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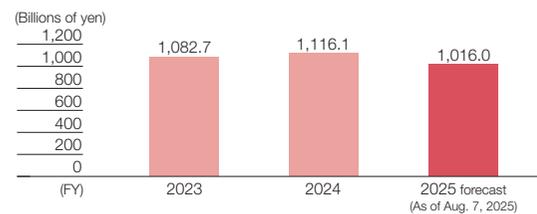
Operating Results
by Segment

Materials: Steel & Aluminum Business

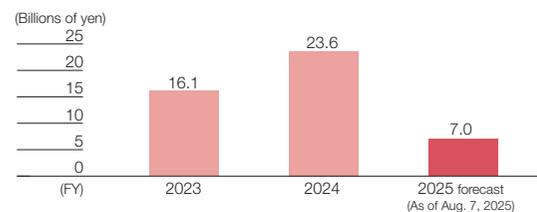


Shoji Miyazaki
Executive Vice President
Head of the Steel &
Aluminum Business

Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 113–114.

Our Vision

Our business environment is undergoing significant changes, driven by increasing demand for decarbonization, changes in the international order, declining population in Japan, and soaring costs for labor and materials. Against this background, the steel and aluminum segment will actively transform its business model and production system to remain a sustainable business entity. In particular, we recognize the transformation of domestic production processes and the strengthening of overseas operations (establishing an integrated production system in consumption areas) as the most important issues in achieving our CO₂ reduction targets. To achieve this transformation of our business operations, which requires the investment of management resources such as capital investment, investments and financing, and human capital, we will focus on securing stable profits, optimizing invested capital, and securing, retaining, and developing human resources.

Review of Fiscal 2024 and Prospects for Fiscal 2025

In fiscal 2024, profit, excluding inventory valuation and temporary gains/losses*, worsened due to the impact of lower sales volumes resulting from weaker market conditions. On the other hand, our planned initiatives are progressing steadily, allowing us to implement measures that enhance business value, such as the acquisition of a coke business to turn it into a subsidiary, the decision to start in-house production of high corrosion-resistant magnesium aluminum galvanized steel plates, and the establishment of a joint venture with China's Baowu Steel Group in the aluminum flat-rolled product business.

In fiscal 2025, we will systematically advance the transformation of our steel production processes by moving forward with a multi-track approach toward decarbonization, which include the introduction of electric arc furnaces (EAF) and the utilization of biomass in steel production. Along with this, we will work to establish a structure that will allow us to maintain consistent earnings despite gradually diminishing domestic demand. In the aluminum flat-rolled product business, we will work to expand sales toward the monetization of our China business while also strengthening the business structure in Japan.

SWOT Analysis

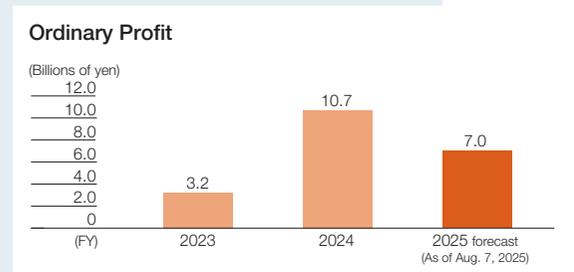
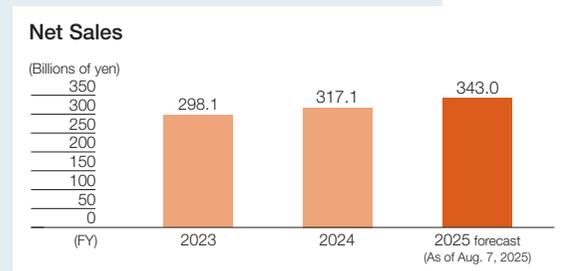
Strengths	<ul style="list-style-type: none"> • Distinctive products (ultra-high-tensile strength steel sheets, special steel wires, environmentally friendly corrosion-resistant steel plates, and aluminum substrates for hard disks, etc.) • The ability to propose solutions for customer requirements and technical challenges (analysis and design) • Cross-functional initiatives in steel and aluminum products (multi-materials) • Provision of value throughout the entire supply chain in close collaboration with customers • Supply of low-CO₂ materials (Kobenable® Steel and Kobenable® Aluminum)
Weakness	<ul style="list-style-type: none"> • Need to strengthen domestic business structure in response to gradual decline in demand
Opportunities	<ul style="list-style-type: none"> • Expansion of decarbonization needs in the global market (increased demand for technologies and products that reduce environmental impact, low-CO₂ steel products, and green aluminum products) • Increased global steel demand, especially in emerging countries • Progress in reducing steel production capacity in Japan
Threats	<ul style="list-style-type: none"> • Decline in domestic demand due to the declining population and labor shortages • Acceleration of soaring labor, materials, and equipment costs • Rise and expansion of protectionism (intensification of U.S. tariff policies and trade issues) and progress in local production for local consumption • Growing need for decarbonization of the blast furnace ironmaking process

* Loss of 13.6 billion yen (including stock valuation loss of 14.6 billion yen) in fiscal 2023; loss of 2.5 billion yen in fiscal 2024

Materials: Advanced Materials Business



Ryosaku Kadowaki
Executive Officer
Head of the Advanced Materials Business



For details, please see Results by Operating Segment on pages 113-114.

Our Vision

Our distinctive materials and components are manufactured by diverse human resources utilizing materials development and processing technologies that have been honed through a wide variety of metal production, including steel, aluminum, copper, and titanium. These products are highly evaluated by numerous customers. We will continue to deliver materials and components that satisfy our customers and contribute to the realization of safe, secure, and prosperous lives as we provide solutions to the needs of society while transforming ourselves through KOBELCO-X.

We will also empower each individual to realize their full potential and pursue the happiness of all members working in the advanced materials segment and the development of our business by fostering a spirit of teamwork that emphasize the firsthand observation of products, worksites, and situations.

SWOT Analysis

Strengths

- Development/manufacturing technologies to produce niche products with a dominant market share, such as aluminum forgings for automotive suspensions, copper alloys for automotive terminals and connectors, semiconductor lead frame materials, and aluminum parts materials for semiconductor manufacturing equipment
- Japan's only full-lineup manufacturer of steel castings and forgings for vessels with an integrated production system from steelmaking to finished goods
- Japan's only supplier of large titanium forgings and large aluminum castings for aircraft with extensive track record

Weakness

- Need to diminish susceptibility to sales trends and technological advances in the automotive sector, which accounts for a large proportion of sales.

Opportunities

- Solid demand for weight reduction and software-defined vehicles (SDVs) in the automotive sector, including the transition to EVs
- Growing importance of developing domestic industries in the shipbuilding and aircraft sectors for economic security
- Medium- to long-term growth expectations in the semiconductor sector

Threats

- Surging labor, materials and equipment costs, and labor shortages
- Decline in demand for automobiles due to carsharing and growth of Mobility as a Service (MaaS)
- Supply chain disruptions caused by volatility in demand in the semiconductor sector

Review of Fiscal 2024 and Prospects for Fiscal 2025

In fiscal 2024, we worked on cost pass-through, price improvement, and cost reduction centered on variable costs in response to a prolonged adverse business environment, including a decrease in automobile production, slow recovery of semiconductor demand, and rising costs. As a result, ordinary profit increased by 7.4 billion yen year on year to 10.7 billion yen. While demand in fiscal 2025 is expected to remain at a similar level to fiscal 2024, we will continue to work on strengthening our earning power with the aim of securing stable profits. In addition, we will also work on creating new value by combining the diverse materials (base materials), technologies, and human resources of the advanced materials segment.

Kobelco Group's Value Creation

Management Strategy for Value Creation

Promotion of Sustainability Management

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Data Section

Materials: Welding Business



Kazuyuki Suenaga
Executive Officer
Head of the Welding Business

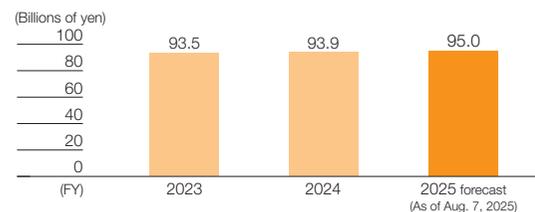
Our Vision

With quality as the pillar of our management, the welding segment aims to be the most reliable welding solutions company in the world based on “quality and technology,” “trust and security,” and “pride and responsibility.” We also aim to contribute to society through welding and to become a business entity that can generate stable profits under any business conditions. By promoting the integration of various technologies, we will respond accurately and sincerely to increasingly diversifying and sophisticated needs, including providing solutions to customers and societal challenges, improving quality, enhancing productivity, and addressing environmental concerns. We will continue to commit to realizing a sustainable society.

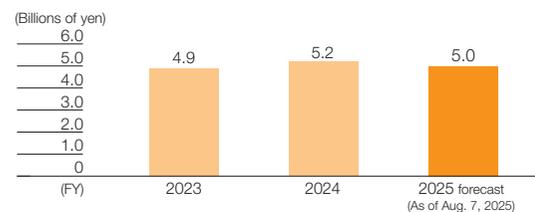
Review of Fiscal 2024 and Prospects for Fiscal 2025

In fiscal 2024, domestic demand for welding materials recorded its lowest ever level; however, thanks to our various actions including the deployment of our welding solution products, the welding segment achieved net sales of 93.9 billion yen, an ordinary profit exceeding the previous fiscal year at 5.2 billion yen, and an ROIC of over 5%. In order to achieve an ROIC of 8% or higher by fiscal 2026, we will continue to focus on the four key measures outlined in the Medium-term Management Plan: (1) Implement growth strategy in solution systems business; (2) Carry out structural reforms and strengthen the foundation of the welding materials business; (3) Promote digital transformation (DX) to improve productivity and human resource shortage; and (4) Ensure trusted and satisfactory product quality and realize a safe and healthy workplace environment.

Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 113-114.

SWOT Analysis

Strengths	<ul style="list-style-type: none"> • One of the few integrated welding companies in the world, offering comprehensive solutions in welding consumables, robot systems, power supplies, and processes • Ability to propose solutions based on thorough on-site focus and quick responses • Japan's largest sales force that handles welding consumables and welding systems in the welding industry • Overseas sales bases that provide welding materials of consistent quality across all bases
Weakness	<ul style="list-style-type: none"> • Need to secure workforce and ensure skills transfer in an increasingly competitive employment environment
Opportunities	<ul style="list-style-type: none"> • Growing need for welding automation and efficiency improvement to address labor shortages in the manufacturing industry • Growth of the new materials and welding solutions sectors that contribute to carbon neutrality • Increasing demand for welding in growth markets such as overseas emerging countries • Shift of the existing welding systems business to customer experience-oriented business and commercialization of peripheral processes
Threats	<ul style="list-style-type: none"> • Labor shortages and gradual decline in domestic demand due to the declining population in Japan • National security and geopolitical risks in overseas markets, as well as in our global business locations and supply chains

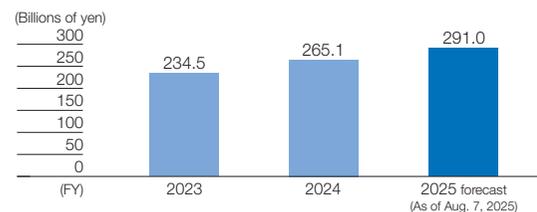
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Machinery: Machinery Business

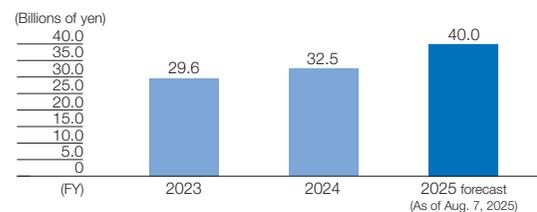


Shogo Sarumaru
Executive Officer
Head of the Machinery Business

Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 113-114.

Our Vision

Last year, we established our Purpose and Ambition, a unique interpretation of the Group Corporate Philosophy from the machinery segment's perspective. The Purpose represents the machinery segment's long-standing value of providing innovative solutions tailored to meet the evolving needs of society through our distinctive machinery products. Meanwhile, the Ambition sets out our goal toward 2030—Become a highly profitable business entity that continues to be a powerhouse of market-leading products in both new and existing businesses. In order to realize our vision in the Purpose and Ambition, we must continue to work on strengthening core businesses as well as nurturing and creating new businesses, while restructuring our business portfolio. As we continuously strive to enhance our technical capabilities, which serve as the foundation of our business, we will plan and implement strategies for both domestic and overseas operations aimed at achieving total optimization.

SWOT Analysis

Strengths	<ul style="list-style-type: none"> Proprietary technologies for non-standard machinery accumulated over many years, as well as those that rival global competitors in industries with high barriers to entry Major manufacturing bases in Japan, China, and India, enabling the quick supply of products and components to customers in Asia Ability to expand technologies into the energy transition sector, based on know-how accumulated in existing fields
Weakness	<ul style="list-style-type: none"> Need to maximize the use of overseas engineering resources in response to the intensifying recruitment competition, primarily for design engineers
Opportunities	<ul style="list-style-type: none"> Growing demand for non-fossil energy sources, such as hydrogen and ammonia and for decarbonization applications such as carbon capture, utilization and storage (CCUS) Increasing demand in the electronics and semiconductor sectors due to growing demand for EVs and AI
Threats	<ul style="list-style-type: none"> Weakening of supply chains (declining birthrate and aging population in Japan and global geopolitical risks) Uncertainty in demand trends due to rising protectionism

Review of Fiscal 2024 and Prospects for Fiscal 2025

In fiscal 2024, the machinery business segment recorded its highest profit ever. Starting with the decision to conduct a demonstration test of the Open Rack Vaporizer (ORV) using liquid hydrogen, we have made progress in the development and creation of new businesses, including starting physical vapor deposition (PVD) coating service for fuel cell components, taking a stake in a solid-state battery startup, etc. In fiscal 2025, we will steadily advance our strategy for overseas operations aimed at further strengthening our core business. This includes enhancing the design and production capacity of Kobelco Industrial Machinery India (KIMI) and establishing a parts and maintenance base in the Middle East, along with our ongoing efforts to create new businesses. In addition, we will improve the efficiency of the machinery segment's PDCA cycle operation by the KPI management method to strengthen the process of aligning key goal indicators (KGIs), key performance indicators (KPIs), and critical success factors (CSF) for each functional division and each machinery product section within the matrix organization.

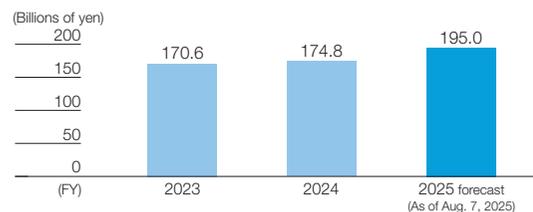
Machinery: Engineering Business



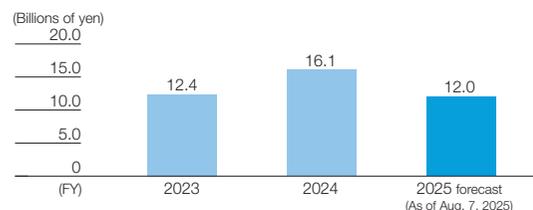
Masahiro Motoyuki

Executive Officer
Head of the Engineering Business

Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 113–114.

Our Vision

The engineering segment is particularly focusing on CO₂ reduction, as well as the environmental and energy sectors.

We aim to be a business entity that can stably achieve net sales of around 250 billion yen by fiscal 2030 in areas that contribute to carbon neutrality and maximize our unique value, such as the MIDREX[®] process, which accounts for approximately 80% of the world's natural gas-based DRI production, Kobelco Eco-Solutions' water/waste treatment businesses and treatment that crosses these two sectors. We will also strive to achieve the transformation into an appealing company and become a business entity that drives innovation into the future by advancing KOBELCO-X, focusing on GX in collaboration with other segments.

Review of Fiscal 2024 and Prospects for Fiscal 2025

Ordinary profit for fiscal 2024 was 16.1 billion yen, marking the highest figure since the establishment of the engineering segment, owing to the progress and expansion of the DRI, water treatment, and waste treatment-related businesses.

In fiscal 2025, despite an expected slowdown in the carbon neutrality trend, we aim to achieve our earnings targets by steadily receiving orders for MIDREX[®] projects and by steadily advancing the water treatment business centered on the energy creation sector, as well as the waste treatment-related business, which is being buoyed by a number of infrastructure improvement projects, and other businesses. As part of our efforts to lay the foundation for growth, we will steadily advance initiatives for securing and retaining human resources and promoting DX and other measures.

SWOT Analysis

Strengths

- A number of technologies and solutions that contribute to carbon neutrality primarily in the CO₂ reduction, environmental and energy sectors
- The MIDREX[®] Process holds a dominant share of the global DRI market.
- Business domains that cover both water treatment and waste treatment, allowing for developing treatment that crosses the sewerage and waste sectors

Weakness

- Need to ensure continued thorough risk management when receiving orders and implementing projects
- Need to develop technologies and strengthen sales strategies that meet the needs of society, such as carbon neutrality and DX

Opportunities

- Stricter regulations and increasing government support programs aimed at CO₂ reduction and carbon neutrality, prompting companies and local governments to adopt new technologies and equipment, as well as to increase capital investment
- Increased need for maintenance and after-sales service, laborsaving solutions, and DX due to labor shortages and the aging of existing equipment
- Technological advancements and cost reductions, enabling mass production and supply of inexpensive hydrogen

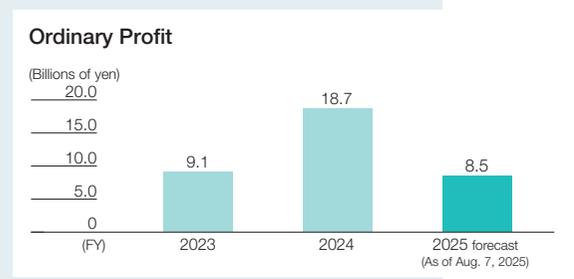
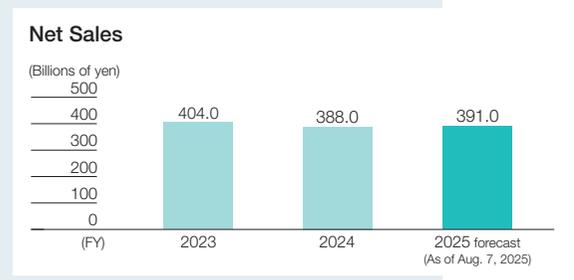
Threats

- Delays and postponement in investment decision due to a slowdown in carbon neutrality trends, accelerating inflation, the emergence of protectionism, and heightened geopolitical risks, etc.
- Price rivalries due to intensifying competition and increased cost burden for the development and verification of technologies
- Loss of opportunities for growth and orders due to labor shortages and delays in technical studies

Machinery: Construction Machinery Business



Akira Yamamoto
 President and CEO
 Kobelco Construction Machinery Co., Ltd.



For details, please see Results by Operating Segment on pages 113–114.

Our Vision

Last year, we formulated a new philosophy for the Kobelco Construction Machinery Group, reestablishing our long-valued concept—a user hands-on approach—as the foundation of our identity. This allows us to put ourselves in the shoes of our customers and consider their needs, which serves as a reminder of our original purpose: providing solutions to the needs of society through high-quality technologies, products, and services. By expanding our DX solutions along with our parts and maintenance business, we aim to enhance safety, comfort, and efficiency at worksites, providing essential value to both our customers and society.

Review of Fiscal 2024 and Prospects for Fiscal 2025

Between fiscal 2021 and 2024, sales were limited due to engine certification issues. We launched models with alternative engines and resumed sales; however, it will take time to regain our lost market share.

In fiscal 2025, we will complete the relaunch of models that were suspended from sale due to engine certification issues, thereby fully restoring our lineup.

We expect that the relaunched models, which are highly profitable, will contribute to improved earnings. In addition, we have set up dedicated teams for K-DIVE® and K-D2 PLANNER® to actively expand sales in our target area of customer experience-oriented business.

We are also working to enhance our earning power by creating a new system that will enable us to quickly reflect customer information and situations in our business plans as part of our DX efforts, in addition to measures to reduce fixed costs.

SWOT Analysis

Strengths	<ul style="list-style-type: none"> A diverse lineup of construction machinery and sales and service support capabilities that meet market needs Industry-leading next-generation technology development capabilities, including the remote operation system for construction machinery K-DIVE®, the crane construction planning software K-D2 PLANNER®, and hydrogen-driven fuel cell electric excavators
Weakness	<ul style="list-style-type: none"> Delays in upgrading existing models and switching to new models due to the focus on engine certification issues Complexity and inflexibility in rebuilding existing IT systems
Opportunities	<ul style="list-style-type: none"> Promotion of i-Construction 2.0 by the Ministry of Land, Infrastructure, Transport and Tourism Acceleration of work style transformation in construction sites Rising momentum toward CO₂ reduction in construction sites
Threats	<ul style="list-style-type: none"> Slow progress of DX efforts in the construction industry and infrastructure sector Delays in the spread of carbon-neutral construction machinery due to a lack of environmental and legal regulations and soaring materials and labor costs

Electric Power Business



Kunihiko Yoshitake
Executive Officer
Head of the Electric Power Business

Our Vision

While maintaining the stable operation of our power plants, we will strive for greater operational efficiency and lower CO₂ emissions to achieve carbon neutrality by 2050.

The Kobe Power Plant seeks to be a sustainable power provider with a lower environmental impact by effectively utilizing regional resources, including the co-firing of sewage sludge, as well as the procurement and co-firing of clean ammonia.

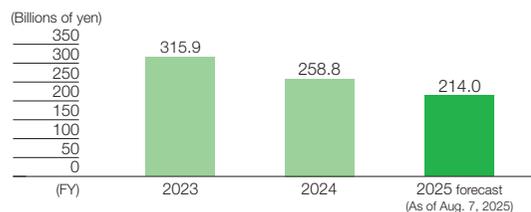
The Moka Power Plant is looking for ways to make the most of carbon-neutral city gas while ensuring the stable operation of its high-efficiency gas turbine combined cycle (GTCC) power generation system with low-CO₂ emissions, contributing to the realization of a sustainable society.

Review of Fiscal 2024 and Prospects for Fiscal 2025

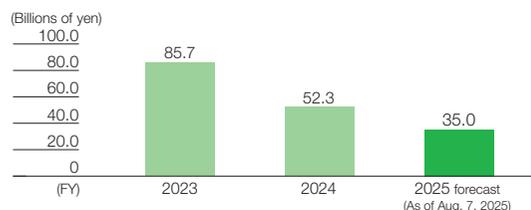
In fiscal 2024, ordinary profit declined due to increased inspection days at the Kobe Power Plant and declined sales resulting from fluctuations in thermal coal prices, as well as reduced gains from time lags in fuel cost adjustments and reduced temporary gains from changes in electricity selling prices. Against this backdrop, while maintaining the stable operation of power plants, we developed a master plan aimed at achieving 20% ammonia co-firing at the Kobe Power Plant No. 1 and No. 2 units by fiscal 2030. As a result, we secured a contract bid at the Long-Term Decarbonization Power Resource Auction.

In fiscal 2025, we will proceed with a detailed study of ammonia co-firing facilities at the Kobe Power Plant as we continue with our efforts to ensure the stable operation of both the Kobe and Moka power plants. In addition, we will work to obtain certification under the support system that covers the price difference between clean ammonia and conventional fuels.

Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 113-114.

SWOT Analysis

Strengths	<p>Kobe Power Plant</p> <ul style="list-style-type: none"> In-house power generation technology developed through steelworks operations, access to port facilities and other infrastructure, and over 20 years of stable operation of large-scale power plants Supply capacity exceeding the maximum power demand in Kobe City, which contributes to the improvement of the electric power self-sufficiency rate in the Hanshin area, and multiplexed power supply networks that lead to the creation of cities that are resilient to disasters <p>Moka Power Plant</p> <ul style="list-style-type: none"> Inland thermal power plant with low risk of damage from natural disasters such as earthquakes and tsunamis, serving as backup to coastal power plants in the Tokyo metropolitan area
Weakness	<ul style="list-style-type: none"> Need to ensure an appropriate maintenance system for the stable operation of power plants
Opportunities	<ul style="list-style-type: none"> Increasing demand for electricity driven by the rapid electrification of society and the growing number of data centers Improvement of overall regional energy efficiency by utilizing local biomass and supplying heat for local communities, taking advantage of urban locations
Threats	<ul style="list-style-type: none"> Anti-coal-fired-power-plant trend and investor divestment movement

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Kobelco Group's Business Domains by Operating Segment

The Kobelco Group operates businesses across seven business segments, with its primary customer fields categorized into three areas: Mobility, Life, and Energy & Infrastructure.

For each customer field, the Group's multiple segments provide technologies, products, and services in a variety of forms. We will provide our Group's unique value through the integration of the technologies, products, and services of each segment, taking a multifaceted approach to customers.

For details on specific business models and value provided, please see page 25.

		Steel & Aluminum	Advanced Materials	Welding	Machinery	Engineering	Construction Machinery	Electric Power
Mobility	Automobiles	●	●	●	●		●	
	Aircraft		●		●			
	Shipbuilding	●	●	●	●			
Life	Food containers	●						
	IT and semiconductors	●	●		●			
Energy & Infrastructure	Construction and civil engineering	●	●	●			●	
	Urban transit					●		
	Industrial machinery			●	●			
	Energy, petroleum refining, and petrochemical	●		●	●	●		
	Renewable energy	●		●	●	●		
	Direct reduced iron (DRI)	●				●		
	Water treatment and waste treatment					●	●	
Electric power					●		●	

Kobelco Group's Value Creation

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Intersegmental Collaborations

With its wide range of technologies and products, the Kobelco Group contributes to various industrial sectors by harnessing the comprehensive strengths of its diverse businesses. This collaboration enables us to deliver new, even greater added value to the “Kobelco Group’s customers,” extending beyond the traditional concept of customers associated with individual business segments.

For value creation in the automotive and semiconductor sectors, please see pages 27–28.

Providing New Value to the Shipbuilding Industry through Co-Creation between the Steel Plate and Welding Businesses

Our steel products and welding materials have been selected for the 9% Ni steel products used in the LNG fuel tanks of car carriers built by the Shin Kurashima Dockyard Group’s Shin Kurashima Toyohashi Shipbuilding Co., Ltd. This marks the first adoption of our steel plate products combined with our welding materials in the marine field.

Tanks are manufactured under harsh conditions and demand advanced welding skills. Kobe Steel’s KI-700 small portable welding robot equipped with a welding process for 9% Ni steel, along with its Ni-based alloy flux-cored wire PREMIARC™ DW-N609SV for 9% Ni steel, had been used in the longitudinal joints of tank bodies, manufactured by Shin Kurashima Sanoyas Shipbuilding Co., Ltd. under the same group. The tank manufacturing company’s newly adoption of our steel products enabled this co-creation across the business segments.



Groupwide Collaboration to Promote Hydrogen-related Businesses

Kobe Steel and Kobelco Construction Machinery Co., Ltd. are conducting research and development of hydrogen-related technologies and promoting the commercialization of hydrogen-utilizing products. Kobelco Construction Machinery has been working since 2021 to commercialize a hydrogen-powered fuel cell electric excavator. In March 2023, the company completed a prototype and has since been conducting basic evaluations at its Hiroshima Factory. Meanwhile, Kobe Steel has been advancing research and development of hydrogen-related technologies, including demonstration tests of a hybrid-type hydrogen gas supply system, while also working on the business development and commercialization of its technologies in the hydrogen sector.

The two companies have started operations of a worksite with a hydrogen fueling station to evaluate the excavation performance of excavators powered by hydrogen fuel cells at Takasago Works, simulating actual on-site conditions. We will enhance our collaboration across the Group, expanding beyond the creation of a development environment for hydrogen-driven fuel cell excavators, to address challenges associated with hydrogen supply and its utilization.



Collaboration on CO₂ Reduction in the Ironmaking Process

While one of our Group’s key priorities as a steelmaker is to reduce CO₂ emissions from our own ironmaking process, the engineering business’s MIDREX® process—a direct reduction ironmaking process with low CO₂ emissions, developed and operated by Midrex Technologies Inc.—is highly praised by steelworks around the world.

Our Group is working to reduce CO₂ emissions from its own ironmaking process by integrating the MIDREX® technologies from the engineering business and the blast furnace operation technology from the steel business to enhance our technological capabilities.

As a result, in October 2023, we successfully demonstrated a technology that can reduce CO₂ emissions by 25% in a large blast furnace (4,844 m³) at Kakogawa Works.

