

KOBELCO

Dialogue with the Capital Market

FY 2023

June 2024
Kobe Steel, Ltd.

1. Policy
2. Dialogue with the Capital Market
3. Internal Feedback
4. Examples of Initiatives that Incorporated Dialogue Outcomes

- The Company, including its management, engages in dialogue with capital markets in order to enhance its corporate value over the medium to long term.
- Based on previous dialogues, **the major initiatives newly implemented in FY2023 (main changes from FY2022 and earlier), are set out below.**
- In FY2024, we will continue striving to enhance our corporate value through constructive dialogue.

Major Initiatives Newly Implemented in FY2023

Dialogue with the Capital Market

- **Panel discussion with outside directors (Sept. 2023):**
Broadcast a panel discussion with four outside directors. (Facilitator: Executive Vice President and Representative Director)
- **Plant tours for institutional investors and securities analysts (June and Dec. 2023):**
Resumed tours of the Group's major domestic plants following end of COVID-19 pandemic. Planning tours of overseas plants in FY2024.
- **Online briefing session for individual shareholders (Dec. 2023):**
Held a new online briefing session to provide an opportunity for dialogue with current shareholders.
- **Disclosure of materials outlining dialogue with capital market (June 2023):**
Disclosed the status of the Company's dialogue with the capital market. Included in TSE "Case Studies" materials.

Internal Feedback

- **Financial results briefings for employees (quarterly):**
Held results briefings for employees as part of internal IR efforts to improve employee engagement.

Other Dialogue

- **Employee engagement (report released Sept. 2023):** Expanded scope of information disclosed in Integrated Report.
- **Strategic shareholding (policy changed in April 2023):** Changed strategic shareholding policy (added statement that number of strategically held shares will be reduced gradually), and outlined strategic shareholding status in Notice of Convocation.

- ◆ The Company has established the following policy regarding dialogue with capital markets.

System Aimed at Dialogue with the Capital Market

Fundamental Policy on Disclosure

- The Company recognizes that information transmission is a tool and the foundation for dialogue with the capital market. In addition to disclosing information required under the Companies Act, the Financial Instruments and Exchange Act, and securities listing regulations of financial instruments exchanges, etc. under supervision of the Board of Directors, the Company makes efforts to actively deliver information that is easy to understand through the Company's website, integrated report and other self-produced publications, etc. This includes non-financial information such as environmental, social (human rights, human resources development, diversity, co-existence with society), governance, and R&D initiatives.
- As a company that conducts global business, the Company makes efforts to improve the English translations of these disclosures and to prepare English and Chinese versions of its website.
- The Company handles information transmission strictly in accordance with internal rules and regulations regarding trade secret control and prevention of insider trading, under the supervision the relevant departments.

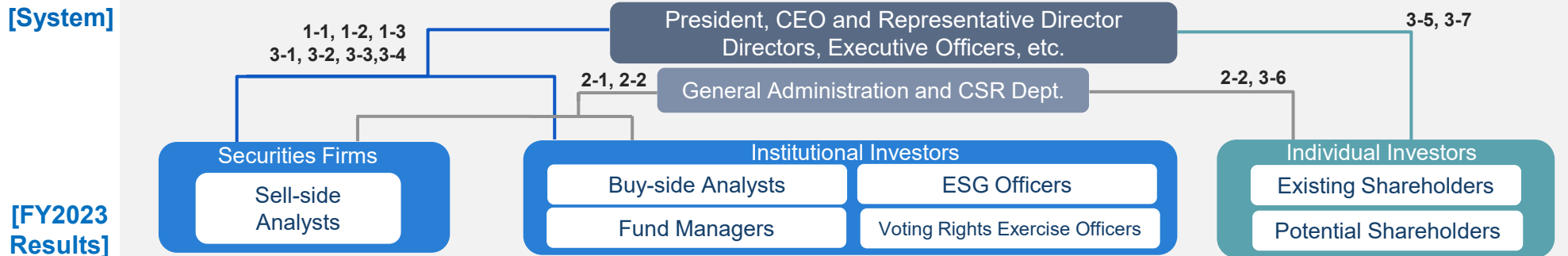
System for Dialogue with the Capital Market

The Company engages in dialogue, when necessary, with principal shareholders holding investment policies that will lead to the enhancement of the medium- to long-term interest of shareholders, regarding corporate governance and important management policies. Its systems for this purpose are as follows.

- The Director who oversees the General Administration and CSR Department will control dialogue with the capital market, supported by the Executive Officer responsible for the General Administration and CSR Department.
- Under the supervision of these Director and Executive Officer, the General Administration and CSR Department will serve as the contact point, supported by the Corporate Planning Department, Legal Department, and Finance and Accounting Department.
- As the contents of meetings requested by investors are expected to cover diverse matters ranging from management policy to the detailed information gathering, the departments and members selected by the management team or the General Administration and CSR Department will respond as required, depending on the nature of the requests.
- The Company will also make efforts to improve dialogue with the capital market by holding quarterly meetings to explain its financial results to investors (including telephone meetings), visiting institutional investors, and holding factory tours for shareholders.
- If important dialogue or expression of opinion takes place with investors, including shareholders, the person who conducted the dialogue will report its contents to the management team.
- The Company will conduct dialogue strictly pursuant to the various regulations from the perspectives of trade secret control and prevention of insider trading and will place restriction on the timing of interviews if necessary.
- To understand the composition of shareholders on which dialogue is premised, the Company obtains shareholder register data from Japan Securities Depositor Center on a quarterly basis and identifies institutional investors holding the Company's shares in the name of trust banks, etc. once every six months.

Note: The above is stated in the Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd. under VIII. System for Dialogue with the Capital Market, 2. Fundamental Policy on Disclosure and 3. System for Dialogue with the Capital Market.

2. Dialogue with the Capital Market: Overview of Company Responders and Dialogue Counterparts



[FY2023 Results]

Contents		Company Responders (Positions are as at time of dialogue)	Number of companies met/ Number of meetings (Cumulative)
: Newly Added			
1-1	Exchanges of opinions with institutional investors and securities analysts	Mitsugu Yamaguchi, President, CEO and Representative Director	11 Companies
1-2	Meetings with overseas institutional investors	Yoshihiko Katsukawa, Director & Executive Officer (Responsible for Corporate Planning Dept. and Finance and Accounting Dept.)	16 Companies
1-3	Meetings with Japanese and overseas institutional investors (ESG, exercise of voting rights, etc.)	Hajime Nagara, Director & Executive Officer (Sustainability Management Committee Chair)	23 Companies
2-1	Interviews on IR topics	General Administration and CSR Dept	216 Companies
2-2	Responses to inquiries	General Administration and CSR Dept	As Required
3-1	Financial results briefings	Yoshihiko Katsukawa, Director & Executive Officer (Responsible for Corporate Planning Dept. and Finance and Accounting Dept.) Kazuaki Kawahara, Executive Officer (Responsible for Finance and Accounting Dept.)	4 Times
3-2	Business briefings, etc.	Mitsugu Yamaguchi, President, CEO and Representative Director Business division heads, presidents of relevant affiliates, others	7 Times
3-3	Panel Discussions between Outside directors	Hajime Nagara, Director & Executive Officer and Outside Directors	Once (Scheduled to be Implemented Every Other Year)
3-4	Plant Tours with institutional investors and securities analysts	Yoshihiko Katsukawa, Director & Executive Officer, others	2 Times (Resumed since FY2023)
3-5	Briefings for individual shareholders	Hajime Nagara, Director & Executive Officer, others	Once
3-6	Briefings for individual investors	General Administration and CSR Dept	Once
3-7	General Meeting of Shareholders	Mitsugu Yamaguchi, President, CEO and Representative Director, others	Once

2. Dialogue with the Capital Market: Main Dialogue Topics

Business Strategy	E	<ul style="list-style-type: none"> ✓ Current progress/medium- to long-term roadmap for carbon neutrality ✓ Disclosure of quantitative CO₂ reduction targets and CO₂ emissions in the electric power business ✓ Impact on sales and profit of products that contribute to CO₂ reduction, and target setting
	S	<ul style="list-style-type: none"> ✓ Human rights due diligence ✓ Supply chain management ✓ Link between human capital/human resource strategy and business strategy ✓ Diversity and inclusion
	G	<ul style="list-style-type: none"> ✓ Strategic shareholdings ✓ Governance of listed subsidiaries ✓ Skills matrix ✓ Nomination & Compensation Committee (succession planning, remuneration system for directors and executive officers, etc.) ✓ Evaluation of effectiveness of Board of Directors
		<ul style="list-style-type: none"> ✓ Progress of medium-term management plan, long-term vision ✓ Management conscious of capital costs and capital efficiency ✓ Business portfolio management (synergies, etc.) ✓ Cash allocation (including shareholder returns)
Others		<ul style="list-style-type: none"> ✓ Information disclosures, e.g., integrated report, results briefings ✓ Executive's IR policy ✓ Matters related to General Meeting of Shareholders

2. Dialogue with the Capital Market: Examples of Dialogue

We have excerpted and included the following items that had significant changes in dialogue content or notable progress in our company's initiatives over the course of one year.



Constructive Dialogue



- : Under Consideration
- : Dialogue Ongoing
- : Under Consideration

The Company should clearly disclose its future investment plans for compliance with carbon neutrality (CN) requirements, as well as specific details of its current response status.



CO₂ Reductions
Production Process

- ✓ Investment Plan We are studying carbon neutrality from multiple perspectives, including installation of electric furnaces, etc. Regarding future investments, there are still many uncertainties, such as government regulations and support, as well as the technological outlook. We will continue considering how to disclose information on the application, scale, and timing of related investments.
- ✓ Technological Advancements We have succeeded in conducting an operational demonstration of a world-leading technology capable of reducing CO₂ emissions in the steelmaking process by 25% by combining the Engineering Business' MIDREX HBI manufacturing technology with the Steel Business' blast furnace operational technology.
- ✓ Enhancement of CN Framework In the organizational reform implemented in April 2024, we renamed the CO₂ Reduction Promotion Subcommittee under the Sustainability Management Committee the "GX Strategy Committee" and enhanced its structure as a supporting organization of the Executive Council. The Committee will discuss and implement key strategies together with the Business Portfolio Management Committee, and will work to give shape to the Company's carbon neutrality measures.

The Company should disclose its CO₂ emissions in the electric power business as it does for the steelmaking process, and set quantitative reduction targets.



CO₂ Reductions
Production Process

- ✓ We have also created our own roadmap for carbon neutrality in the electric power business, and aim to achieve carbon neutrality by 2050 by strengthening efforts to reduce CO₂ emissions, including biomass fuel co-firing and ammonia co-firing.
 - ✓ At present, we have made the following major disclosures regarding CO₂ emissions in the electric power business, and we will continue to study the most appropriate method for disclosing such information to the market.
 - In our current disclosure materials, we disclose CO₂ emissions equivalent to electricity sold separately from emissions from our other businesses, in accordance with the calculation standards stipulated in the Act on Promotion of Global Warming Countermeasures.
 - We are a member of the GX League launched by METI, and within this framework we have set targets that also include CO₂ emissions equivalent to electricity sold.
- [GX League Targets | KOBE STEEL, LTD](#) (in Japanese).

Request for quantitative sales and profit targets and results for MIDREX and other CO₂ reduction programs.













Contribution to
CO₂ Reductions











- ✓ We have historically disclosed both targets and actual results regarding the contribution to reduction in CO₂ emissions by our technologies, products, and services.
- ✓ We will also consider specific disclosure of financial metrics, such as sales and profit, in the future. → Sales targets were disclosed in the Medium-Term Management Plan released in May 2024.

E

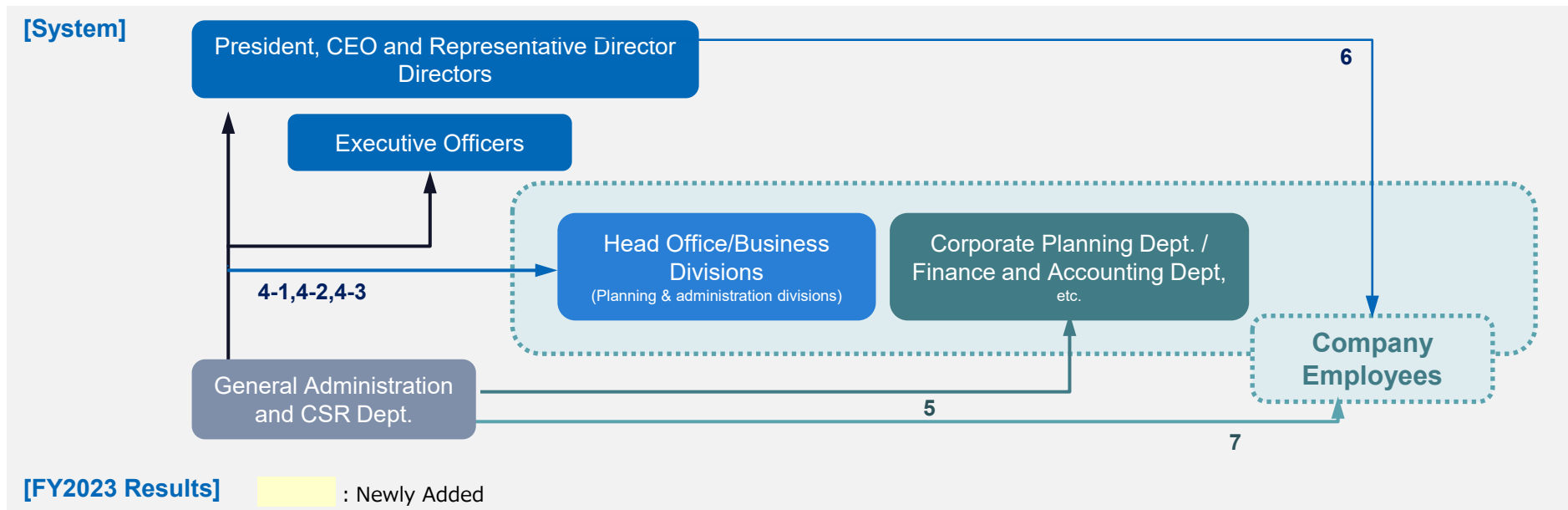
2. Dialogue with the Capital Market: Examples of Dialogue

		 Capital Market	Constructive Dialogue	 Kobe Steel	 : Under Consideration  : Dialogue Ongoing  : Under Consideration
S	We hope the Company will take initiatives to address human rights issues, including in the supply chain.			<ul style="list-style-type: none"> ✓ In FY2023, we conducted human rights risk assessments for major Group companies in Japan and some overseas Group companies. ✓ In the supply chain, in addition to establishing and communicating our Basic CSR Procurement Policy to our suppliers, we also conduct CSR surveys, including questions on human rights, for our major first-tier suppliers, and obtain letters of consent stating that they agree with our Basic CSR Procurement Policy. In addition, we conducted a survey in FY2023 to investigate the status of human rights protection. ✓ We will continue working to address human rights issues by steadily expanding the scope of coverage, both within the Group and in our supply chain. 	
	The Company should adopt human capital and human resource strategies that are linked to management strategy, and there should be more disclosure on this topic.		 	<ul style="list-style-type: none"> ✓ In the organizational reform implemented in April 2024, the subcommittee responsible for promoting D&I and work style transformation was restructured into the Human Resources Strategy Subcommittee. This move centralizes the company-wide structure for promotion of human resource strategy, including the risk of human resource shortages, and aims to strengthen human capital management initiatives. ✓ We have expanded disclosures on our human resources strategy by including a revised, comprehensive overview of the Group's human resources strategy in the Kobelco Group Integrated Report 2023 (FY2022: one page → FY2023: five pages) 	
G	Outside directors should also be involved in initiatives aimed at dialogue with the market.			<ul style="list-style-type: none"> ✓ While not in a direct dialogue format, a panel discussion between the Company's outside and internal directors was held in September 2023 and live-streamed to provide the market with a broader insight into the views and thoughts of the outside directors. ✓ Since FY2021, the Integrated Report has included a roundtable talk among the Company's outside directors. 	
	To encourage officer commitment, the compensation system for officers should be tied to ESG-related initiatives.			<ul style="list-style-type: none"> ✓ From April 2024, the compensation system for directors and executive officers was revised to increase the ratio of performance-based compensation and to incorporate ESG-related metrics. In addition to providing greater incentives for directors and executive officers to improve business performance, we will proactively work to address ESG-related management challenges. ✓ The compensation for which we are incorporating ESG metrics is stock-based compensation, with the goal of sharing the same interests as shareholders in improving the Company's corporate value. 	

2. Dialogue with the Capital Market: Examples of Dialogue

	 Capital Market	 Kobe Steel	 : Under Consideration  : Dialogue Ongoing  : Under Consideration
<p>With a multifaceted business that could be described as a conglomerate, is the Company's business portfolio reviewed appropriately?</p>	 	<ul style="list-style-type: none"> ✓ To achieve an optimal business portfolio, the Business Portfolio Management Committee, which serves as a supporting organization to the Executive Council, develops company-wide business portfolio strategies and monitors each business unit, reporting its findings to the Executive Council. The topic of business portfolio management is also discussed at Board of Directors meetings as appropriate. ✓ Each business unit conducts portfolio management based on ROIC. ✓ The Group's greatest strength lies in its ability to create new value through the integration of diverse technologies in a wide range of business domains and the unique talents of our human resources, and such integration has produced positive results, as exemplified by Kobenable Steel. We will continue studying how to evaluate, articulate, and disclose the connection between these accomplishments and the improvement in our corporate value and earnings. 	
<p>How do you view the fact that the Company's P/B ratio continues to remain below 1x? Are you taking measures to improve this?</p>		<ul style="list-style-type: none"> ✓ In order to obtain an appropriate valuation from the market and increase PBR, we are strengthening efforts to not only improve ROE, but also reduce cost of capital. Since FY2022, we have provided feedback on the opinions and evaluations received from the market to the members of the Board of Directors twice annually, and market feedback is used as the basis for discussing and making management decisions from a long-term perspective. ✓ To lower the cost of capital, we hold regular study sessions led by external experts for all officers, including executive officers in addition to members of the Board of Directors, with the aim of strengthening their commitment to management by updating them on views from the market and developments in the external environment. 	
<p>How does the Company view capital allocation? Shouldn't it place more emphasis on shareholder returns?</p>	 	<ul style="list-style-type: none"> ✓ Although our target D/E ratio, which is a financial safety metric, was exceeded in the Medium-Term Management Plan through FY2023, we believe that strengthening our financial base is an ongoing task to ensure that we are able to accommodate large-scale investments in carbon neutrality in the future. ✓ We view shareholder returns as an important factor in increasing our corporate value. Accordingly, after comprehensively reviewing future investments, medium- to long-term business performance, financial position, and other factors, we increased our dividend payout ratio to approximately 30% from FY2023. 	

3. Internal Feedback: Systems/Results



Contents		Recipients	Frequency
4-1	Evaluation of capital market	Members of Board of Directors, Executive Council members Head Office department heads / planning and management department heads in business divisions	Twice a year
4-2	Regular post-closing reports	Members of Board of Directors, Executive Officers Head office department heads / planning and management department heads in business divisions	4 Times a year (after quarterly financial results announcements)
4-3	Reports other than regular reports	Directors, Executive Officers, etc. related to report contents	As Appropriate
5	Regular pre-closing reports	Certain Directors & Executive Officers, Corporate Planning Dept., Finance and Accounting Dept.	4 Times a year (prior to quarterly closing)
6	Summary explanation of business results by executive	Company employees, labor unions	Around Twice a year
7	Financial results briefings for employees	Company employees	From FY2023

3. Internal Feedback: Contents of Reports

Concrete Feedback Contents

4-1	Evaluation of capital market	<p><u>Held in August 2023</u></p> <ul style="list-style-type: none"> • Share market trends (trends in share prices, PBR, etc.) • Analysts' evaluations • Opinions received at exchanges of opinions between president and institutional investors • Gap analysis of individual analysts' envisaged share value and the theoretical share price according to Company's simple estimates • Organization of current issues based on gap analysis • Policy for response to issues <p><u>Held in February 2024</u></p> <ul style="list-style-type: none"> • Share market trends (trends in share prices, PBR, etc.) • Analysts' evaluations • Opinions received at meetings with institutional investors • Progress of responses to issues • Responses to newly recognized issues
4-2	Regular post-closing reports	<ul style="list-style-type: none"> • Summary of questions asked at financial results briefings • Summary of analysts' reports etc.
4-3	Reports other than regular reports	<ul style="list-style-type: none"> • Opinions received at exchanges of opinions between president and institutional investors (1-1) • Opinions received at meetings with institutional investors (1-3) etc.
5	Regular pre-closing reports	<ul style="list-style-type: none"> • Reactions of capital markets after previous financial results announcement and opinions received during interviews on IR topics after closing • Information expected, envisaged questions, etc. at next financial results announcement
6,7	Summary explanation of business results by executive Financial results briefings for employees	<ul style="list-style-type: none"> • Summary of business results of Group as a whole and of individual business divisions • Status of progress of medium-term management plan etc.

4. Examples of Initiatives that Incorporated Dialogue Outcomes

- ◆ The Kobe Steel Group has implemented the following kinds of initiatives that reflect dialogues with the capital market in its pursuit of initiatives for sustainable growth and enhancement of corporate value.

Achievements to Date

E	CO₂ reductions	Formulated reduction targets and reduction contribution targets	From FY2020
S	Skills Matrix	Organized knowledge, experience, and skills officers are expected to demonstrate	From FY2021
S	Employee Engagement	Expanded scope of information disclosed in Integrated Report.	From FY2023
G	Remuneration System for Directors and Executive Officers	Introduced system for incorporating status of ESG-related initiatives into individual evaluation of performance-based compensation	From FY2021
G	Strategic shareholding	Changed holding policy, disclosed holding status in Notice of Convocation	From FY2023
G	Outside directors	Held first panel discussion	From FY2023
Business Strategy	Materiality	Newly formulated	From FY2021
Business Strategy	Capital efficiency	Included ROIC in medium-term management plan achievement targets, and disclosed capital cost	From FY2021
Other	Individual investor briefings	Held first online briefing session	From FY2023
Other	Information disclosure	Expanded disclosure, including materials on dialogue with capital markets and briefings for each business	Ongoing

Plans for FY 2024

G	Remuneration for directors and executive officers	Revised in Apr 2024, added ESG metrics
G	Organizational reform	Revised in Apr 2024 to enhance sustainability-focused management
Business Strategy	Disclosure of non-financial metrics	Released sales and targets for products that contribute to CO ₂ reduction in Medium-Term Management Plan announced May 2024
Other	Overseas tours for institutional investors/securities analysts	Tours to MIDREX [®] plants planned for Autumn 2024.