



Current Status of Progress on the Kobelco Group Medium-Term Management Plan (FY2021–2023)

May 18, 2023
Kobe Steel, Ltd.

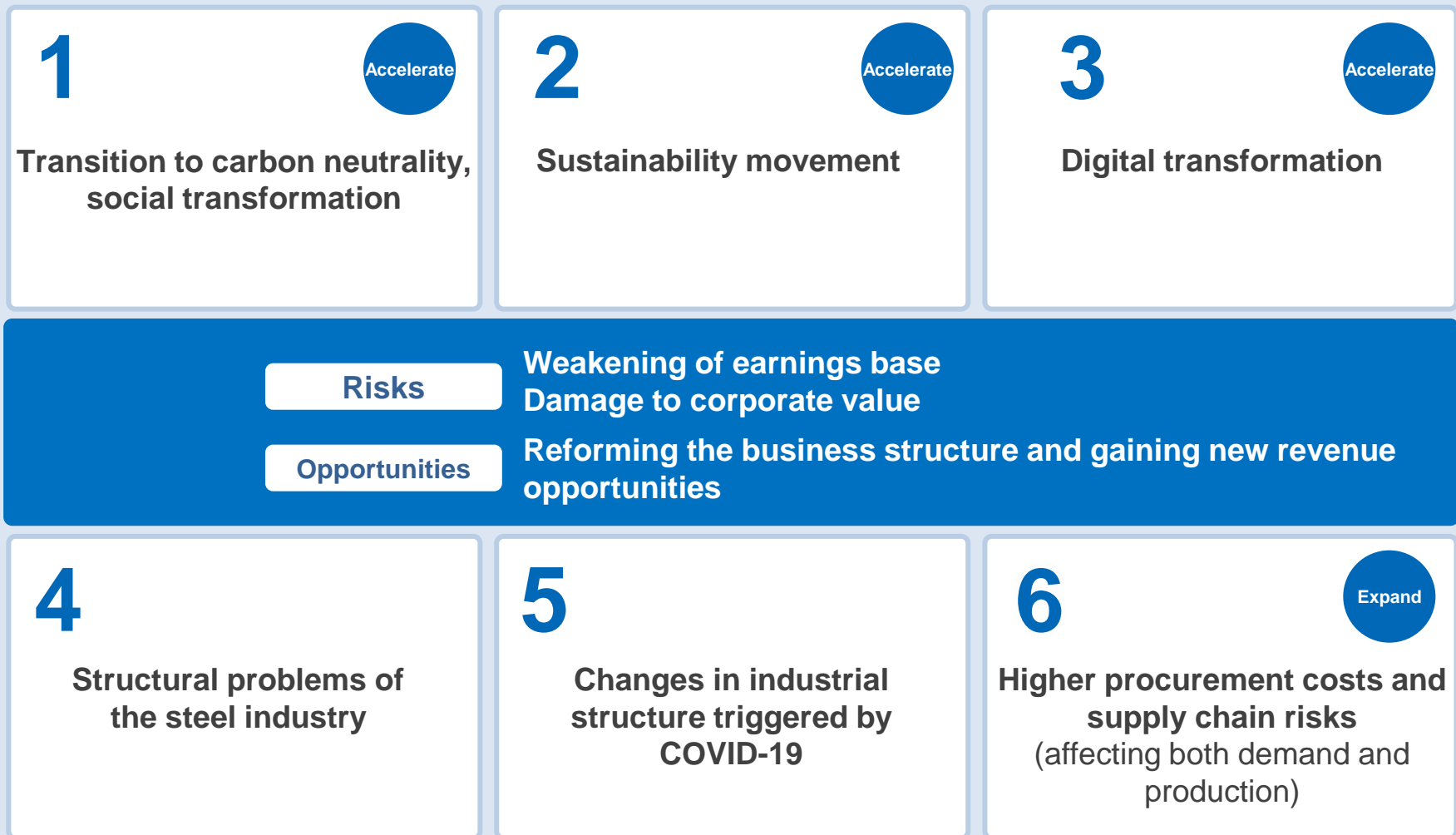
1. Introduction

2. Establishing a stable earnings base

3. Taking on the challenge of realizing carbon neutrality

**Establishing a stable
earnings base**

**Taking on the challenge of
realizing carbon neutrality**



Enhancing corporate value



1. Strategy leading to lower cost of capital

- Strengthen the earnings base of existing businesses and transform to a stable earnings structure
- Strengthen the financial base

2. Responding to growing markets

- Expand businesses in line with efforts toward carbon neutrality

1. Introduction

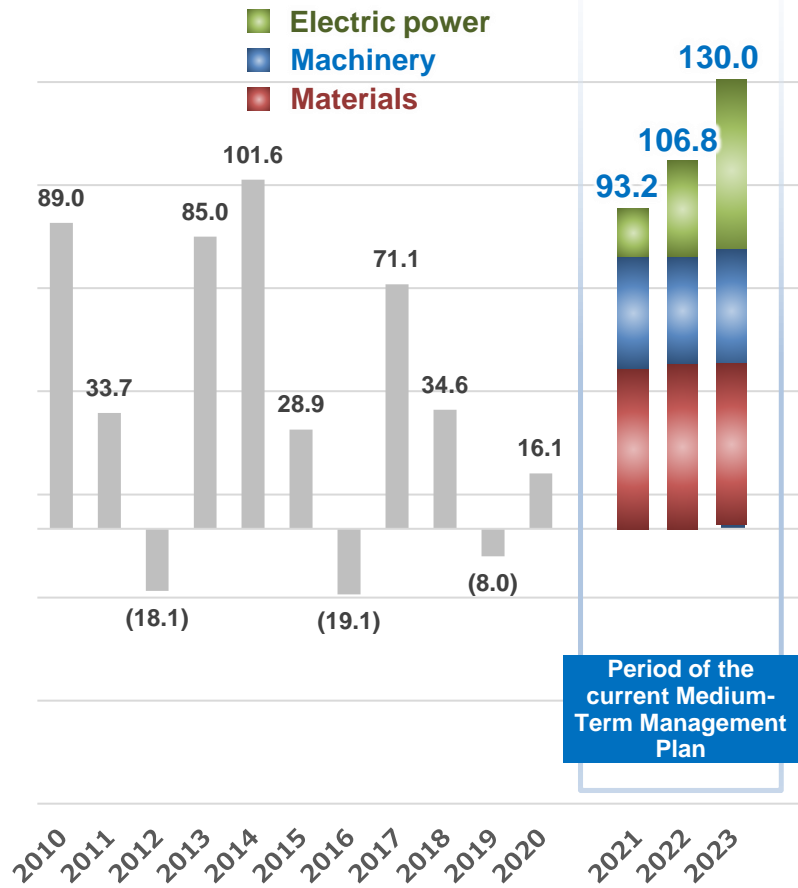
2. Establishing a stable earnings base

3. Taking on the challenge of realizing
carbon neutrality

Initiatives steadily progressing toward establishing a stable earnings base

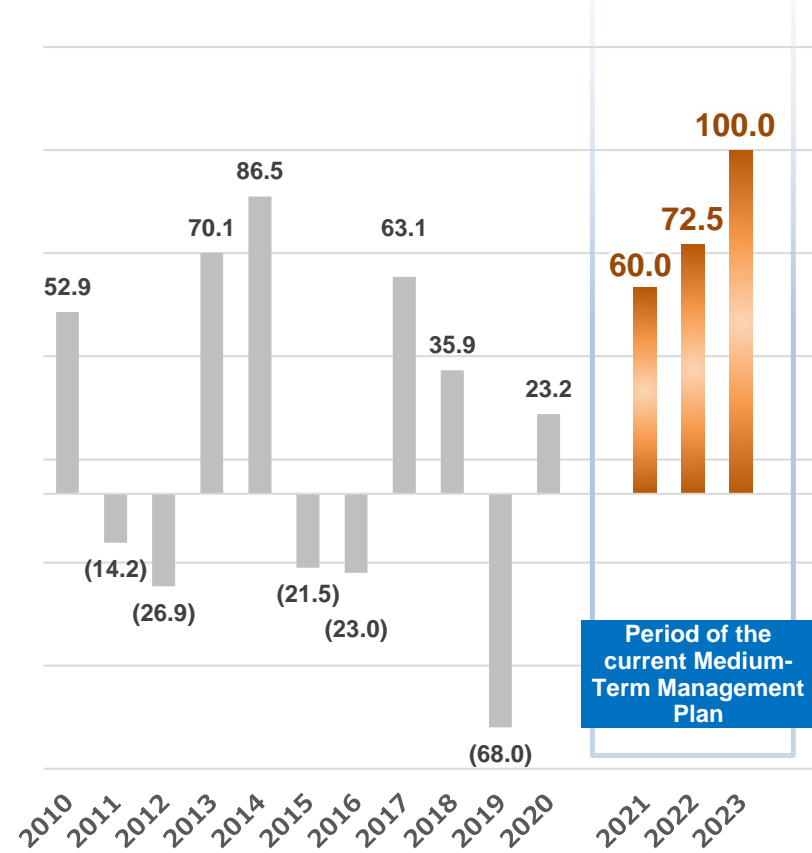
● Consolidated ordinary profit (loss)

(billions of yen)



● Consolidated profit (loss) attributable to owners of parent

(billions of yen)

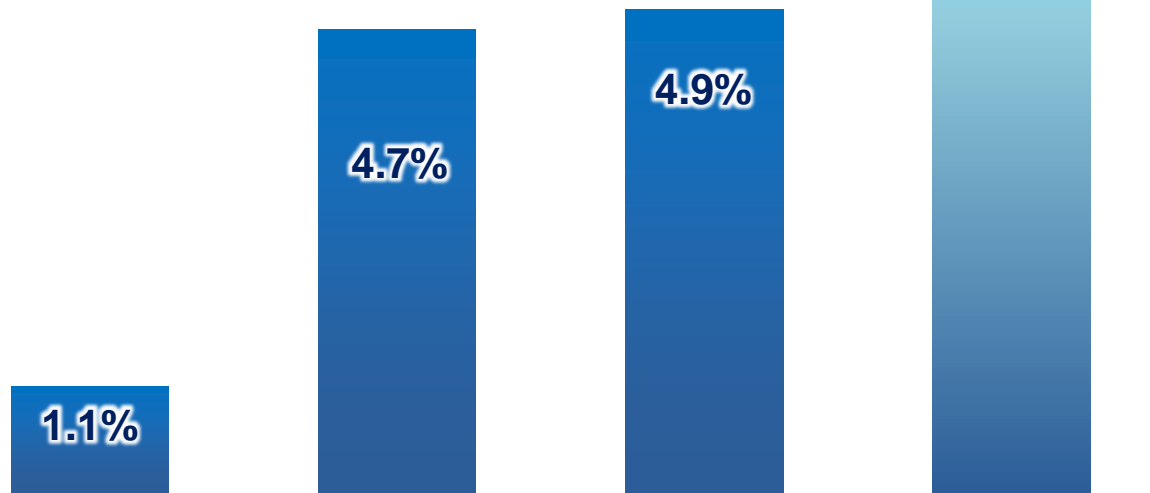


We expect to achieve a ROIC of 5% or more for fiscal 2023, a target under the Medium-Term Management Plan

● ROIC trends

Around 6.0%

Target: 5.0% or more



FY2020 (Actual)

FY2021 (Actual)

FY2022 (Actual)

FY2023 (Forecast)

ROE (ratio of net income to equity)

[3.4%]

[7.9%]

[8.4%]

[10.5%]

Vision of KOBELCO

Solving social issues and creating economic value through business activities



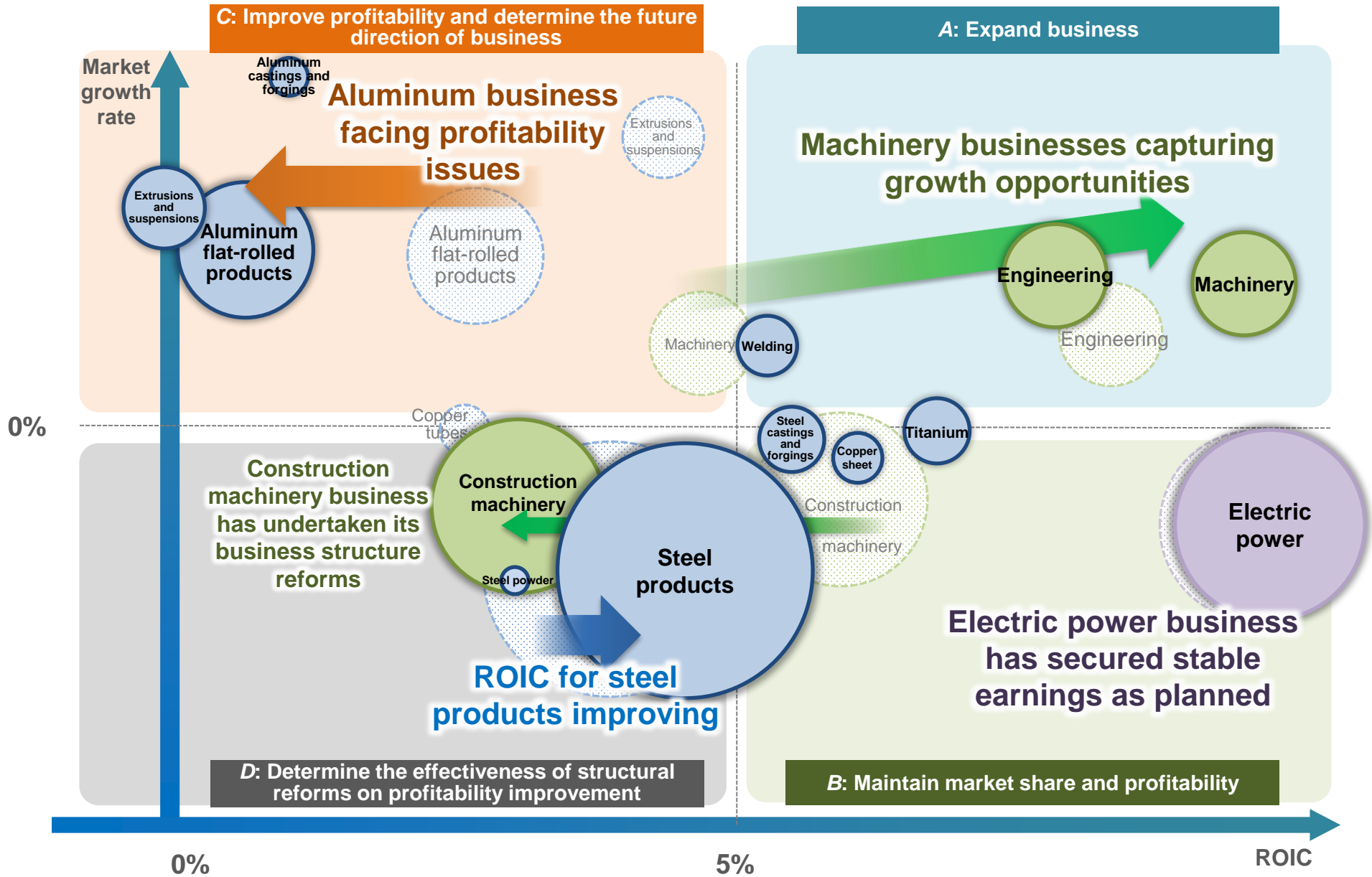
Toward KOBELCO that stably achieves

ROIC of 8% or more

and grows sustainably

Business portfolio (Forecast for fiscal 2023)

Assumptions for fiscal 2023 when the Medium-Term Management Plan was drawn up



Five Key Measures

1 Strengthening the earnings base of the steel business

Lowering break-even point

→ Progress in establishing a structure that turns profit with crude steel production of 6 million tons

Improving product mix

→ Still at the halfway point, affected in part by reduced car demand

pp. 12–13



2 Smooth startup and stable operation of new electric power projects

Ensuring stable operation of existing power plants

Securing stable earnings with the start of operation of Kobe Power Plant No. 3 and 4 units

→ Operations started as planned

p. 14



3 Strategic investment in the materials businesses leading to earnings contribution

Realizing steady and early contribution to earnings from strategic investment for automotive weight reduction

→ Decline in profitability of aluminum businesses

pp. 15–16



4 Restructuring unprofitable businesses

Making the steel casting and forging, titanium, and crane businesses return to profitability

→ Expect to return to profitability

pp. 17–20



5 Stabilizing earnings in the machinery businesses and responding to growing markets

Enhancing environmental contribution lineup and strengthening of collaboration in Group

Reforming earnings structure of the construction machinery business

→ Steady progress with solid orders

pp. 17–20



Despite changes in the business environment, we expect to achieve its fiscal 2023 earnings target under the Medium-Term Management Plan

● Crude steel production and profit (loss)*

| | (Actual) | Assumption | Actual / Forecast | | |
|---|----------|---------------|-------------------|--------|--------|
| | FY2020 | FY2023 | FY2021 | FY2022 | FY2023 |
| Crude steel production (million tons) | 5.7 | 6.3 | 6.4 | 6.0 | 6.0 |
| Consolidated profit (loss)* (billions of yen) | (20.8) | 23.0 or above | (8.4) | 33.5 | 39.0 |

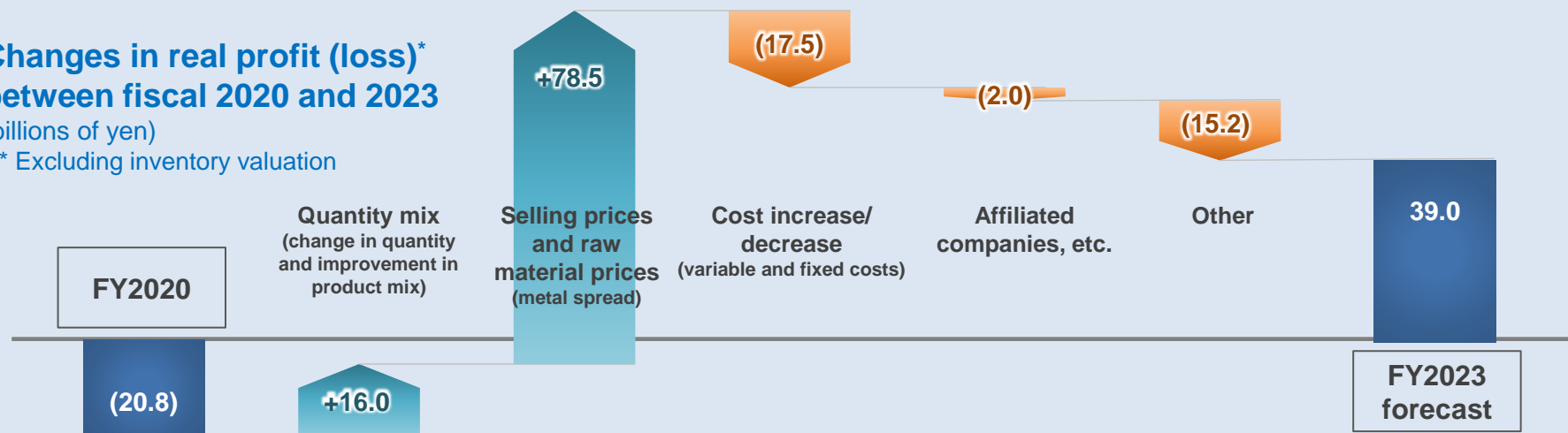
- Decline in quantity along with the decline in Japan's crude steel production, automobile production, and other macroeconomic factors, which fell short of assumptions under the Medium-Term Management Plan.
- Due largely to improvement of the metal spread, profit for fiscal 2023 is expected to exceed the target under the Plan.

* Ordinary profit (loss) excluding inventory valuation factors

● Changes in real profit (loss)* between fiscal 2020 and 2023

(billions of yen)

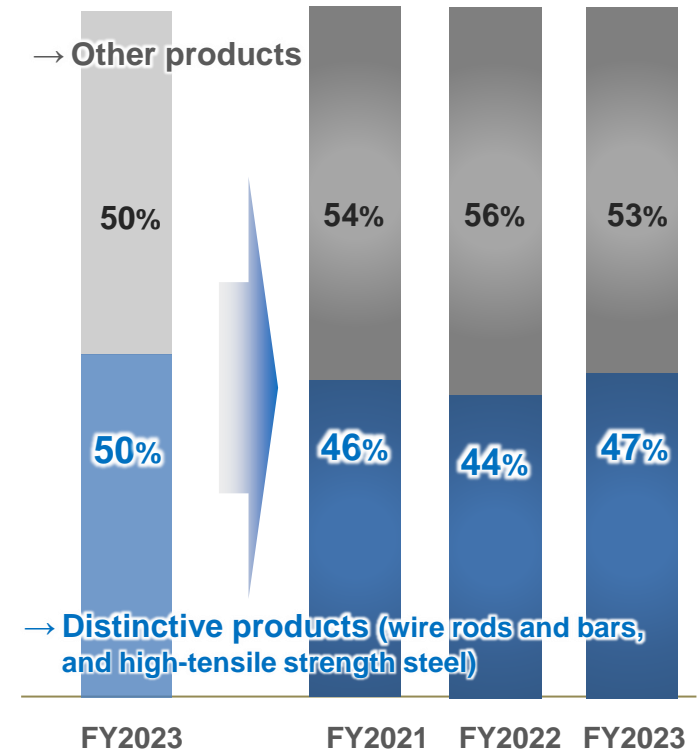
* Excluding inventory valuation



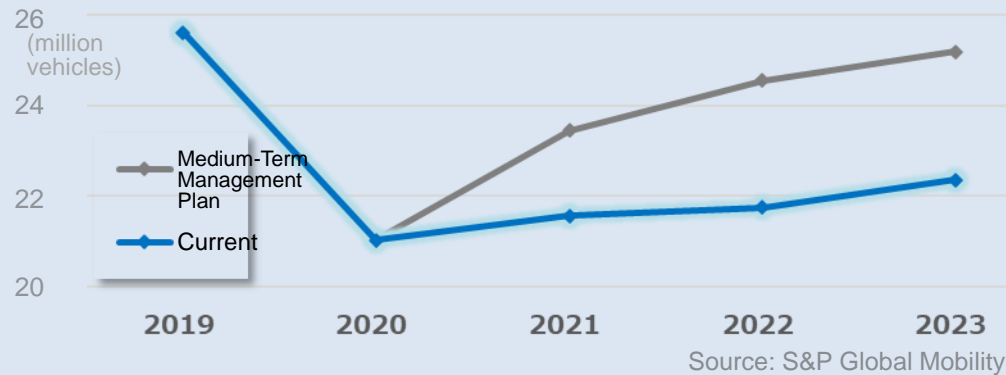
While the break-even point has been lowered by improving the metal spread, improvement in the product mix, etc. is only halfway.

| Issues raised in the Medium-Term Management Plan | Current status |
|--|--|
| Improve the product mix | Ratio of distinctive products fell short of targets |
| Improve prices | Metal spread improved; Efforts to continue with an eye on further cost increases |
| Reduce costs | Despite rising raw material and other costs, steady progress in lowering operation costs |
| Reduce fixed costs | Increased due to higher labor cost and materials costs, etc. |
| Improve the profitability of major overseas businesses | Fell short of the assumptions due partly to decline in demand for automobiles |

Changes in product mix



Automotive production (global production by Japanese OEMs)

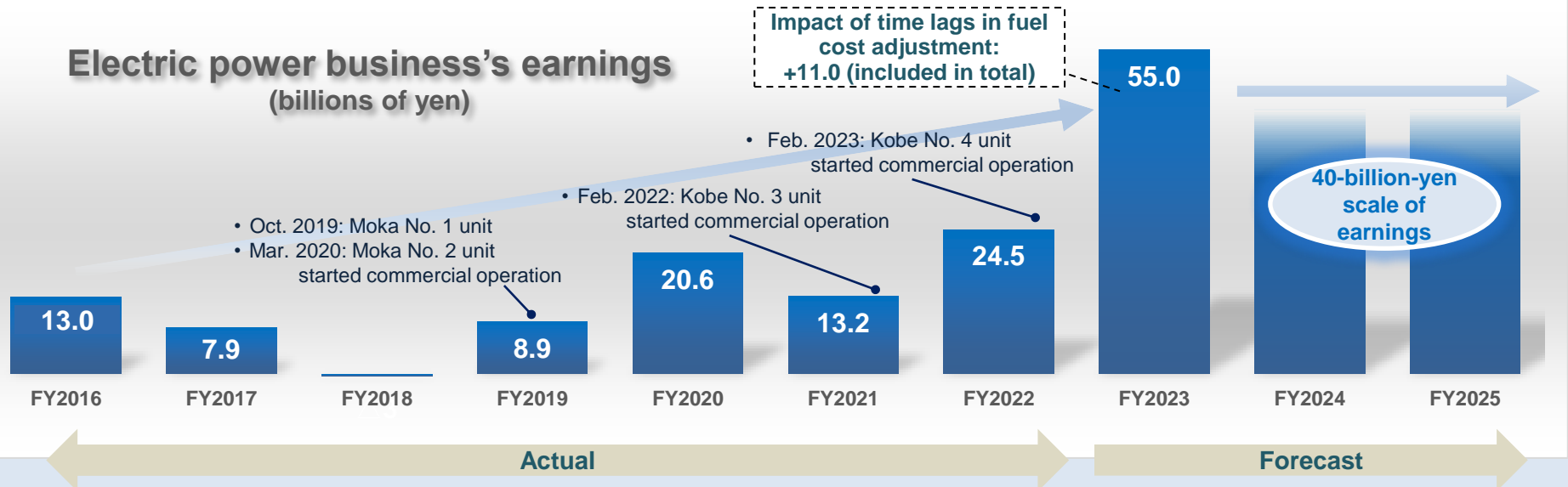


Kobe Power Plant No. 4 unit started commercial operation in February 2023, contributing to both stable supply of electricity to local communities and the establishment of a stable earnings base.

- Highly efficient and economical supply of electric power in Kobe and Moka
- Earnings in the electric power business reaching a scale of 40 billion yen
- Increasing the efficiency of coal-fired plants, while taking on the challenge of realizing carbon neutrality



Electric power business's earnings (billions of yen)



Strategic investment in the materials businesses leading to earnings contribution (1)

Profitability has declined in aluminum businesses (flat-rolled products, extrusions, and suspensions)

| | Strategic investment | Current status | | |
|--|---|---|---|--|
| | | Manufacturing capability | Quantity mix | Price |
| Steel products (high-tensile strength steel) | A new continuous galvanizing line (CGL) at PRO-TEC (US) | Establishment of mass-production system underway as planned | Decline in automobile production | Pass-through to selling prices in progress |
| | Third CGL at Kakogawa Works | | | |
| Aluminum flat-rolled products | Kobelco Automotive Aluminum Rolled Products (China) Co., Ltd. | | Decline in automobile production and delay in expanding aluminum applications | Rising costs in energy, secondary materials, etc. ↓ Delay in cost pass-through to selling prices |
| | Ulsan Aluminum, Ltd. (South Korea) | | | |
| | New aluminum sheet line at Moka Works | | | |
| Aluminum extrusions | Additional investment in KPEX (US) | Productivity target not achieved | | |
| Aluminum suspensions | Additional investment in KAAP (US) | | | |

- Each investment is aimed at expanding sales in the automotive sector.
- The plan is to gradually expand mass production of high-formability high-tensile strength steel and aluminum sheets, etc.

Decline in profitability of aluminum businesses

Strategic investment in the materials businesses leading to earnings contribution (2)

Efforts to improve profitability of aluminum businesses (flat-rolled products, extrusions, and suspensions)

| | FY2022 initiatives | FY2023 issues and initiatives | | |
|---|---|--|-------|--|
| Improving manufacturing capability | <ul style="list-style-type: none"> ● KAAP promotes equipment failure reduction and industrial engineering (IE) activities, along with the support from engineers in Japan ➔ Productivity currently improving | <table border="1"> <tr> <td>Issue</td> <td>Completing efforts to improve KAAP manufacturing capability</td> </tr> </table> <ul style="list-style-type: none"> ● Will seek further productivity improvement by continuing current efforts, mainly for reducing equipment failures | Issue | Completing efforts to improve KAAP manufacturing capability |
| Issue | Completing efforts to improve KAAP manufacturing capability | | | |
| Improving quantity mix | <ul style="list-style-type: none"> ● Focusing on expanding sales amid declining demand for automobiles ➔ Mass production to start in fiscal 2023 for orders received (KAAP and KPEX have already secured the assumed volume of orders) | <table border="1"> <tr> <td>Issue</td> <td>Capturing demand and expanding sales of aluminum flat-rolled products</td> </tr> </table> <ul style="list-style-type: none"> ● Capturing recovering demand for automobiles ● Focusing on increasing new customers in the sector of aluminum flat-rolled products | Issue | Capturing demand and expanding sales of aluminum flat-rolled products |
| Issue | Capturing demand and expanding sales of aluminum flat-rolled products | | | |
| Improving prices | <ul style="list-style-type: none"> ● Discussing with customers about formulating pass-through of soaring costs ➔ Formula for the pass-through of secondary materials cost already agreed on | <table border="1"> <tr> <td>Issue</td> <td>Cost pass-through and margin improvement</td> </tr> </table> <ul style="list-style-type: none"> ● Energy cost pass-through to selling prices ● Discussions for margin improvement | Issue | Cost pass-through and margin improvement |
| Issue | Cost pass-through and margin improvement | | | |

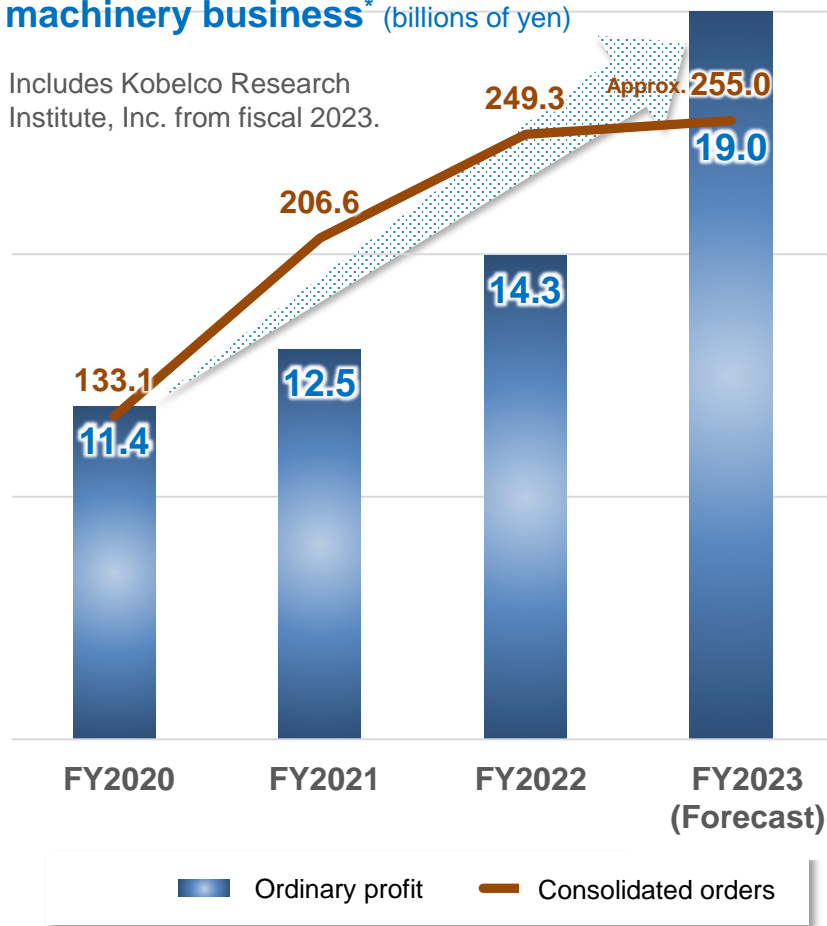
Aiming to achieve profitability in each business in the second half of fiscal 2023

Machinery

Aiming for further growth beyond record-high consolidated orders in fiscal 2022

Consolidated orders and ordinary profit in the machinery business* (billions of yen)

* Includes Kobelco Research Institute, Inc. from fiscal 2023.



Stabilizing earnings

- Orders increased in both the energy and industrial sectors
- Through **capital and business alliance with Miura Co., Ltd.** in standard compressors, the air compressor business has expanded in scale in Japan and overseas

| Orders by sector (billions of yen) | FY2020 (Actual) | FY2023 (Forecast) |
|--|-----------------|-------------------|
| Energy and chemical sectors | 54.3 | 97.5 |
| General industrial sector (incl. standard compressors) | 69.0 | 127.7 |
| New sectors | 9.8 | 29.8 |

Responding to growing markets

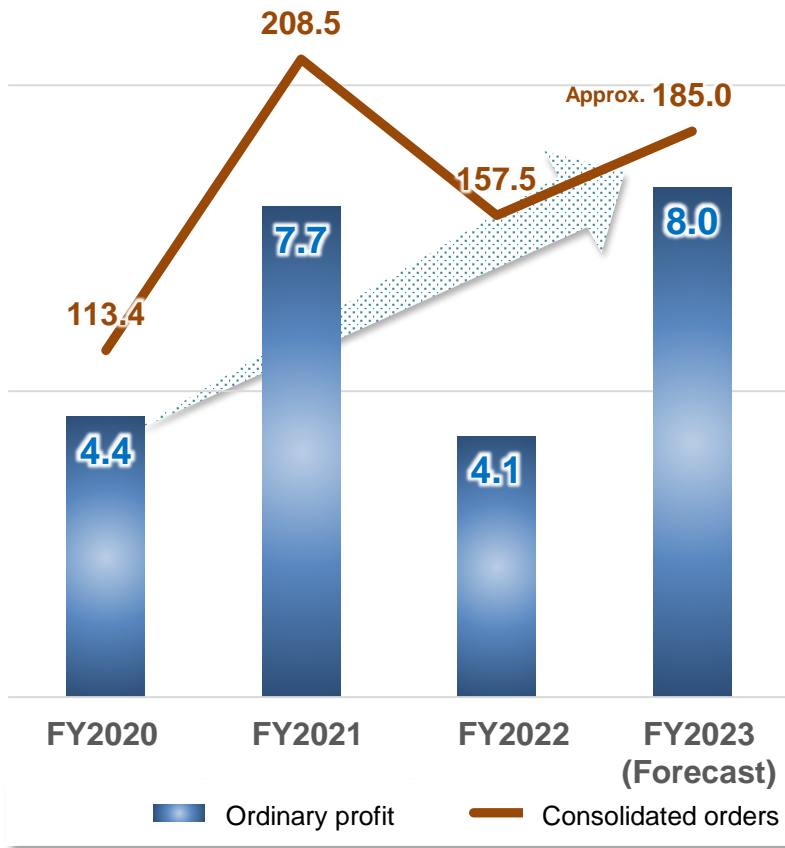
- Work to enhance environmental contribution lineup in growing markets moving toward energy conversion

| Fields | Decarbonization-related | 4% | 15% |
|--------|-------------------------|-----|-----|
| | LNG-related | 13% | 20% |
| | Petroleum-related | 36% | 27% |

Engineering

Firm orders for MIDREX and Kobelco Eco-Solutions' environmental contribution lineup

Consolidated orders and ordinary profit in engineering business (billions of yen)



Stabilizing earnings

MIDREX

Orders received for the world's first commercial MIDREX H₂TM and MIDREX FlexTM plants

| Announced | Supplied to |
|-----------|---|
| Oct. 2022 | H2 Green Steel (Sweden) Reduction process: MIDREX H ₂ TM |
| Mar. 2023 | thyssenkrupp Steel (Germany) Reduction process: MIDREX Flex TM |

Kobelco Eco-Solutions

Receiving solid orders, including a large project for conversion of sewage sludge (a biomass resource) to fuel, and multiple large-scale renovation projects in the waste treatment-related business

Responding to growing markets

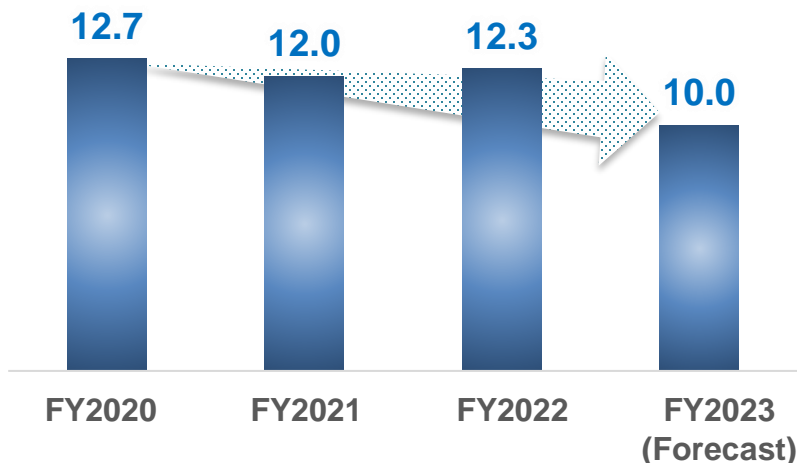
- Capture demand in growth markets with extensive environmental contribution lineup
 - Details explained in the section of **Taking on the challenge of realizing carbon neutrality**

Stabilizing earnings in the machinery businesses and responding to growing markets: Construction machinery business (1)

Construction machinery

Progress in establishing a complementary production system between plants in different areas, focusing on commercializing solutions and peripheral businesses

Consolidated ordinary profit in the construction machinery business (billions of yen)



Responding to growing markets

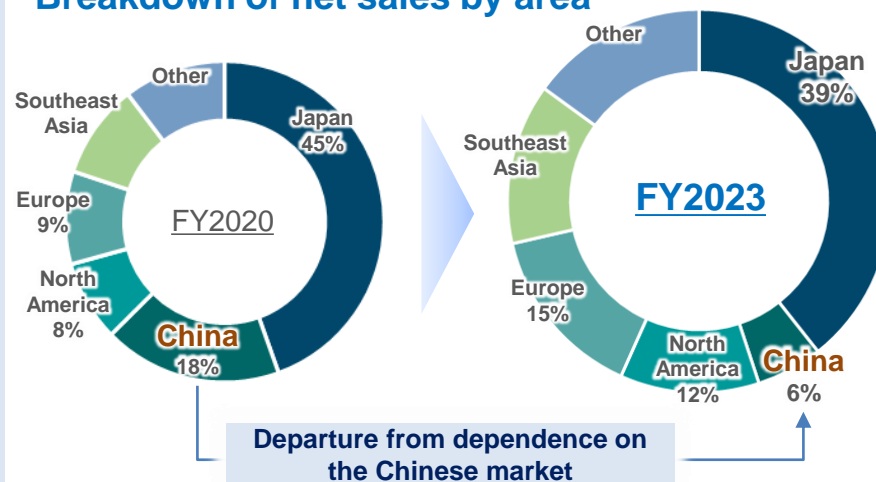
- Promote commercialization and monetization of solutions and peripheral businesses

| | FY2020 | FY2023 | Target |
|-------------------------------------|--------|--------|--------|
| Unit business | 80% | 60% | 40% |
| Parts and maintenance business | 20% | 40% | 30% |
| Solutions and peripheral businesses | — | — | 30% |

Stabilizing earnings

- Crane business achieved profitability
- Earnings declined in the excavator business due mainly to the rise in variable costs, parts shortages, and a slowdown in China business
- Departure from dependence on the Chinese market in progress
- Improve earnings by passing on variable costs to selling price, relaunching models with alternative engines, etc.

Breakdown of net sales by area



Construction machinery

Initiatives for solutions and peripheral businesses

K-DIVE®

A service that continuously supports transformation to a “workplace where anyone can participate” by utilizing a heavy machinery remote operating system and operation data

Phase 1

Work in a designated yard



Phase 2

Work at general civil engineering sites



Phase 3

Matching service

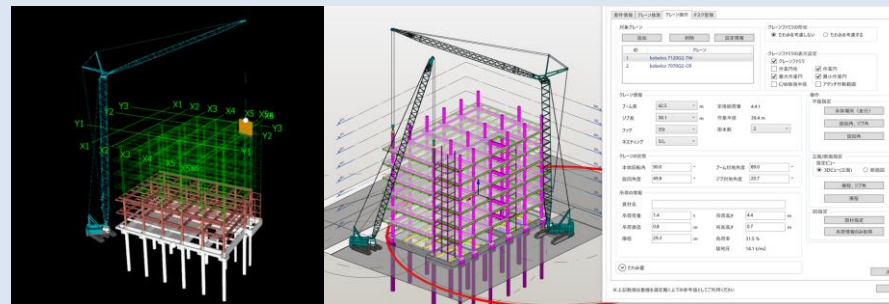


- Service (Phase 1) started in December 2022
- The number of inquiries is higher than expected.
→ Continue to focus on increasing contracts and achieving profitability

K-D2 PLANNER®

Simulation software that allows easy creation of a construction plan—Software for developing an installation plan of cranes

- ✓ Aiming for a workplace where construction proceeds smoothly through the power of the internet of things (IoT), with higher productivity and safety



(Database developed with extensive heavy machinery information)

- Commercialized in November 2022
- Completed registration in the government’s New Technology Information System (NETIS)
→ Accelerate building agency network for further sales expansion

Financial Situation

Basic policy of financial strategy

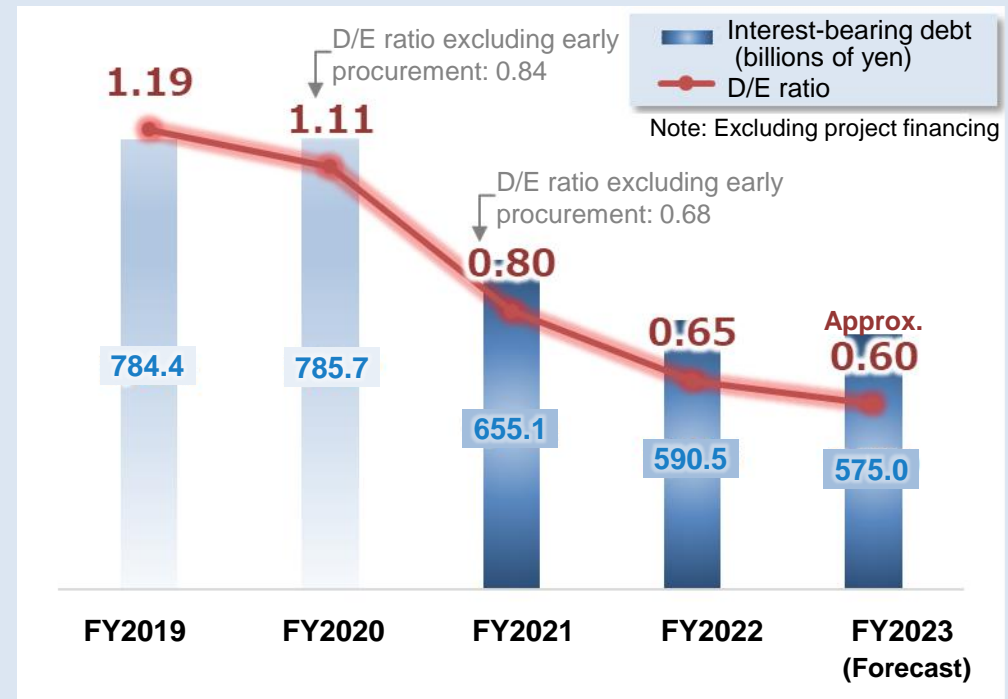
- By carefully selecting new capital spending, investments, and loans, we will keep investment cash flow within the scope of operating cash flow, targeting a D/E ratio of 0.7 or below by the end of fiscal 2023

Current financial situation

- D/E ratio of 0.7 or below was achieved ahead of schedule. We aim to improve the ratio to around 0.6 by the end of fiscal 2023.
- Free cash flow declined due to an increase in working capital.

Actual cumulative cash flow in 2021–2023 (excluding project financing) (billions of yen)

| | As of May 2021 | As of May 2023 |
|----------------------|-----------------------|----------------------|
| Operating cash flow | Approx. 420.0 | Approx. 345.0 |
| Investment cash flow | Approx. (320.0) | Approx. (275.0) |
| Free cash flow | Approx. 100.0 | Approx. 70.0 |
| D/E ratio | 0.7 or below (FY2023) | Approx. 0.6 (FY2023) |



Kobe Steel determines dividends taking its financial condition, future capital needs, financial results, payout ratio and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle.

| | FY2019 | FY2020 | FY2021 | | | FY2022 | | |
|---------------------------|--------|--------------|---------|----------|--------------|---------|----------|--------------|
| | | | Interim | Year-end | Total | Interim | Year-end | Total |
| Dividend per share in yen | — | 10.0 | 10.0 | 30.0 | 40.0 | 15.0 | 25.0 | 40.0 |
| Dividend payout ratio | — | 15.6% | | | 25.0% | | | 21.8% |

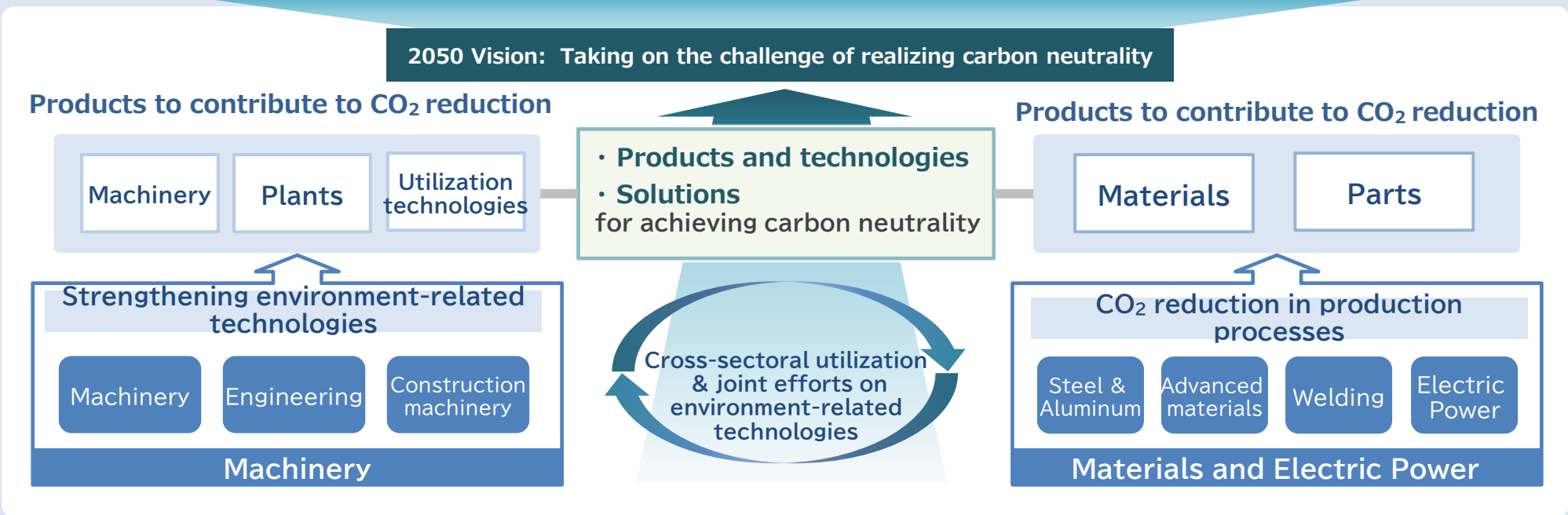
1. Introduction

2. Establishing a stable earnings base

3. Taking on the challenge of realizing carbon neutrality

We provide products and technologies as well as solutions through leveraging our Group's comprehensive strengths.

| | 2030 Targets | 2050 Vision |
|--|--|--|
| Reduction of CO₂ emissions in production processes | 30–40% (compared to fiscal 2013) | Taking on the challenge of realizing carbon neutrality |
| Contribution to reduction of CO₂ emissions through technologies, products, and services ^(*) | 61 million tons or more (Including 45 million tons or more through MIDREX [®] Process) | 100 million tons or more |



(*1) The Kobelco Group contributes to the reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services.



1. Reduction of CO₂ emissions in production processes

- (1) Ironmaking process
- (2) Electric power business

2. Contribution to reduction of CO₂ emissions

- (1) Contribution to ironmaking process
- (2) Contribution to energy conversion industry
- (3) Contribution to recycling-oriented society

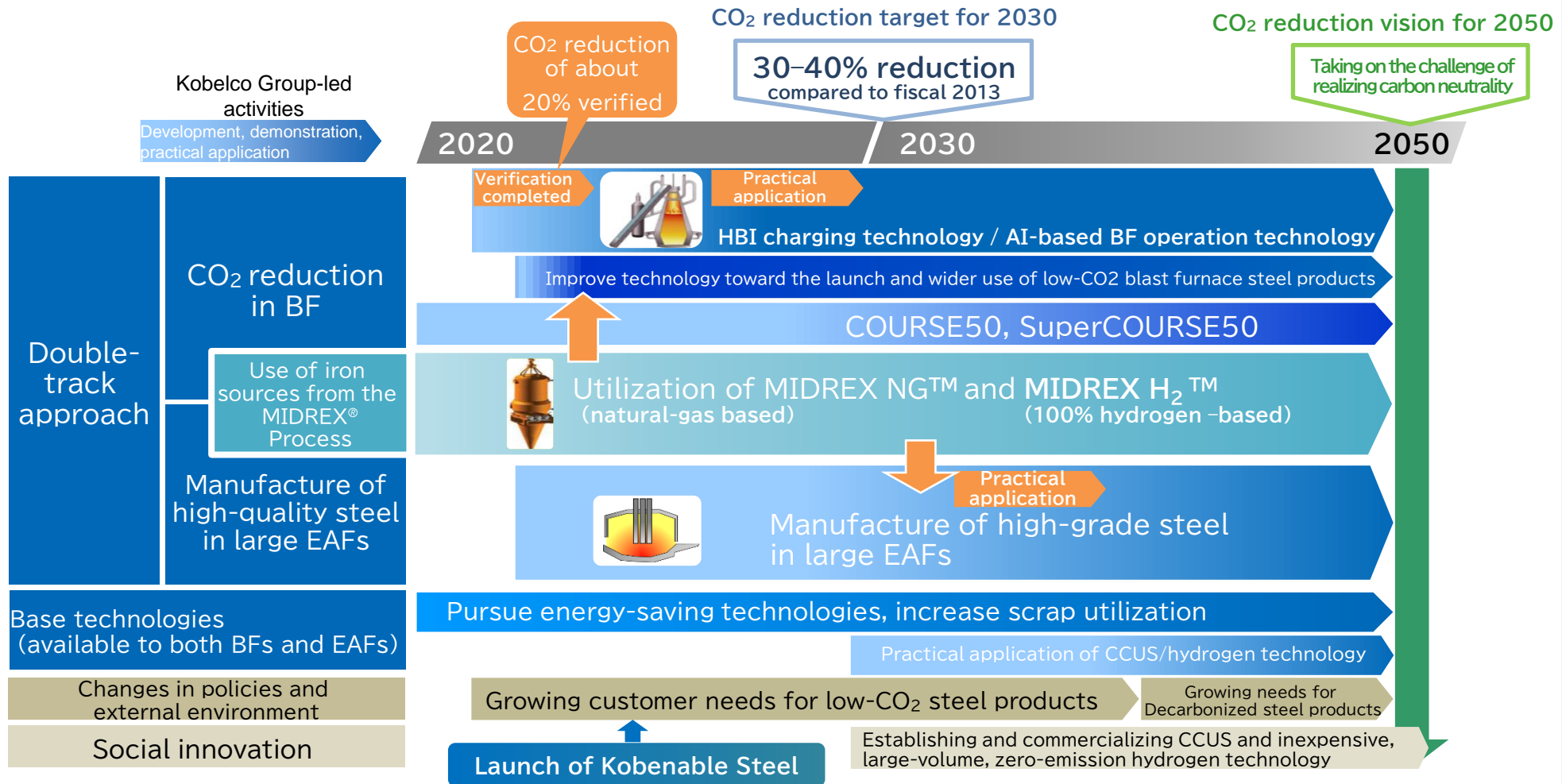
Initiatives to achieve carbon neutrality in ironmaking process (1)

Steel & Aluminum

Engineering

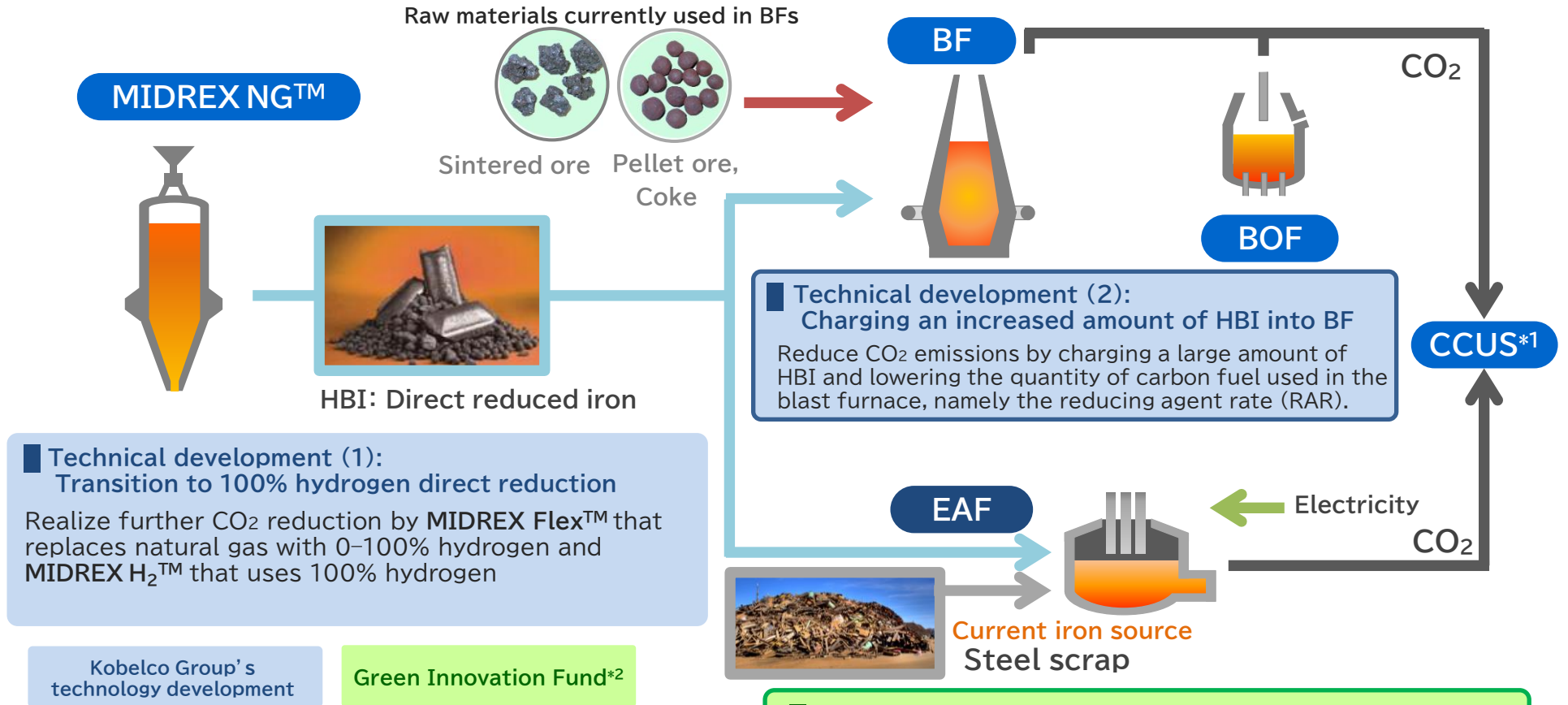


The roadmap for the ironmaking process remains unchanged. While utilizing government-affiliated frameworks, such as NEDO Green Innovation Projects, we are steadily working on technological study.



Initiatives to achieve carbon neutrality in ironmaking process (2)

- **Technical development (1) :**
Shift from natural gas-based to hydrogen-based direct reduction technology for iron source production in the MIDREX® Process
- **Technical development (2):**
Further reduce CO₂ emissions by combining our MIDREX® HBI manufacturing technology and HBI charging technology for BF
- **Technical development (3):**
Develop high-grade steel manufacturing technology with a large amount of HBI charged, as part of the Green Innovation Fund Project



*1 CCUS: Carbon Capture, Utilization and Storage

*2 Nippon Steel Corporation, JFE Steel Corporation, Kobe Steel, Ltd., and the Japan Research and Development Center for Metals (JRMC) formed a consortium of to work on the hydrogen utilization project in iron and steelmaking processes.

Initiatives to achieve carbon neutrality in ironmaking process (3)

Steel & Aluminum



Engineering



We conducted tests to improve HBI charging technology for blast furnaces as planned. We continue to work on HBI charging technology improvements and advance the study of HBI charging equipment.

2050 Vision: Taking on the challenge of realizing carbon neutrality

Announced in Feb. 2021

CO₂ Reduction Solution for Blast Furnace Ironmaking

Steel



Engineering

About 20% lower CO₂ emissions verified

Kobelco Group's distinctive technologies

MIDREX®

HBI manufacturing technology



HBI charging technology



AI-based BF operation technology



Advanced pellet production technology

2030 Target
30-40% CO₂ reduction

2026-2029

2022-2023

Until 2021

Realizing continuous charging of HBI into BF

- HBI maximum charging technology
- Enhanced equipment for mass production

Advancement of HBI charging technology for BF

- (1) Advanced HBI charging technology for BF
- (2) Study of HBI charging equipment for BF

Launch of low CO₂ BF steel products

- Commercialized CO₂ reduction effect obtained through HBI charging into BF



KobenableSteel

Initiatives to achieve carbon neutrality in ironmaking process (4)

Steel & Aluminum

Engineering

KOBELCO

Kobenable Steel, Japan's first low-CO₂ blast furnace steel product in Japan, launched in May 2022

Drawing extensive attention of customers from various business fields
Contributing to raising awareness of green steel



Kobenable Steel

Automobile

Jun. 2022

Toyota Motor Corporation

Kobenable Steel used in suspension members of Toyota hydrogen engine-equipped racing vehicle Corolla

Kobenable Premier

Automobile

Dec. 2022

Nissan Motor Co., Ltd.

Kobenable Steel used in Nissan mass-produced vehicles

Kobenable Premier

Construction

Dec. 2022

IHI, Mitsubishi Estate, Kajima

Kobenable Steel used in Toyosu 4-2 Development Project, Building B (Toyosu, Koto-ku, Tokyo)

Kobenable Premier

Shipbuilding

Mar. 2023

Imabari Shipbuilding Co., Ltd.

Kobenable Steel used in a 180,000-ton class bulk carrier built by Imabari Shipbuilding

Kobenable Premier

- The GX (Green Transformation) Implementation Council has set a target of 10 million tons of green steel supply in 2030.

→ Our Company will take the lead in expanding the green steel market.

(In order to expand the market, we need to develop an environment that supports the initiative through the standardization of green steel and the system design for its widespread use, etc.)

Initiative to achieve carbon neutrality in the electric power business

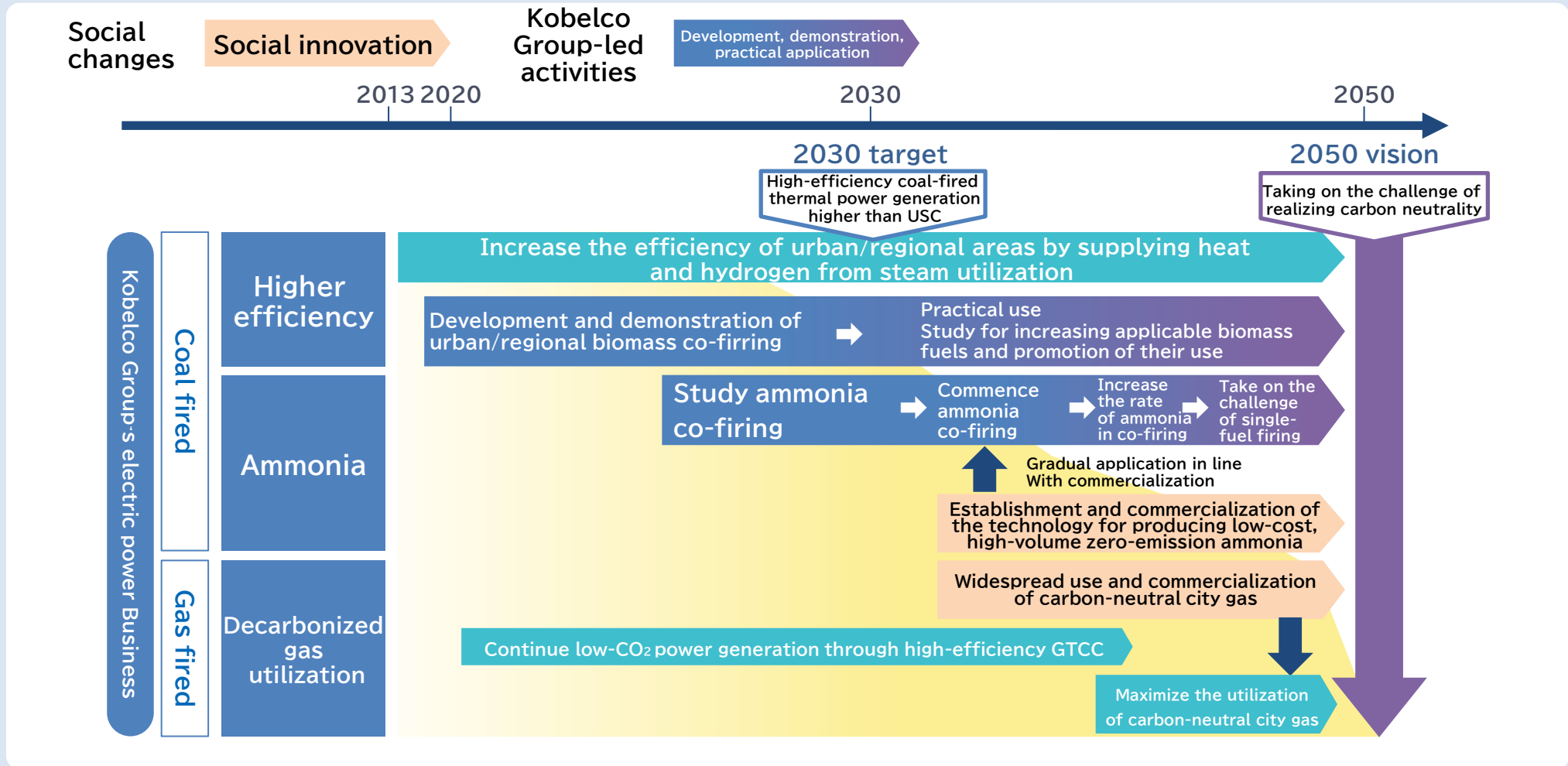
Electric power

Engineering



- To advance efforts toward practical application of ammonia co-firing and single-firing, we monitor national measures and trends in technological development led by NEDO and promote detailed internal study.
- For biomass fuel co-firing, we are working with Kobelco Eco-Solutions to promote projects for co-firing of biomass fuel derived from sewage sludge and utilization of extracted steam*1.

*1 Hydrogen production by water electrolysis hydrogen generator





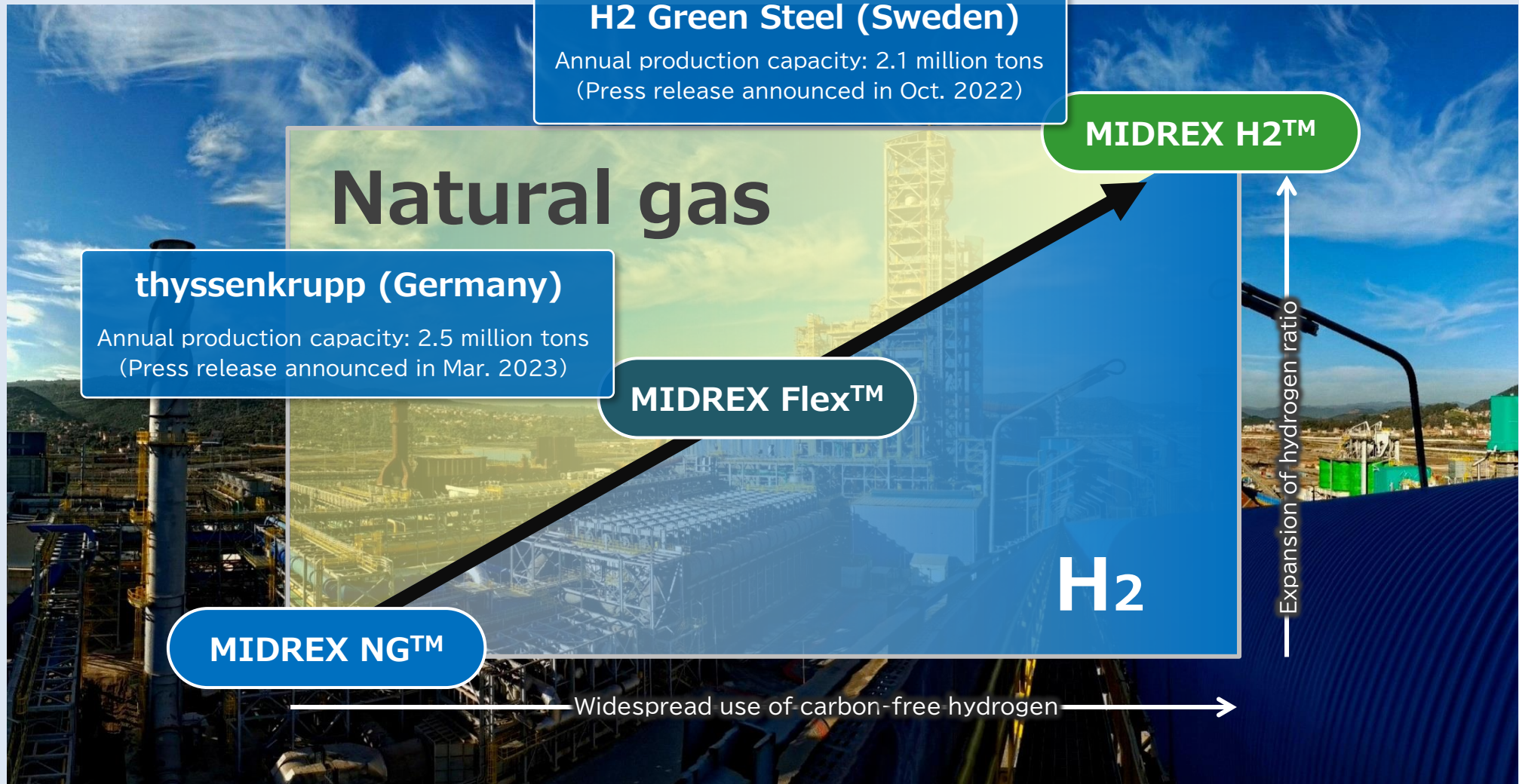
1. Reduction of CO₂ emissions in production processes

- (1) Ironmaking process
- (2) Electric power business

2. Contribution to reduction of CO₂ emissions

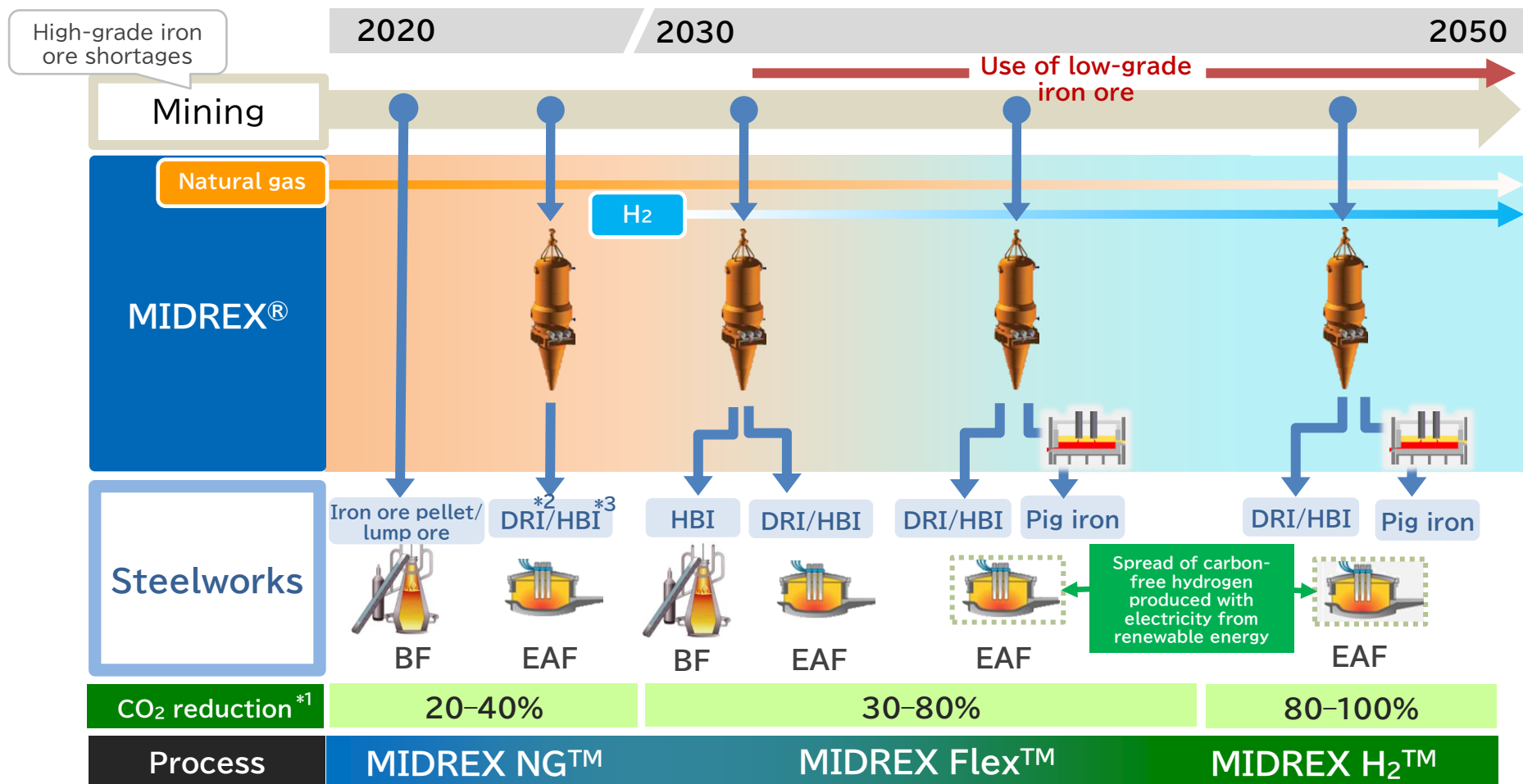
- (1) Contribution to ironmaking process
- (2) Contribution to energy conversion industry
- (3) Contribution to recycling-oriented society

We provide optimal solutions during the transition period, while flexibly responding to the needs of customers in areas where the introduction of carbon-free hydrogen is progressing.



Ironmaking process—Status of MIDREX® business (2) (Business development scheme)

To achieve carbon neutrality, we will make our CO₂ reduction solutions available in any stage, from short and medium to long term.



*1 The amount of CO₂ reduction may change depending on the situation of installed equipment, raw materials used, etc.

*2 DRI: Direct Reduced Iron *3 HBI: Hot Briquetted Iron

Feasibility study of low-CO₂ Iron Metallics Project in Oman

Kobe Steel and Mitsui & Co. will jointly conduct the feasibility study of production and sale of HBI (low-CO₂ iron metallics) using MIDREX[®] process.

Kobe Steel Mitsui & Co.

(1) MoU on comprehensive cooperation for the low-CO₂ Iron Metallics Project

OPAZ*¹, an Omani authority that oversees special economic zones in Oman



(2) Land Reservation Agreement on Special Economic Zone Authority at Duqm

Port of Duqm Company S.A.O.C., an Omani entity that undertakes port development and management of Special Economic Zone Authority at Duqm (SEZAD)

We have made good progress in establishing cooperative framework with local stakeholders through these agreements that enable us to secure land for business in special economic zones at Duqm in Oman and secure natural gas production quota.



Feasibility study of low-CO₂ Iron Metallics Project in Oman

Oman

- Oman is rich in natural gas.
 - Under Oman Vision 2040, the country promotes its key policy focused on the supply of renewable energy and green hydrogen.
- Ideal location for low-CO₂ iron metallics business with a view to promoting green steel production.



MIDREX[®] Process

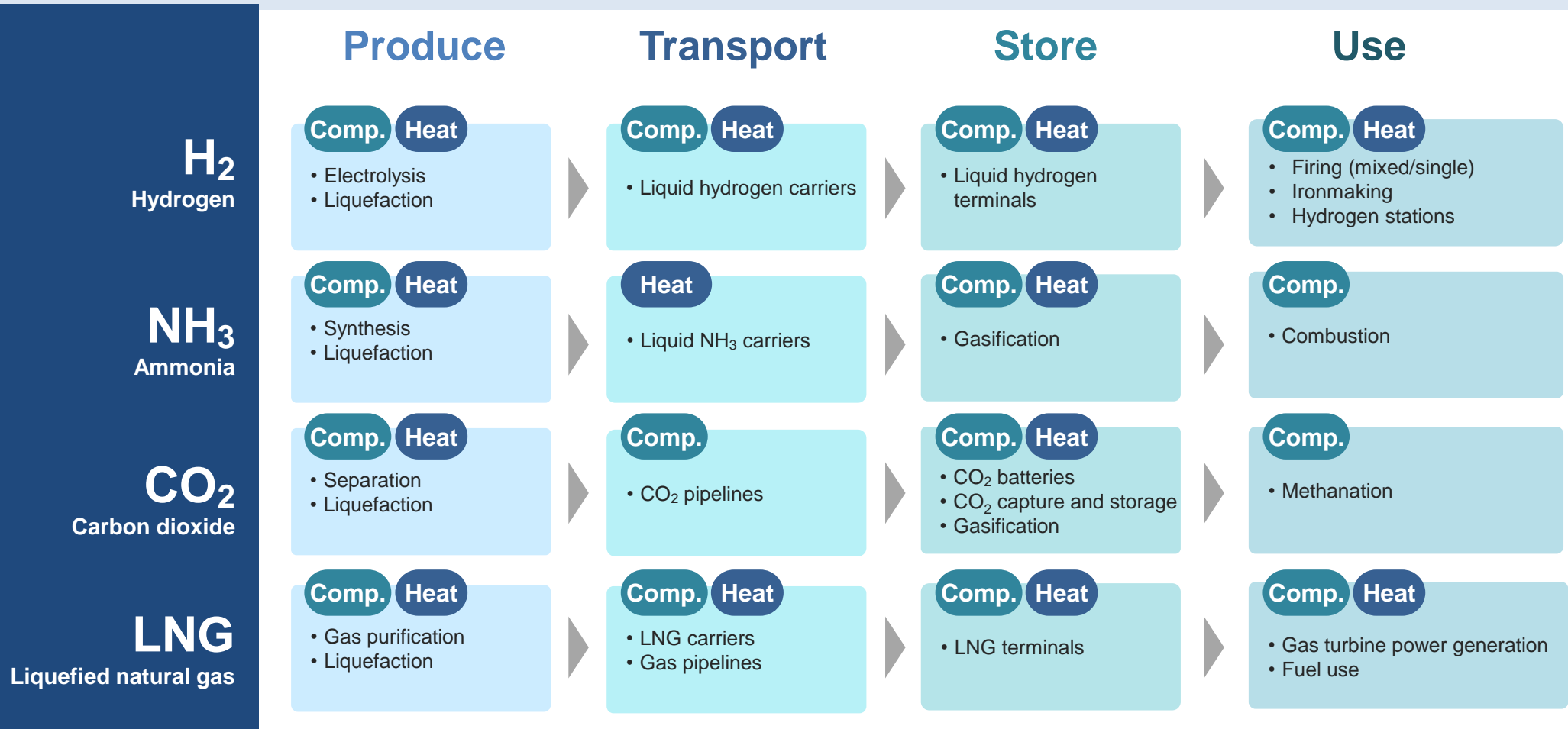
- MIDREX[®] Process bridges the transition from natural gas to hydrogen direct reduction ironmaking.
- Optimal ironmaking process for green steel production in the future, applicable to the transition period

The plan is to produce 5 million tons of DRI per year through the MIDREX[®] process. Kobe Steel and Mitsui & Co. will accelerate the feasibility study of a low-CO₂ iron metallics business in Oman.

We will contribute to the decarbonization of the entire steel industry in Japan and overseas by supplying low-CO₂ iron source (HBI).

- In the machinery business, compressors, heat exchangers, and vaporizers are expected to be used in every part of the supply chain of the energy conversion industry, contributing to the creation of a carbon neutral society.

→ Machinery business initiatives will be explained on another occasion.



Machinery

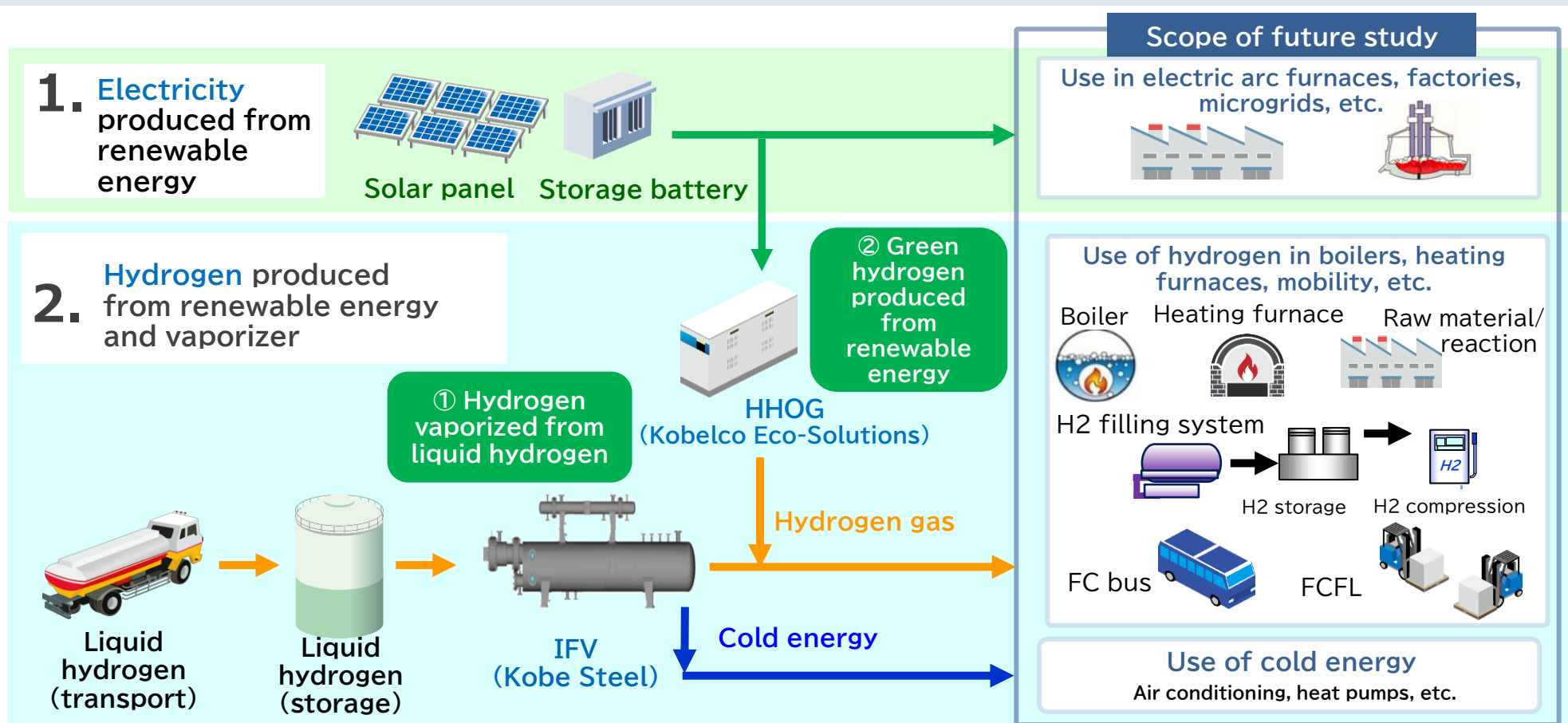
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Engineering

×

Advanced
Materials

The demonstration facilities for the hybrid-type hydrogen gas supply system at Takasago Work started operation on schedule in March 2023.



The demonstration of the system is partly supported by the New Energy and Industrial Technology Development Organization (NEDO) under the Development of Technologies for Realizing a Hydrogen Society.

a. Study on hydrogen utilization model for decarbonization of factories that mainly consume energy as heat

b. Development of an intermediate liquid hydrogen vaporizer that enables the use of liquid hydrogen cold energy

Machinery



Engineering



Advanced
materials

Our initiatives as a producer and user of hydrogen

- The Kobelco Group is a hydrogen producer with a diverse range of hydrogen-supply-related products and technologies as well as a potential hydrogen user with plants that will use a large amount of hydrogen.
- We will carry out the initiatives listed below at Kobe Steel's Takasago Works, as a model case for medium-scale use of hydrogen gas.

1. Scale up facilities & improve and develop products and systems

2. Conduct additional study of hydrogen user variations

3. Create and provide optimal solutions, taking advantage of Kobelco Group's unique position as a producer and user of hydrogen

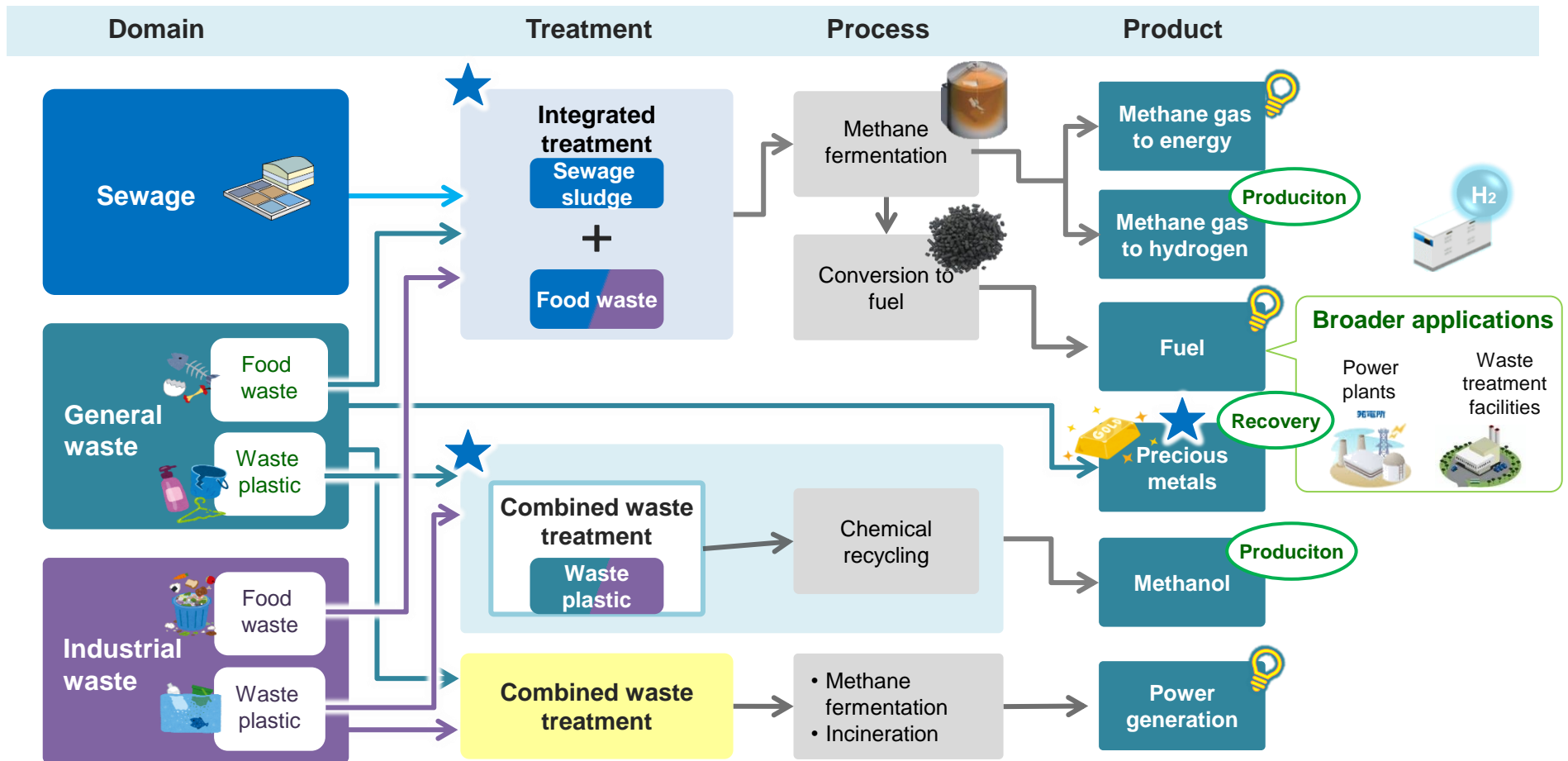
★ Some of the above initiatives have been adopted in the survey and verification projects supported by NEDO.

- As part of the effort to achieve carbon neutrality, Kobelco Eco-Solutions has been advancing initiatives for creating new technologies and businesses, including the effective use of sewage sludge and food waste and the efficient operation of sewage and waste treatment facilities.

→ For more details about the initiatives of Kobelco Eco-Solutions, see the September 2022 IR meeting materials.

[Link](#)

★ : Kobelco Eco-Solutions' original technologies and initiatives

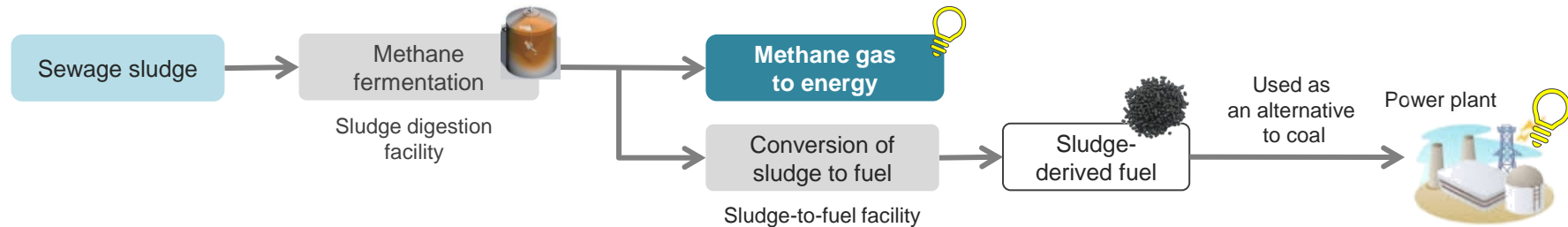


Undertaking new development in the fields of digestion, and conversion to fuel, of sewage sludge with the aim of realizing carbon neutrality

(1) Renovation work of the sludge treatment facilities at the wide-area sewage sludge treatment site for the eastern Hyogo area was awarded to a joint venture formed by KES and other companies

- Construction contract signed in October 2021
- Contract amount (incl. tax): 48,015 million yen

- One of Japan's largest sewage sludge treatment plants
- Reduce greenhouse gas emissions by using methane gas and sludge fuel produced from sewage sludge as fuel for power generation



(2) Installation work of sludge utilization facilities as part of the Fukuchiyama City sludge treatment facilities rebuilding project was awarded to a joint venture formed by KES and other companies

- Construction contract signed in January 2022
- Contract amount (incl. tax): 5,500 million yen

- Study underway to use sludge fuel produced from sewage sludge as an alternative to coal at the Kobe Power Plant

(3) Construction work of sludge digestion and sludge-to-fuel facilities at the Lake Biwa south-central wastewater treatment center was awarded to a joint venture formed by KES and other companies

- Construction contract signed in October 2022
- Contract amount (incl. tax): 10,120 million yen
- The first sludge digestion facility to be installed in a wastewater treatment center in Shiga prefecture.

Recycling-oriented society: Conversion of sewage sludge to fuel and biogas generation from food wastes

Engineering

KOBELCO

Sewage treatment

General waste

Industrial waste

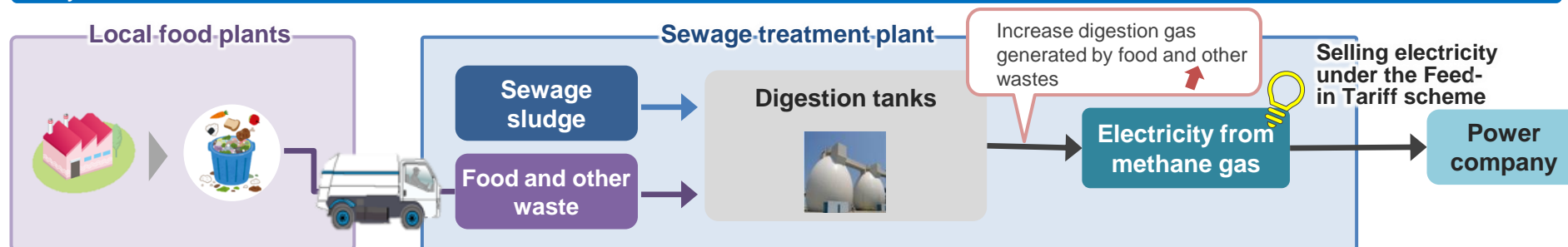
Kobelco Eco-Solutions

KES is the first company in Japan to be licensed for industrial waste treatment in a sewage plant and engaged in the facility operation.

(1) Project to renovate sludge treatment facilities at the Higashinada sewage treatment plant in Kobe City was awarded to a joint venture formed by KES and other companies

- Master agreement concluded in November 2022
- Contract amount (incl. tax): Construction contract 4,576 million yen; maintenance and management contract 6,261.99 million yen

- Implement waste-to-energy conversion using existing infrastructure facilities
- Create facilities to convert local biomass into energy for local use
- Undertake the renovation of the sewage treatment facilities for about 10 years and their maintenance and management for 20 years



★ By charging food and other wastes, the current amount of digestion gas generated from sewage amounting to 12,000 m³/day will be **increased by approx. 10%, contributing to an increase in power generation and a reduction in CO₂ emissions.**

- Power generation: 8,500 MWh/year or more (equivalent to power consumption by approx. 2,400 households)
 - CO₂ reduction: 3,000 t-CO₂/year or more (CO₂ emission coefficient for electricity: 0.37 kg-CO₂/kWh)
- For reference, CO₂ emissions of a large-scale sewage treatment facility (100,000 m³/day): 8,864 t-CO₂/year*¹

Establishing technologies to efficiently produce hydrogen from methane gas

(2) In the sewage-related innovative technology demonstration project in Fuji City,*² we generated hydrogen from purified gas with highly concentrated methane and used it as fuel in commercial fuel cell vehicles.

*¹ Manual on Global Warming Countermeasures in Sewage Works published by the Ministry of the Environment and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

*² Demonstration of Efficient Energy Utilization Technology Using High-Solids Anaerobic Digestion and Energy-Saving Biogas Purification at the Tobu Wastewater Treatment Plant in Fuji City (B-DASG Project), proposed to and adopted by MLIT in FY2018 by a consortium of KES, Japan Sewage Works Agency, and Fuji City.

Initiatives leading to the next medium-term management plan

Establish a stable earnings base

Continue

Strengthen the financial base

Reduce volatility

Further strengthen business portfolio strategy & business foundation

Take on the challenge of realizing carbon neutrality

Accelerate

Develop and implement concrete strategy

Capture demand in growing markets

Sustainable growth and enhancement of corporate value

(Increase returns to shareholders and improve PBR)

Announcements and event schedules



Kobelco Digital Transformation (DX) Strategy

Date : May 22, 2023
Announced on the Company's official website

Contents

- ✓ DX strategy roadmap
- ✓ Examples of initiatives underway



Machinery Business Seminar

Date : July 6, 2023
(To be held online)

Contents

- ✓ Overview of the Machinery Business
- ✓ Business environment
- ✓ Vision of the Machinery Business for the future



(Tentative title) Kobelco ESG Day

Date : September 27, 2023 (all day)
(Details to be determined)

Contents

- ✓ ESG seminar
- ✓ Panel discussion with outside directors
- ✓ Initiatives undertaken by business divisions (Kobelco Construction Machinery, Engineering)

| | |
|---------------------------------------|---|
| <h2>KOBELCO's View of the Future</h2> | <p>Our view of a society and future to be attained as we carry out KOBELCO's mission</p> <p>We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.</p> |
| <h2>KOBELCO's Mission</h2> | <p>Our mission and the social significance of the KOBELCO Group that we must fulfill</p> <p>Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.</p> |
| <h2>Core Values of KOBELCO</h2> | <p>The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group</p> <ol style="list-style-type: none"> 1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live. 2. We value, and support the growth of, each employee on an individual basis, while creating a cooperative and harmonious environment. 3. Through continuous and innovative changes, we create new values for the society of which we are a member. |
| <h2>Six Pledges of KOBELCO</h2> | <p>Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter</p> <ol style="list-style-type: none"> 1. Uphold the Highest Sense of Ethics and Professionalism 2. Contribute to the Society by Providing Superior Products and Services Quality Charter 3. Establish a Comfortable but Challenging Work Environment 4. Live in Harmony with the Local Community 5. Contribute to a Sustainable Environment 6. Respect Each Stakeholder |

- Certain statements in this presentation contain forward-looking statements concerning forecasts, assertions, prospects, intentions and strategies. The decisions and assumptions leading to these statements are based on information currently available to Kobe Steel. Due to possible changes in decisions and assumptions, future business operation, and internal and external conditions, actual results may differ materially from the projected forward-looking statements. Kobe Steel is not obligated to revise the forward-looking contents of this presentation.

- Uncertain and variable factors include, but are not limited to:
 - Changes in economic outlook, demand and market conditions
 - Political situation and trade and other regulations
 - Changes in currency exchange rates
 - Availability and market conditions of raw materials
 - Products and services of competing companies, pricing policy, alliances, and business development including M&As
 - Strategy changes of alliance partners

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