including bribery, embezzlement, cartels, and harassment, etc. When a report is received, we ensure the complete confidentiality of those involved and the full protection of whistle-blowers and take appropriate measures utilizing necessary resources and skills.

We accept anonymous inquiries from stakeholders via an inquiry form on the corporate website. If the inquiry contains any allegation of fraud or corruption involving the Group, we respond appropriately while enforcing the confidentiality of the parties concerned in the same way as in the whistleblowing system.

In addition, our Company also provides multiple points of contact for internal and external whistleblowers and accepts reports and consultations from external business partners. (We received 111 reports in fiscal 2022, including those received at Group companies in Japan and overseas.)

Review and Improvement

● Review and Improvement

Our Group conducts compliance awareness surveys among employees of the Company and its Group companies in Japan and reviews compliance efforts in light of issues that have been identified through monitoring and responding to reports to whistleblowing systems, as well as according to internal and external trends. Improvement plans relating to compliance are developed by the Compliance Committee and presented to the Board of Directors.

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

4. Status of Specific Compliance Activities Results

Meetings of the Compliance Committee

The Compliance Committee, an advisory body to the Board of Directors, met three times to report on the results of activities in the previous fiscal year and formulate/approve the annual plan.

Implementation of the Kobelco Group's Compliance Program

Based on the Kobelco Group's Compliance Program, we implemented initiatives focused on top management commitment and training. In addition, we have gradually introduced this program at Group companies, too, and confirmed the status of activities in areas such as compliance systems, competition laws, prevention of bribery, security trade control, etc.

Implementation of Compliance Training

We organized compliance training programs for the Group by job grade, applicable laws and regulations, and roles and implemented them as planned, while utilizing online training and e-learning.

Monitoring Activities/Use of the Internal Reporting (Whistleblowing) System

We conducted regular monitoring of compliance with competition laws and security trade control laws. We received 111 reports through internal reporting systems, including those received at Group companies in Japan and overseas, and responded to them appropriately. Also, the status of the responses to these reports was reported to the Compliance Committee.

Implementation of Compliance Awareness Surveys

In fiscal 2022, we conducted compliance awareness surveys at the Company and its domestic Group companies. Based on the survey results, we planned compliance promotion activities for fiscal 2023.

Compliance

5. Initiatives Related to Individual Laws and Regulations

Prevention of Bribery

Policies

The Kobelco Group's Anti-Bribery Policy and internal regulations prohibit offering bribes to public officials or business partners, as well prohibit the receipt of bribes from business partners. We will take strict disciplinary action if any violations are committed.

Structure

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

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

In addition, when appointing business partners (including contractors, agents, consultants, etc.), we require them to make an anti-bribery pledge and conduct other due diligence.

We provide regular anti-bribery training (including e-learning) to employees. In addition to this, we create manuals to provide information relating to overseas laws and regulations, such as the Foreign Corrupt Practices Act in the United States and the Bribery Act in the United Kingdom.

Results

In fiscal 2022, we expanded business units subject to monitoring with regard to implementation status of due diligence on business partners.

No events involving fines, penalties, or out-of-court settlements arose in fiscal 2022 in relation to bribery.

Compliance with Competition Laws

Policies

The Company's internal rules and regulations prohibit violations of the competition laws. We take strict action if any violations are committed.

Structure

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

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

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

Results

In fiscal 2022, we made changes to make audit methods more effective.

No events involving fines, penalties, or out-of-court settlements arose in fiscal 2022 in relation to competition laws.

Risk Management

Basic Approach Policies

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

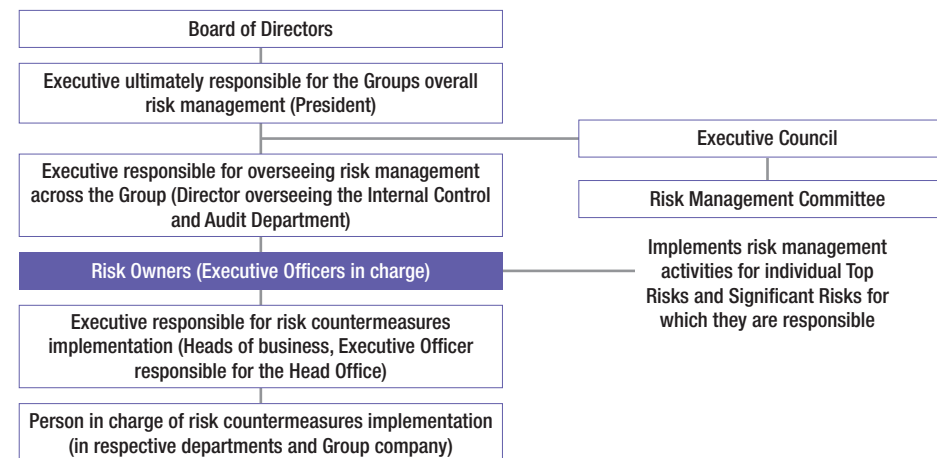
Classification and Definition of Risks

Risk Classification	Definitions
Top Risks	Of Significant Risks, risk that are likely to have a material impact if they materialize
Significant Risks	Risks that have a material impact on the Group and its stakeholders
Risks Identified by Each Department/Company	Risks identified by departments/companies, excluding Top Risks and Significant Risks

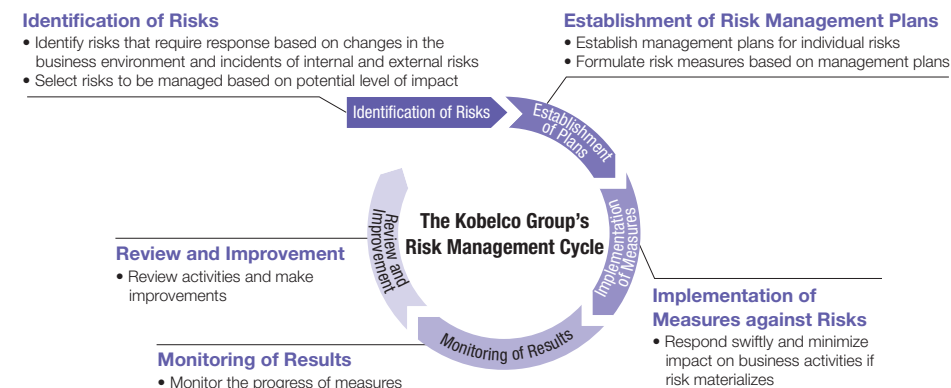
Management Structure Structure

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

Management Structure



Under the direction of the risk owners, the management of individual risks is carried out by the person in charge of risk countermeasures implementation in each division in the following cycle: identifying risks, formulating risk management plans, implementing the plans, assessing results, and identifying required improvement for the following fiscal years. To ensure the effectiveness of our activities, the Board of Directors manages and supervises activities to address Top Risks and Significant Risks, including ESG risks. They review the annual results of activities in respective business divisions for the improvement of the plans for subsequent fiscal years. This approach to risk management is also actively employed at Group companies. In the event of an urgent and serious risk of loss with respect to risks including Top Risks and Significant Risks, we will appropriately communicate information and make decisions according to internal rules based on the Contact System in Case of Risk Occurrence and take appropriate measures to minimize damage.



Risk Management

Actions for Major Risks Results

Risks	Actions (Examples)	Results
Natural disasters, pandemics	<ul style="list-style-type: none"> Refining BCP at production sites Reviewing measures against storm and flood damage based on information such as the latest hazard maps issued by the government and conducting training Implementing extensive infection controls following our guidelines for dealing with new types of infectious disease 	Actions for BCP “Safety and Health” on pages 51 to 53 “Disaster Preparedness ” on pages 57 to 58
Quality	<ul style="list-style-type: none"> Monitoring and providing recommendations for the project to increase reliability conducted by the Quality Management Committee, with external experts forming a majority of members Maintaining and enhancing quality management based on Kobelco TQM Quality Audits and Promotion of Conformity to the Kobelco Group Quality Guidelines Promoting automation of testing and inspections 	Actions for Quality “Quality” on pages 94 to 95
Safety management	<ul style="list-style-type: none"> Encouraging all employees to participate in safety activities and raising their safety awareness, and implementing mutual reminders (utilizing safety cards, etc.) Conducting safety and health diagnoses to grasp the status of safety and health management, identify issues and make improvements (support activities conducted through the Safety Caravan Team) Rolling out machinery safety measures (formulating improvement plans for existing facilities) Grasping the safety management status at overseas Group companies and planning support measures 	Actions for Safety and Health and Lost Time Injury Frequency Rate, etc. “Safety and Health” on pages 51 to 53
Environmental regulations	<ul style="list-style-type: none"> Strengthening environmental management (Promoting an environmental management system) Implementing environmental audits (paper-based audits and on-site audits) Environmental training and learning at overseas and domestic locations 	Actions for Environmental Management “Environmental Management” on pages 27 to 30 “Appropriate Management of Water Resources” on pages 31 to 34 “Promotion of Resource Recycling (Waste Reduction) and Raw Materials Usage Reduction” on pages 35 to 38 “Reduction of Environmental Impacts” on pages 39 to 41 “Contribution to Biodiversity” on pages 42 to 45
Supply chain	<ul style="list-style-type: none"> Released the Basic CSR Procurement Policy containing our Response Policies for building responsible supply chains added to our Basic Procurement Policy and Requests to Our Business Partners, which are already in place, and formulating mechanisms for the PDCA cycle Response Policies (1) Request for business partners to notify their suppliers of Requests to Our Business Partners (2) Request for business partners to comply with Requests to Our Business Partners and support provided by Kobelco (3) Information disclosure from Kobelco (4) Cooperation between Kobelco and business partners (5) Cooperation with employees, Group companies, and affiliates 	Actions for Building Responsible Supply Chains “Building Responsible Supply Chains” on pages 70 to 72.

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

▶ [Annual Securities Report \(in Japanese only\)](#)

Quality

Policies

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

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

Companywide Policy on Quality Improvement

1. Development of an infrastructure and establishment of a system that can provide “Trusted Quality”
2. Strengthening business management to provide “Satisfying Quality”

Quality Charter

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

Our Initiatives

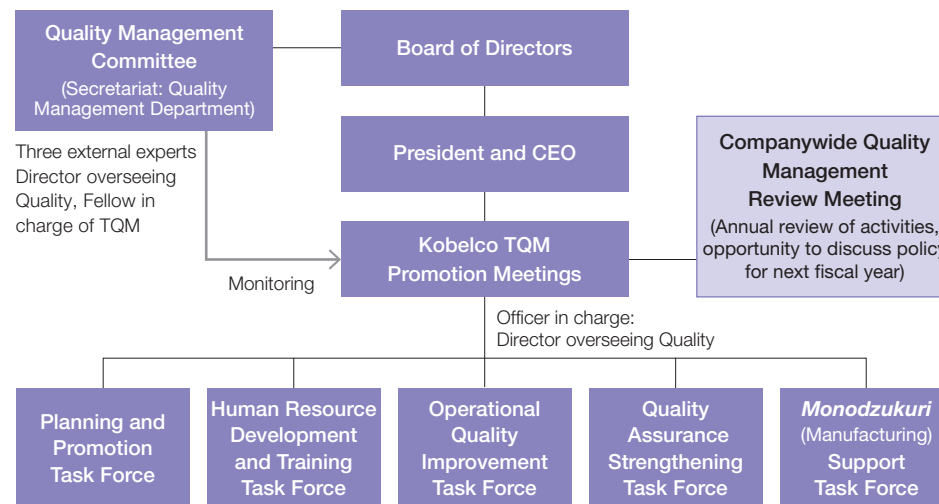
● 1. Building a foundation and establishing a system to provide “Trusted Quality”

- 1) Promoting improvements based on Quality Guidelines, and establishing an SDCA* system to prevent a recurrence of the misconduct and raise the QMS level
 - * SDCA system: A cycle consisting of self-diagnosis/improvements to comply with Quality Guidelines; checks using quality audits, compliance and certification and further strengthening of Quality Guidelines.
- 2) Providing quality compliance education, raising quality awareness through the sharing of quality information, and preventing the lessons learned from fading away
- 3) Reducing the outflow of nonconforming products and improving soundness by strengthening preventive measures

● 2. Strengthening business management to provide “Satisfying Quality” (Kobelco TQM activities)

- 1) Enhancing organizational capabilities to achieve management goals (ROIC, etc.) by using the key middle management layer to grasp the status (competence evaluation*) of policy management and daily management, and by reinforcing weak points
 - * Self-diagnostic approach included in the management guide used by Kobelco organizational leaders
- 2) Enhancing problem-solving abilities through education in and use of scientific approach, and revitalizing improvement activities by staff

Structure



* Total quality management: As the next step to prevent recurrence, Kobelco TQM aims to strengthen the management of each business while identifying issues that serve the needs of customers and society and addressing them with the participation of all employees.

Quality

Targets

Medium-Term Quality Target (Key Goal Indicator: KGI)

Percentage of business sites conforming to the Kobelco Group Quality Guidelines

70% (By the end of fiscal 2023)

KOBELCO TQM Promotion Meetings

◆ Quality Management Committee

This committee was established as an advisory body to the Board of Directors in April 2019. It consists of three external experts and two internal directors or similar, and met four times in fiscal 2022. The committee conducted continuous monitoring of measures to prevent recurrence of quality misconduct, as well as conducted monitoring, and offered recommendations on activities to strengthen quality management in our Group.

◆ Companywide Quality Management Review Meeting

This meeting was attended by top management, heads of divisions, and quality assurance managers. As a venue for discussing quality across the Kobelco Group as a whole, it provided a space for reviewing the status of quality and quality initiatives, as well as for facilitating discussions and forming of opinions on the direction of quality initiatives for the following fiscal year.

◆ Planning and Promotion Task Force

In addition to providing education for middle management (line managers, etc.), which is key to resolving workplace problems and achieving business objectives, it also developed a "TQM self-diagnosis" system for raising skill levels. Directors and other officers involved in quality also visited business sites, using dialogue with middle management at each location to check the status of TQM activities, and working to instill Kobelco TQM.

◆ Human Resource Development and Training Task Force

In addition to all Company employees being required to obtain basic TQM qualifications (equivalent to QC level 4), Kobelco Management Training* is implemented for middle management (line managers, etc.), and such training has been rolled out to Group companies. With regard to the acquisition and transmission of the specific and specialized technology that is the foundation of business competitiveness, for each business unit we are working with the various business divisions to plan educational programs and give them concrete form.

* Training aimed at developing human resources with the management abilities to utilize TQM to get results, and at enhancing organizational capabilities

◆ Operational Quality Improvement Task Force

In order to revitalize QC circle activities, we have defined our vision for QC circle activities and our desired approach to operating and supporting them, set KPIs to show the level of revitalization, and are moving forward to achieve these and hit the targets by resolving problems that have been identified. In addition to this, we are working to revise the awards system.

◆ Quality Assurance Strengthening Task Force

Of the 46 sites that underwent a quality audit in fiscal 2022, 24 were certified as being in conformance with Kobelco Group Quality Guidelines (the cumulative total since the conformance certification ratio system began operation in fiscal 2021 is 47%). Kobe Steel and its Group companies are advancing reliability in quality assurance with (continued) self-diagnosing and improving compliance with the Kobelco Group Quality Guidelines. We have begun rolling out quality risk assessments as a form of preventive measure. In order to improve the soundness of test and inspection data, we will continue to promote automation by making use of DX, IT, and other technologies.

◆ Monodzukuri (Manufacturing) Support Task Force

The main activities carried out with the aim of enhancing *Monodzukuri* (manufacturing) capabilities were those related to the Quality/*Monodzukuri* Caravan Team, production technology exchange meetings, and various subcommittees, which enabled us to provide individualized support to production sites dealing with issues. Specifically, we provide venues for human resource development, such as study meetings for younger employees and advanced education, establishing advice centers for *Monodzukuri*, and holding lectures and plant tours.

Tax Risk and Compliance

Tax Policy Policies

● Basic Policy

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

● Compliance with Laws and Regulations

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

● Addressing Tax Risks

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

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

● Tax Planning

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

● Relationship with Tax Authorities

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

Tax Governance Structure

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

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

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

Compliance Data Results

Taxes Paid by Region (Consolidated cash flow basis)

Region	Unit	FY2021	FY2022
Japan	Billions of yen	9.1	17.6
	Proportion (%)	64	85
Other regions	Billions of yen	5.1	3.0
	Proportion (%)	36	15
Total	Billions of yen	14.2	20.6

Note: Amount of income taxes paid on a consolidated basis

Information Security (Cybersecurity)

Basic Policies on Information Security Policies

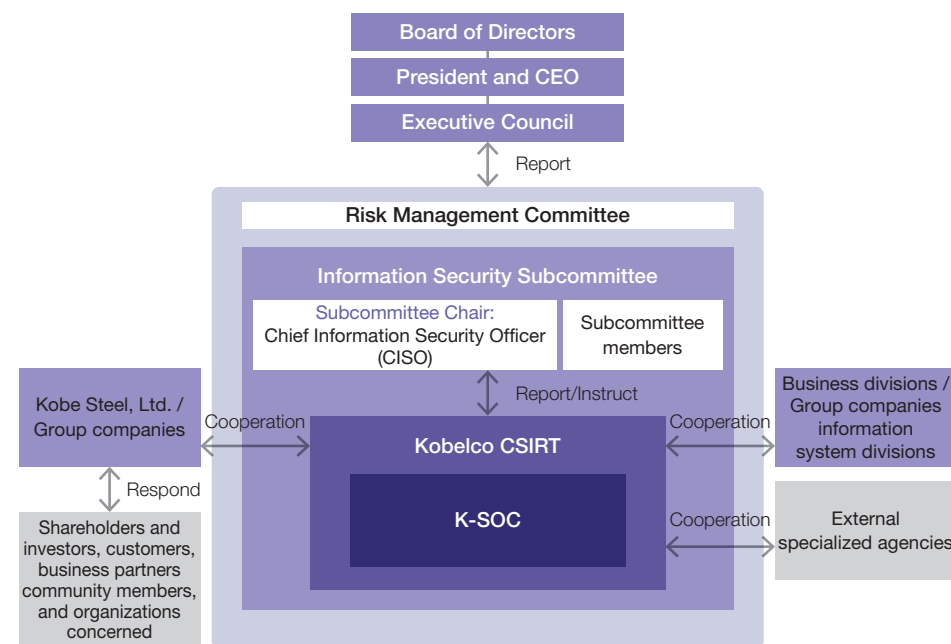
The Kobelco Group considers information security risks as one of its significant management risks, and has established a basic policy on information security and is working on information security measures to ensure that we can take an appropriate Groupwide response.

● Basic Policy on Information Security

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

Information Security Promotion System Structure

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



● Information Security Subcommittee

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

● Kobelco CSIRT¹ / K-SOC²

The Kobelco CSIRT is a cooperative effort between IT divisions, legal divisions, and affiliated companies dealing with information systems to prevent cyberattacks and the spread of damage in the event of an information security incident. To this end, it updates or abolishes security regulations and standards, plans and implements information security education and training for directors, executive officers, and employees, and responds to incidents and other events.

¹ Computer Security Incident Response Team

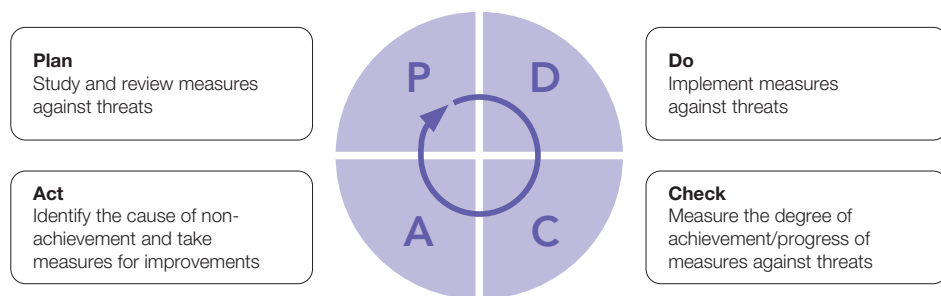
² KOBELCO Security Operation Center

Information Security (Cybersecurity)

Information Security Activity Targets Strategies and Targets

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

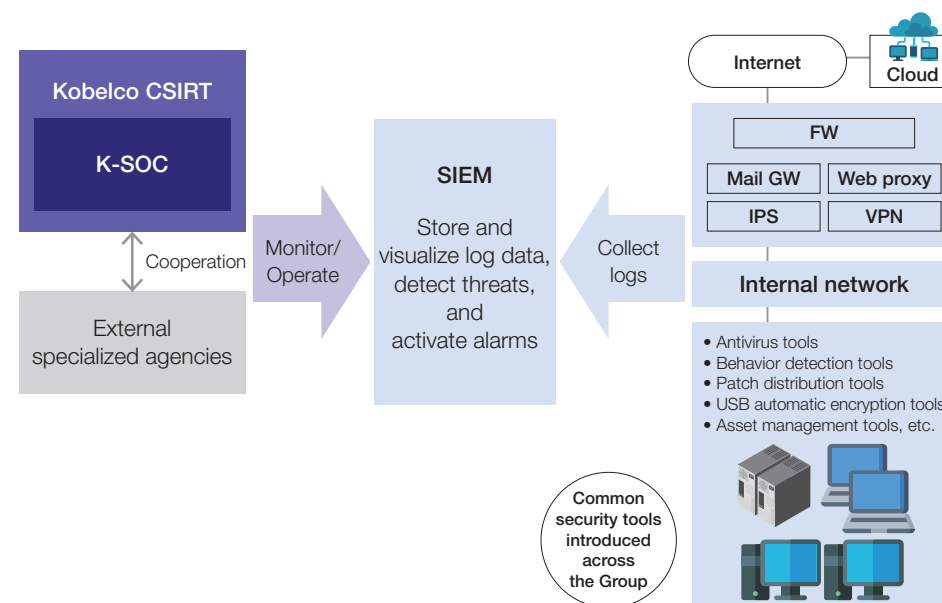
* An information security incident that has a significant impact on businesses or society, such as the stopping of a factory line due to cyberattacks and the leakage of important confidential information



Information Security Initiatives Results

● Security Tools Integration and Monitoring

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



● Information Security Education and Training

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

● Information Security Audits

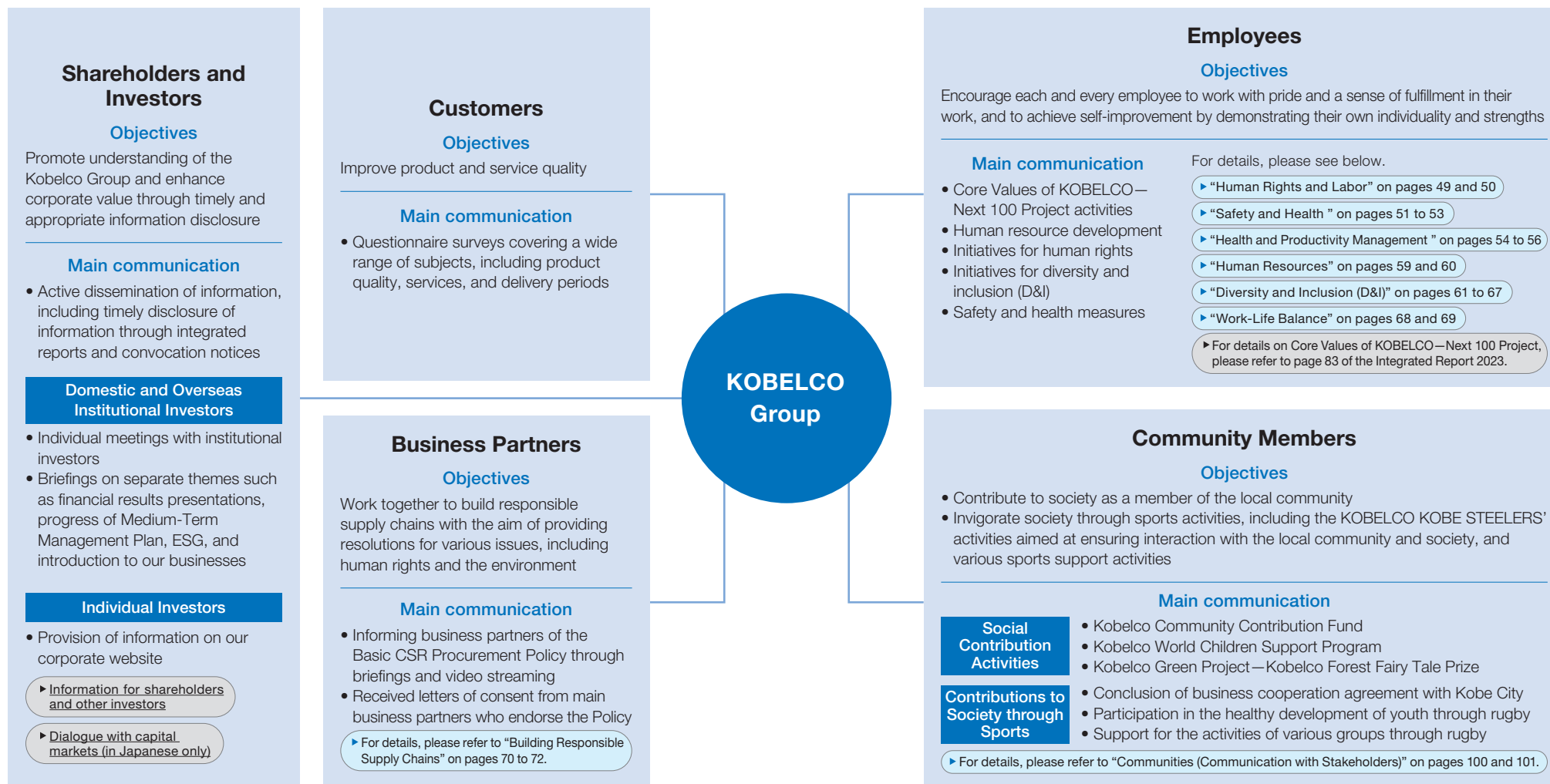
We are working to raise the level of information security management throughout the Group by conducting annual internal audits to check the status of compliance with the Kobelco Group Information Security Standards through annual internal audits and making improvements.

Communities (Communication with Stakeholders)

The Kobelco Group is committed to proactive communication with stakeholders. Recognizing that improving management transparency is a top priority, we are promoting timely, appropriate, and extensive information disclosure.

We also carry out various activities to contribute to local communities, such as community interaction, regional development, environmental activities, and contribution to society through sports.

The Kobelco Group's Main Stakeholders



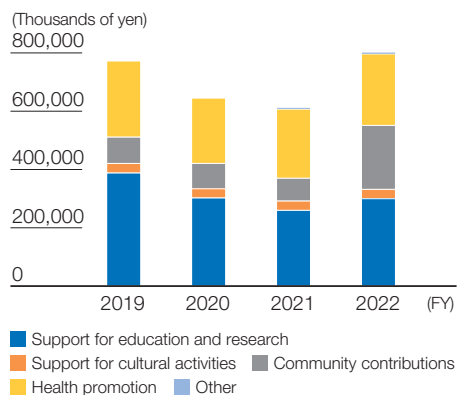
Communities (Communication with Stakeholders)

Social Contribution Activities

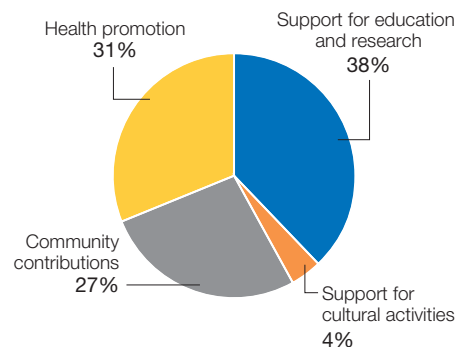
The Group carries out various activities that contribute to society, including support for children through the Kobelco Community Contribution Fund and contributions to society through sports. In fiscal 2022, we spent approximately 790 million yen for social contribution activities expenses, such as donations through UNICEF and donations to local governments in areas where our business sites are located.

Since fiscal 2019, expenses for social contribution activities had been declining due to the COVID-19 pandemic, but in fiscal 2022 they increased following the resumption of events and activities. We will continue to engage in social contribution activities while taking into account the future situation.

Social Contribution Activity Expenses (Kobelco and its main Group companies in Japan and overseas)



Breakdown of Social Contribution Activities Expenses (Fiscal 2022)



Kobelco Community Contribution Fund

In fiscal 2006, which marked the 100th anniversary of the Company's founding, we established the Kobelco Community Contribution Fund, which carries out support activities for children. In fiscal 2022, the Company and its Group companies donated approximately 5.60 million yen in total to various facilities and organizations.

Please visit our corporate website for an overview of the fund's support results and initiatives.

▶ [Kobelco Community Contribution Fund \(in Japanese only\)](#)



Kobelco World Children Support Program

This program was established in fiscal 2021 to support children in need around the world due to natural disasters such as earthquakes and volcanic eruptions, as well as conflicts. In fiscal 2022, we donated 5 million yen to the Japan Committee for UNICEF's natural disaster emergency relief fund to support those affected by the Turkey-Syria earthquake.

Going forward, we will continue to make donations every year to support activities carried out by the United Nations and other international organizations.

Contributions to Society through Sports

● Activities Based on the Business Cooperation Agreement with Kobe City

The KOBELCO KOBE STEELERS, whose host town is Kobe City, signed a business collaboration agreement with the city on September 28, 2021, in order to further strengthen collaboration. The agreement aims to:

- 1) Promote sports through rugby and create a legacy for the Rugby World Cup
- 2) Improve the health of citizens, promote the sound development of young people, and realize a prosperous social life
- 3) Promote regional revitalization
- 4) Business collaboration agreement concluded on September 28, 2021 to disseminate the attractiveness of Kobe City both in Japan and overseas. In fiscal 2022, we conducted projects in cooperation with related departments of the Kobe municipal government.

- Rugby classes for elementary schools in Kobe City [Board of Education]
- Rugby classes for Hyogo Children's Hall [Building and Housing Bureau]
- Creation and sale of official merchandise made of timber from forest thinning on Mt. Rokko [Kobe Parks and Greenery Association]
- Participation in the Kobekko SDGs Program [Construction Bureau]
- Participation in the Kobekko Welcome Project [Children and Family Bureau]



Communities (Communication with Stakeholders)

Elementary School Graduation Exchange Match

On March 19, 2023, before the match against NEC GREEN ROCKETS TOKATSU in Round 12 of the Japan Rugby League One 2022–23, the Kura Sushi Presents KOBELCO KOBE STEELERS Elementary School Graduation Exchange Match was held at Kobe Sports Park Universiade Memorial Stadium.

This year marks the second time the tournament has been held since last year based on the desire of Ambassador Daisuke Ohata to "make good final memories of elementary school among all his sixth grade teammates, regardless of whether they are a regular player or not, to wear the team's uniform and take part in matches without worrying about winning or losing."



Support for the Activities of Various Groups through Rugby

(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. This year as well, many visitors came to the booth to participate in our activities.



(Support for Activities of the Japanese Red Cross Hyogo Blood Center)

Since the Great East Japan Earthquake of 2011, the KOBELCO KOBE STEELERS have donated a portion of the proceeds from fundraising activities and merchandise sales at match venues through the Hyogo Prefecture branch of the Japanese Red Cross Society as relief funds. In connection with this, since 2019, we have been collaborating with the Japanese Red Cross Hyogo Blood Center to encourage people to give blood.

▶ KOBELCO KOBE STEELERS (in Japanese only)

Kobelco Green Project

● Kobelco Forest Fairy Tale Prize

Along with the Kobelco Forest Fairy Tale Prize, we have been engaged in activities such as forest development activities carried out by employee volunteers and environmental education outreach to children's centers organized by Kobe City. These environmental contribution activities are collectively called the Kobelco Green Project and are promoted by the entire Group with the aim of coexisting and cooperating with society from an environmental perspective as well.

For the Kobelco Forest Fairy Tale Prize, the Kobelco Group solicits stories about forests from elementary, junior high, and senior high school students across Japan with the aim of helping children, who will lead the next generation, develop a feeling of cherishing the forest that offers various blessings of nature. The winning stories are transformed into picture books with illustrations by picture book authors. The finished picture books are donated to schools and public libraries under the jurisdiction of the local governments that support this activity. In fiscal 2022, we received 537 applications. Tamaho Fukuda's "Honey Bee Invitation" won the gold prize in the elementary school category, and Hana Okubo's "Acorn Cradle" won the gold prize in the junior high and high school student category.

In addition, fiscal 2022 marked the 10th anniversary, and on March 19, 2023, the award ceremony and 10th anniversary ceremony of the Kobelco Forest Fairy Tale Prize were held. Approximately 130 people, including past award winners and their families, judges, and picture book authors, participated in the anniversary ceremony, looking back on the past 10 years in a lively manner through panel exhibitions and videos. In addition, picture books were presented to government officials in Hyogo Prefecture, Kobe City, and other areas.

▶ Kobelco Forest Fairy Tale Prize (in Japanese only)



From left
Mitsugu Yamaguchi, President, CEO and Representative Director
Tamaho Fukuda, gold prize winner in the elementary school category
Hana Okubo, gold prize winner in the junior high and high school student category



10th Kobelco Forest Fairy Tale Prize picture books

Participation in Initiatives and External Evaluations

Participation in Initiatives

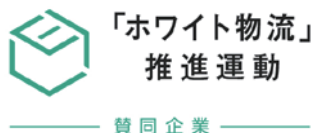
TCFD



SDGs



White Logistics Movement



HereWeGo203030



United Nations Global Compact



Male Leaders Coalition for Empowerment of Women



Declaration of Partnership Building



GX League



External Evaluations (Main evaluations as of August 2023)

FTSE4Good Index Series



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index



S&P/JPX Carbon Efficient Index



MSCI Japan ESG Select Leaders

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

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MSCI Japan Empowering Women (WIN) Select Index

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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GDP



Awarded "A-" in the climate change category

Platinum Kurumin



PRIDE Index



Received Gold Award

Selected for Best Practice Award

2023 Health & Productivity Management Stock



Independent Assurance Report

Independent Assurance Report

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

We were engaged by Kobe Steel, Ltd. (the "Company") to undertake a limited assurance engagement of the environmental performance indicators marked with ★ (the "Indicators") for the period from April 1, 2022 to March 31, 2023 included in its ESG Data Book 2023 (the "Report") for the fiscal year ended March 31, 2023.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting two of the Company's domestic subsidiaries selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Shinnosuke Kayumi
Shinnosuke Kayumi, Director
KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
September 22, 2023