



02

Management
Strategy for
Value Creation

Assessment of Changes in the Business Environment

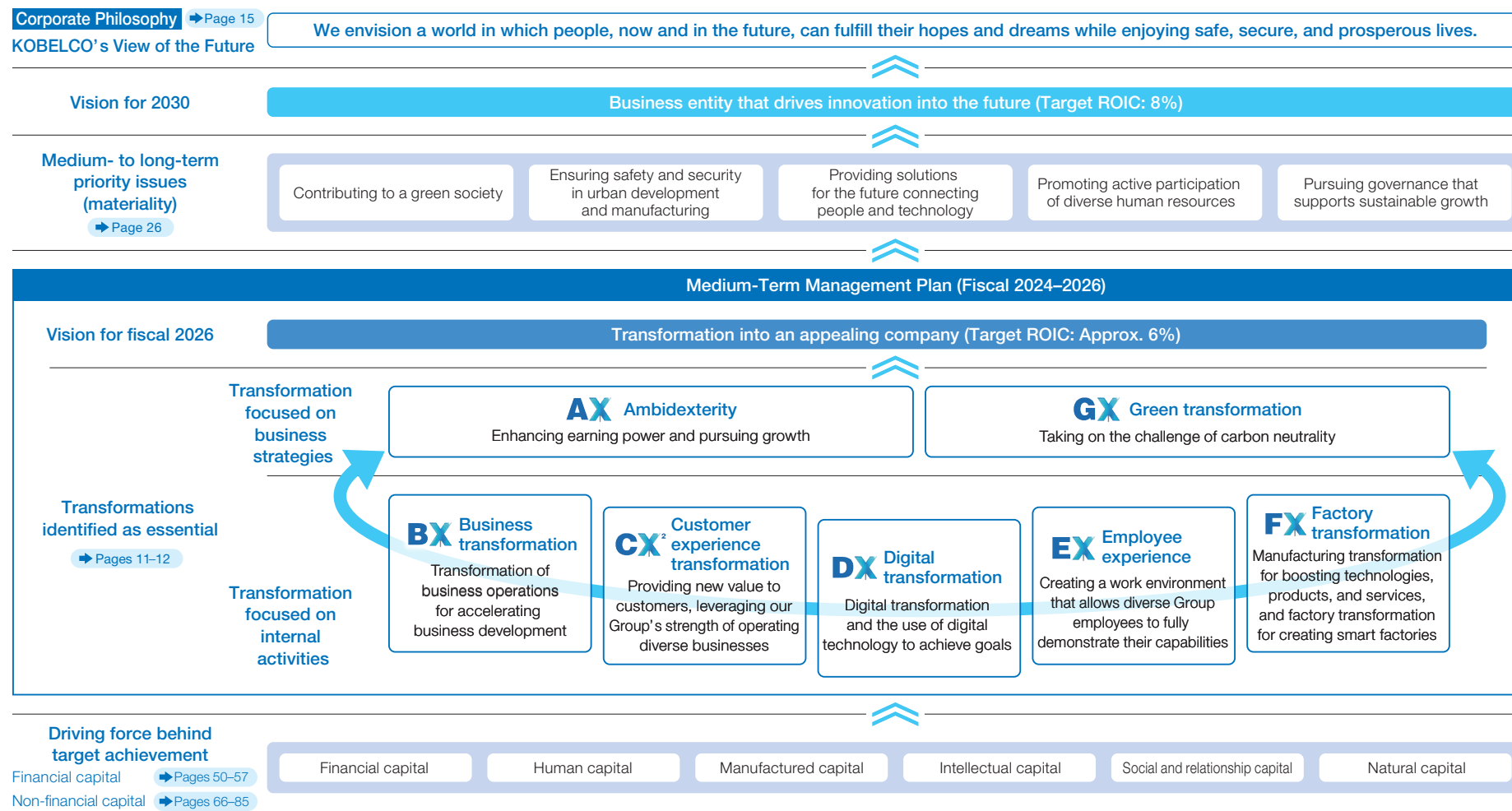
While medium- to long-term megatrends remain largely unchanged since the formulation of our Medium-Term Management Plan, short-term demand for materials, particularly steel, continues to be low and is further declining.

Geopolitical risks are developing rapidly, with significant changes in the global environment, such as the worsening situation in the Middle East since early 2026. At present, we anticipate only limited impact on Groupwide performance; however, uncertainty is increasing, especially in logistics, energy, and raw materials. If the situation becomes protracted, its effect will need to be closely monitored.

Changes in the Business Environment	Threats	Opportunities	Necessary Actions
Domestic/worldwide demographic changes and increasing urbanization	<ul style="list-style-type: none"> Decline in domestic demand due to the declining population in Japan 	<ul style="list-style-type: none"> Increasing demand due to population growth in emerging countries (infrastructure development driven by urbanization, and growing demand for automobiles and other consumer goods) 	■ Responding to changes in demand in each region Opportunities <ul style="list-style-type: none"> Promoting business operations that capture regional growth driven by demand for energy, infrastructure, consumer goods, etc. Seizing business opportunities through automation and digitalization in response to labor shortages.
	<ul style="list-style-type: none"> Difficulty maintaining continuous and stable operations due to labor shortages 		■ Strengthening human capital management Threats <p>Optimizing internal systems and work environments to stably secure human resources and promoting technological innovations such as automation and labor-saving systems to address labor shortages.</p>
	<ul style="list-style-type: none"> Prolonged slump in the materials businesses 		
Growing demand for a sustainable society	<ul style="list-style-type: none"> Increased costs and unstable supply due to the transition to a circular economy <ul style="list-style-type: none"> ➡ Accelerating inflation increases risks 	<ul style="list-style-type: none"> Emergence of growth opportunities driven by new industries, products and customer needs 	■ Strengthening response to carbon neutrality <ul style="list-style-type: none"> CO₂ reduction in our own production processes Threats <p>Executing CO₂ reduction plan for our own steelmaking process and the electric power business, taking into account supply-side trends, such as power facilities, hydrogen and ammonia, etc.</p> Contribution to reduction of CO₂ emissions through technologies, products, and services Opportunities <p>Strengthening existing businesses and creating new ones by leveraging business opportunities through technologies, products, and services that contribute to a circular economy and CO₂ reduction.</p>
	<ul style="list-style-type: none"> Increasing low-CO₂ demands and reputational risks 		
National security and geopolitical risks	<ul style="list-style-type: none"> Greater volatility in energy prices due to geopolitical risks 	<ul style="list-style-type: none"> Emergence of new demand opportunities due to changes in supply chains and energy demand 	■ Providing technologies, products, and services that respond to changes in energy demand Opportunities <p>Expanding orders for technologies, products, and services for the energy industry by targeting industrial sectors and applications where demand is increasing due to the energy transition.</p>
	<ul style="list-style-type: none"> Supply chain disruptions and growing need for local production and consumption 		■ Strengthening supply chain management Threats <p>Strengthening risk management and coordination of our supply chains, taking into account national security and geopolitical risks.</p>
	<ul style="list-style-type: none"> Response to protectionism 		
Technological advancements	<ul style="list-style-type: none"> Existing technologies becoming obsolete and losing their competitive edge due to the emergence of new technologies and intensifying competition in technological development 	<ul style="list-style-type: none"> Business opportunities spurred by decarbonization and the advancement of digital technologies 	■ Securing competitive advantages through DX Threats Opportunities <p>Gaining momentum of rapid technological advancements and utilizing innovative technologies in both offensive and defensive business strategies.</p> <ul style="list-style-type: none"> Application for new technologies and products Application for decarbonization Application for strengthening human capital management
		<ul style="list-style-type: none"> Competitive advantages gained through DX, achieving greater efficiency and labor savings 	

Transformation for the Future We Envision

Under the previous Medium-Term Management Plan, we established a business structure with three pillars, positioning ourselves as an integrated manufacturing company. Building on this foundation, we are advancing our transformation into an appealing company, working toward our fiscal 2030 vision of becoming a business entity that drives innovation into the future.



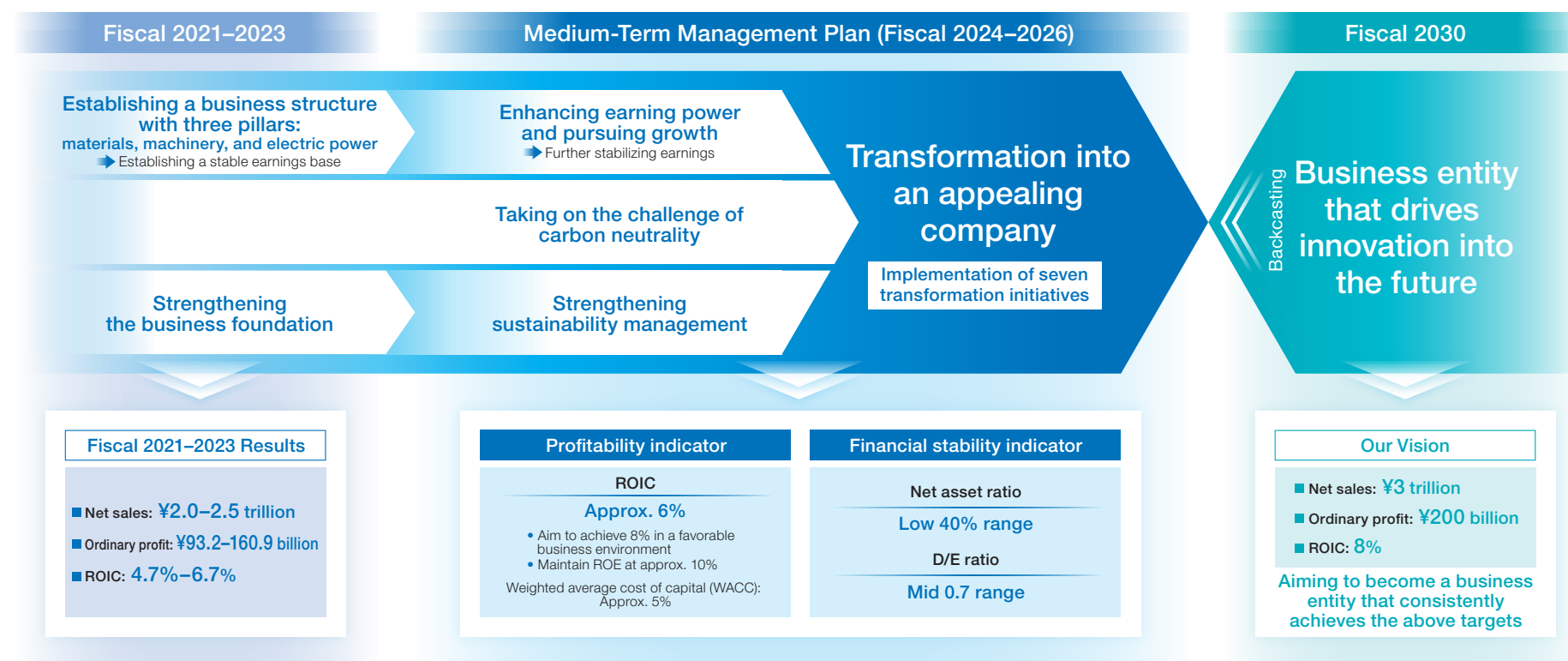
Medium-Term Management Plan (Fiscal 2024–2026)

—Transforming into an Appealing Company

The three-year period of the Medium-Term Management Plan (Fiscal 2024–2026) is positioned as a period in which we sow the seeds for growth, and reap the results of growth measures that we began under the previous Medium-Term Management Plan, while strengthening our foundation. Based on the review results of the previous Medium-Term Management Plan and our recognition of the medium- to long-term trends in the business environment, the current Medium-Term Management Plan (Fiscal 2024–2026) has set priority issues: (1) Enhancing earning power and

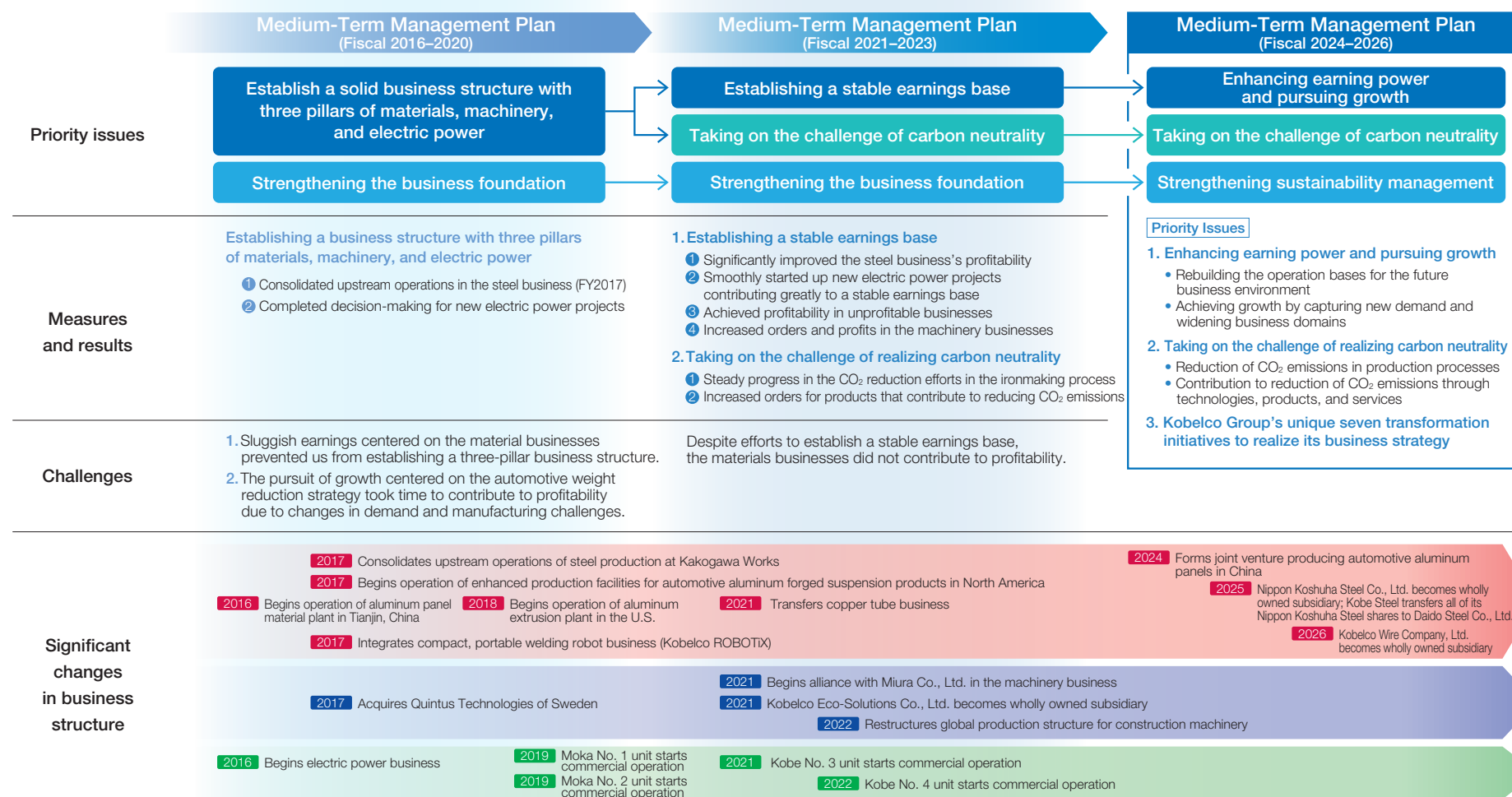
pursuing growth, (2) Taking on the challenge of realizing carbon neutrality, and (3) Strengthening sustainability management.

In the current Medium-Term Management Plan, we aim to transform into an appealing company by implementing these three priority issues, while also aiming to become a business entity that drives innovation into the future, achieving net sales of 3 trillion yen, an ordinary profit of 200 billion yen, and an ROIC of 8% on a consistent basis, as we head toward fiscal 2030.



Review of the Medium-Term Management Plans over the Last Decade

During the period of the previous Medium-Term Management Plan (Fiscal 2021–2023), we began to implement the decisions that were made under the Medium-Term Management Plan (Fiscal 2016–2020) and established a business structure with three pillars of materials, machinery, and electric power. Under the current Medium-Term Management Plan (Fiscal 2024–2026), we are working to pursue growth while enhancing our earning power, building on this three-pillar business structure.



Note: The years in the above chart represent the fiscal year.

Actions Toward Becoming an Appealing Company

Kobelco Group's Technologies, Products, and Services Addressing Medium- to Long-Term Priority Issues (Materiality)

The Kobelco Group, through its business divisions, delivers a variety of technologies, products, and services to address medium- to long-term priority issues (materiality). These also represent actions taken to achieve the two priority issues identified in the Medium-Term Management Plan: (1) enhancing earning power and pursuing growth (AX) and (2) taking on the challenge of realizing carbon neutrality (GX). By further expanding and advancing these technologies, products, and services, we are working to achieve the targets under the Medium-Term Management Plan.

-  Contributing to a green society
-  Ensuring safety and security in urban development and manufacturing
-  Providing solutions for the future connecting people and technology

Kobelco Group's Technologies, Products, and Services Contributing to Solutions for Materiality

Materials businesses	CO₂ reduction in the ironmaking process   GX	Low-CO₂ materials  GX AX 	Eco-friendly products  GX AX 	Welding solutions  GX AX 
	Low-CO₂ ironmaking process  GX AX 	Machinery products for energy transition  GX AX 	Waste treatment and water treatment processes  GX AX 	ICT construction machinery  AX 
	CO₂ reduction in the electric power business  GX 	Supplying energy focused on S+3E  AX 	Cross-sectoral collaboration	Semiconductor industry  AX 

AX Ambidexterity: Enhancing Earning Power and Pursuing Growth

One of the two priority issues under the current Medium-Term Management Plan (Fiscal 2024–2026) is to enhance earning power while pursuing growth. In terms of KOBELCO-X, this corresponds to AX (Ambidexterity), which focuses on both enhancing existing businesses and exploring new business opportunities.

The Kobelco Group has distinct business models for each of its three business areas: materials, machinery, and electric power. We are implementing transformation initiatives to attain our target ROIC and business portfolio set for each sector.



	Materials businesses	Machinery businesses
Policies	Enhance earning power and improve profitability globally.	Pursuing growth by seizing business opportunities in the changing business environment
Enhancing earning power	<ol style="list-style-type: none"> Rebuilding the operation base for the future business environment <ul style="list-style-type: none"> Restructuring the aluminum rolled products and aluminum advanced materials businesses Maintaining global competitiveness (steel and welding) Enhancing ROIC management <ul style="list-style-type: none"> Enhancing ROIC management and KPI management to build the foundation for further profitability improvement 	<ol style="list-style-type: none"> Optimizing global production and sales structures <ul style="list-style-type: none"> Strengthening production, sales, and service structures for target areas where we take an offensive strategy while studying optimal structures for areas where we take a defensive strategy Enhancing ROIC management <ul style="list-style-type: none"> Enhancing ROIC management and KPI management to build the foundation for further profitability improvement
Pursuing growth	<ol style="list-style-type: none"> Expanding sales of environmental and other products that meet the needs of society <ul style="list-style-type: none"> Expanding sales of Kobenable™ Steel and Kobenable™ Aluminum Efforts to create new businesses <ul style="list-style-type: none"> Creating new business opportunities and making the most of our technological assets with a view to the next Medium-Term Management Plan (starting in fiscal 2027) 	<ol style="list-style-type: none"> Achieving growth by capturing new demand and widening business domains <ul style="list-style-type: none"> Acquiring new business opportunities, such as energy transition Developing customer experience-oriented business and solution business Efforts to create new businesses <ul style="list-style-type: none"> Creating new business opportunities and making the most of our technological assets with a view to the next Medium-Term Management Plan (starting in fiscal 2027)

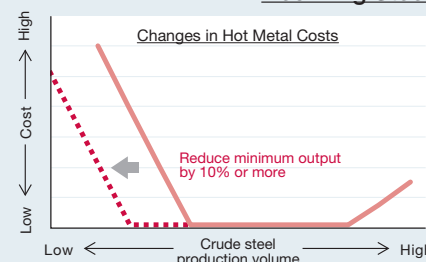
AX Ambidexterity: Enhancing Earning Power and Pursuing Growth

Materials businesses Progress Until Fiscal 2025

- Enhancing earning power:** Amid growing uncertainty from geopolitical risks and a persistently low-demand environment, which is worsening in the short term, we remain committed to advancing the initiatives laid out in the Medium-Term Management Plan (Fiscal 2024–2026). We are also progressing with restructuring of our aluminum-related business. Kobelco Aluminum Automotive Products, LLC (KAAP), which manufactures aluminum forged suspension products, achieved profitability in the second half of fiscal 2024, followed by full-year profitability in fiscal 2025. In our aluminum extrusion business, Kobe Steel has signed a basic agreement with Nippon Light Metal Holdings Co., Ltd. to integrate both companies' domestic aluminum extrusion businesses, targeting completion in April 2027 or later, and to begin examining the specific conditions for this integration.
- Pursuing growth:** We are working to expand sales of environmental and other products that meet the needs of society. Following Kobenable™ Steel, we launched the Kobenable™ Aluminum brand, a line of low-CO₂ aluminum products. In the welding business, we are promoting value creation by expanding our solution offerings.



Advancing Production Technology to Prepare for Gradually Declining Steel Demand



To bolster our ability to respond to gradually declining steel demand, and in anticipation of a decrease in blast furnace utilization rates to reduce CO₂ emissions, we are advancing the development of technologies for operating blast furnaces with reduced pig iron output.

By lowering the break-even point, we aim to maintain cost-competitive blast furnace operations even during reduced pig iron output.

Expanding Solutions in the Welding Business

To meet increasingly sophisticated welding automation needs, we are developing technologies that leverage our comprehensive strengths in robot systems, power sources and equipment, welding materials, and process technologies, while also pursuing new solution proposals.

In November 2024, we launched AXELARC™ process-equipped welding robot systems and dedicated welding wires for welding medium and heavy steel plates used in construction machinery and other applications.

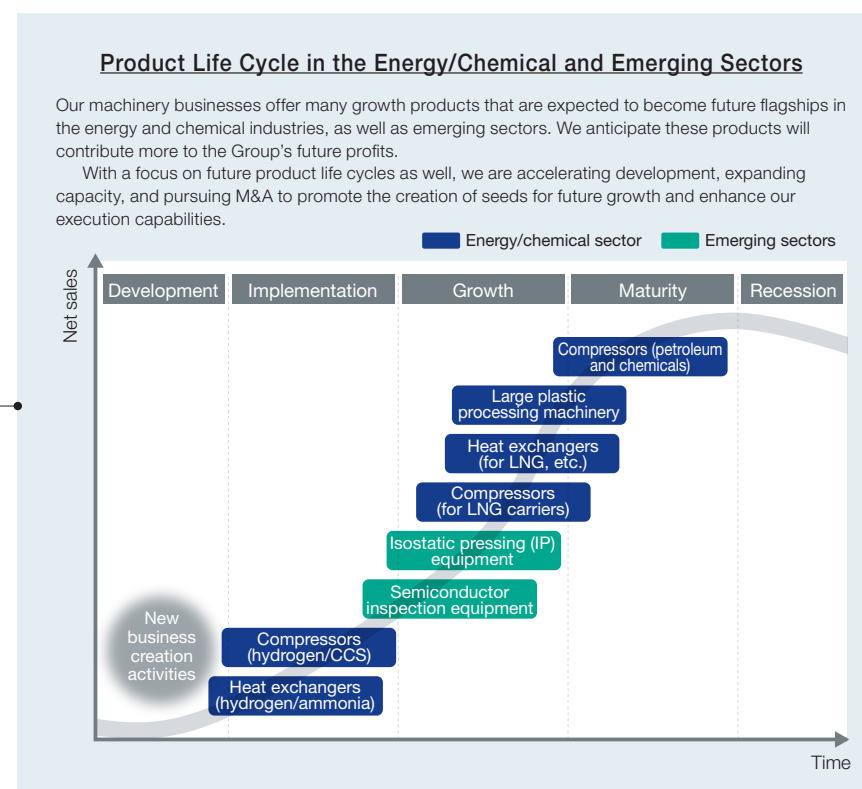
In May 2025, we reached an agreement with Panasonic Connect Co., Ltd. to collaborate on the sales and development of new arc welding methods and welding materials, aiming to expand into the steel sheet market.



AX Ambidexterity: Enhancing Earning Power and Pursuing Growth

Machinery businesses Progress Until Fiscal 2025

- Enhancing earning power:** In the machinery businesses, we are working to optimize our global production and sales structures. With the increased capacity of Kobelco Industrial Machinery India Pvt. Ltd. (KIMI), we will further leverage the network of overseas bases and Group companies, while strengthening the parts and maintenance business through the expansion of the Houston service plant of Kobelco Compressors America, Inc. (KCA), the North American base for Kobe Steel's non-standard compressors business.
- Pursuing growth:** Demand remains strong in both the machinery and engineering businesses, particularly in the energy and chemical sectors. While we are seeing a short-term slowdown in carbon neutrality initiatives, with delayed customer investment decision, we will continue to steadily capture demand, assuming that the long-term outlook remains unchanged.



GX Green Transformation: Taking on the Challenge of Realizing Carbon Neutrality

Taking on the challenge of realizing carbon neutrality—another priority issue—is positioned as green transformation (GX) under KOBELCO-X. The Kobelco Group is working to achieve its targets for the reduction of CO₂ emissions in its own production processes, as well as for the contribution to reduction of CO₂ emissions through its technologies, products, and services.

2030 Target		2050 Vision
Reduction of CO₂ emissions in production processes	30% (compared to fiscal 2013) ¹	Taking on the challenge of realizing carbon neutrality
Contribution to reduction of CO₂ emissions through technologies, products, and services²	78.0 million tons (Net sales: 550 billion yen)	100 million tons or more

¹ Most of the reduction targets are associated with iron and steelmaking processes.

The target has been revised from the previously announced target (from September 2020), reflecting the shift from a business-as-usual (BAU) basis to a total volume basis, as well as the expanded application of our proprietary solutions.

² Our Group contributes to the reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services.

CO₂ Reduction in the Ironmaking Process: Current Situation and Challenges

Reducing CO₂ emissions in the ironmaking process requires not only the development of new technologies to address existing challenges, but also the procurement of raw materials and energy, along with large-scale capital investment. Major capital investment is also needed on the supply side to deliver carbon neutral raw materials and energy, making predictability of such investments essential across the entire supply chain.

Meanwhile, on the demand side, various industries are increasingly adopting low-CO₂ steel (GX Steel³), with demand expected to grow. Achieving carbon neutrality requires broad recognition of GX Steel's environmental value throughout society and close collaboration among government, customers, and steel companies to further expand the market.

Our Group is advancing initiatives that combine multitrack approaches⁵, including the utilization of scrap and biomass and increased hot briquetted iron (HBI)⁴ input in blast furnaces, to achieve our 2030 targets.

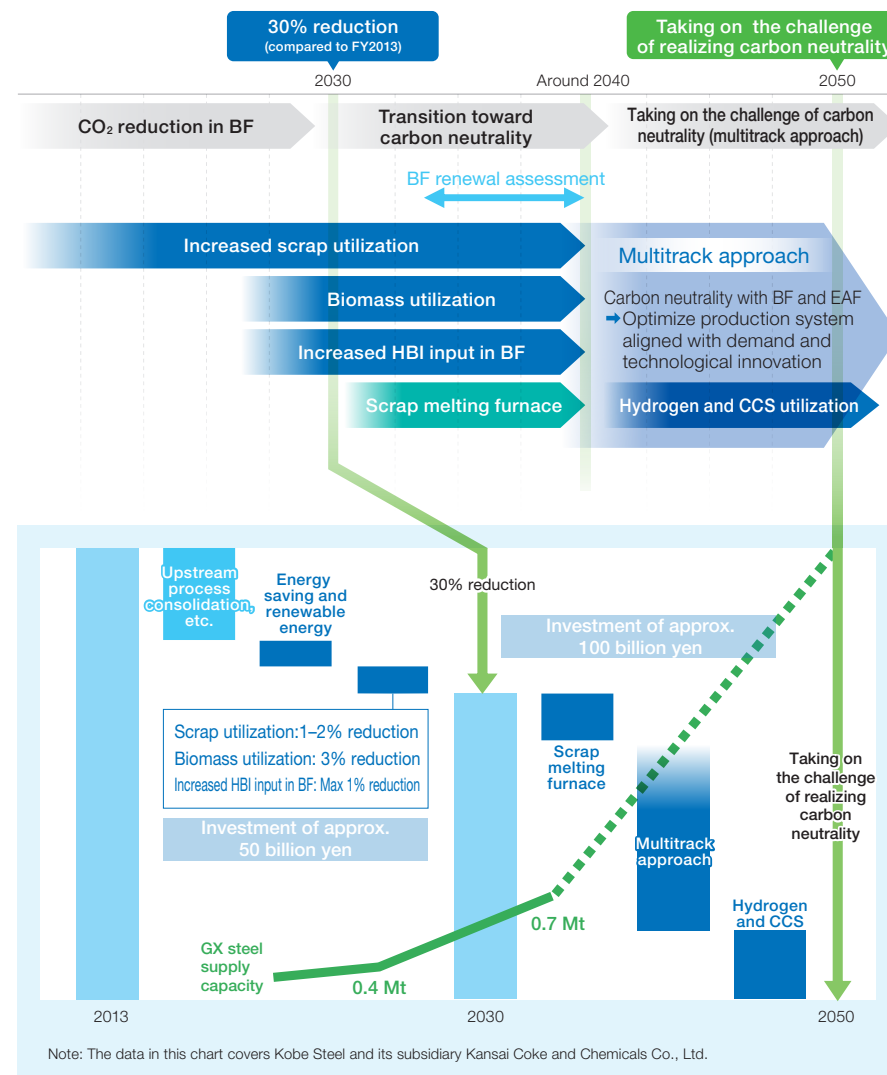
Looking ahead to 2030 and beyond, we are working to introduce a scrap melting furnace as a transitional measure to promote carbon neutrality while continuing to utilize existing blast furnaces. This initiative will enhance our supply capacity of GX Steel and contribute to the expansion of the GX Steel market.

³ GX Steel is an abbreviation for "Green Steel for Green Transformation," as defined in the Consolidated Summary by the Ministry of Economy, Trade and Industry's Study Group on Green Steel for Green Transformation (GX).

⁴ HBI is DRI in a briquetted form. Since hot DRI is not suitable for long-distance transportation, it is pressed into a compact solid (briquette) upon being discharged from the reduction furnace.

⁵ Our technology for significantly reducing CO₂ emissions from blast furnaces, as part of our efforts toward carbon neutrality, received the Contribution Prize at the 58th Ichimura Global Environmental Industrial Awards, organized by the Ichimura Foundation for New Technology. This technology achieves approximately three times the CO₂ reduction compared to conventional methods used by other companies by charging approximately twice the amount of HBI. It has also succeeded in reducing CO₂ emissions by approximately 25% in a large blast furnace (4,844 m³), marking the world's highest level of reduction.

Roadmap for Reducing CO₂ Emissions in the Ironmaking Process

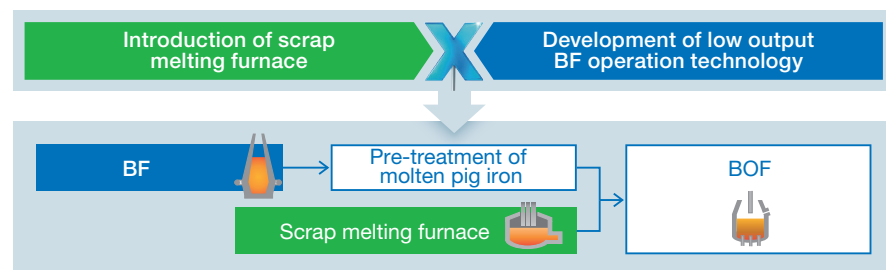


GX Green Transformation: Taking on the Challenge of Realizing Carbon Neutrality

■ Aim of Introducing Scrap Melting Furnace

In the transition phase, expanding the use of scrap will be a major key. If we utilize molten steel produced from scrap by mixing it with molten pig iron from the blast furnace (BF) in the basic oxygen furnace (BOF), it will be possible to significantly increase the scrap ratio while making use of existing facilities. This method enables the production of steel with quality equivalent to conventional BF steel, making it a transitional technology that overcomes the main challenge of the electric arc furnace (EAF): the difficulty in producing high-grade steel.

To address lower pig iron output from the BF due to a higher scrap ratio, we will develop low output operation technology that enables cost-effective reduction of pig iron output (see page 41).



■ Taking on the Challenge of Realizing Carbon Neutrality by 2050

Looking ahead to carbon neutrality in 2050, we will continue to pursue a multitrack approach that combines CO₂ reduction in BF with the introduction of EAFs. Technological development for the production of high-grade steel using large-scale innovative EAFs is underway, supported by government programs such as the Green Innovation Fund.*

In addition, while monitoring future developments and progress toward commercialization, we will continue to explore hydrogen and carbon capture and storage (CCS) applications, both of which have the potential to contribute to carbon neutrality in the electric power business and other divisions, as well as to create new business opportunities. We have begun the exploration of CCS projects from a medium- to long-term perspective toward 2030 and beyond, and we are collaborating with domestic and international energy companies on joint research and feasibility studies.

(1) Kobe Steel Participates in BHP-Led "CCUS Hub Study"
https://www.kobelco.co.jp/english/notices/2026/1218856_18744.html

(2) Pre-Feasibility Study on Large-Scale CCS Value Chain Targeting Steel Production and Thermal Power Generation in the Kansai Region
https://www.kobelco.co.jp/english/releases/2026/1218870_18740.html

* This project was supported by the New Energy and Industrial Technology Development Organization (NEDO) under the Green Innovation Fund Project "Hydrogen Utilization in Iron and Steelmaking Processes" (JPNP21019; Green Innovation in Steelmaking [GREINS]).

■ Initiatives to Reduce CO₂ Emissions from Aluminum Materials

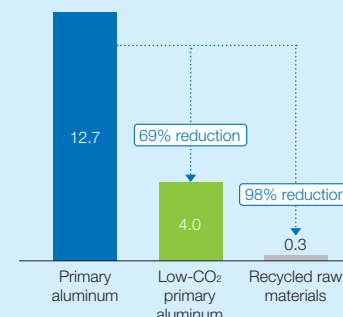
For aluminum products, most CO₂ emissions occur during the raw materials production stage (Scope 3, Category 1), making it important to select low-CO₂ raw materials.

Low-CO₂ raw materials include:

- (1) low-CO₂ primary aluminum produced using electricity generated from renewable energy sources, and
- (2) recycled materials such as scrap.

We are actively working to expand the use of these low-CO₂ raw materials.

CO₂ Emissions per 1 kg of Primary Aluminum Produced (ton-CO₂/Al-ton)



Source: Prepared by Kobe Steel based on documents of the Japan Aluminium Association

Measures to Reduce CO₂ Emissions from Aluminum Materials

- 1 Expand procurement of low-CO₂ primary aluminum
- 2 Recycle in-house scrap
- 3 Expand collection and recycling of scrap generated during customers' manufacturing processes
- 4 Collect and recycle post-consumer scrap (strengthening collaboration with suppliers)

In November 2024, we launched the Kobenable™ Aluminum brand for low-CO₂ aluminum products.

We supply both steel and aluminum products—the two key materials that form the foundation of industry—along with Kobenable™ Steel, a low-CO₂ blast furnace steel product. This is one of our major strengths. We will continue to contribute to the growing demand for low-CO₂ materials.



Note: For information on other products that contribute to CO₂ reduction, please see page 49.

GX Green Transformation: Taking on the Challenge of Realizing Carbon Neutrality

■ Reducing CO₂ Emissions in the Electric Power Business (Roadmap and Progress to Date)

The Kobe Power Plant is working on: (1) improving overall regional energy efficiency by utilizing steam from the power plant, (2) co-firing biomass fuels (sewage sludge and food waste); and (3) exploring ammonia co-firing and potentially shifting to single-firing. Meanwhile, the Moka Power Plant is considering the use of carbon-neutral city gas and other options, while ensuring the stable operation of highly efficient gas turbine combined cycle (GTCC) power generation facilities with low-CO₂ emissions.

With successful bidding at the Long-Term Decarbonization Power Resource Auction, we plan to implement 20% ammonia co-firing at the Kobe No. 1 and No. 2 units in fiscal 2030 by procuring ammonia with government support. Although there is currently no market for fuel ammonia, demand is projected to grow rapidly toward 2050. In anticipation of this, we will accelerate studies on higher-ratio ammonia co-firing and single-firing, assuming the expansion of the fuel ammonia market driven by the establishment of large-scale, high-efficiency ammonia production technologies, along with the establishment of higher-ratio ammonia co-firing and single-firing technologies and the development of large-scale transportation infrastructure.

■ Initiatives for Hydrogen Utilization

Our Group is involved in various stages of the hydrogen value chain—production, transportation, storage, and utilization—and we believe we can play a significant role in the future utilization of hydrogen.

We have named an area with demonstration facilities at Takasago Works “TAKASAGO GX Try Field” and have begun operations as a venue for demonstrations of hydrogen and biomass facilities and CO₂ capture and utilization, as well as for co-creation with our customers.



Production and Storage

Demonstration of a hybrid hydrogen gas supply system started in 2023.



Utilization

Demonstration of fuel cell electric excavators started in 2025.



Japan's first hydrogen refueling, driving, and excavation demonstration

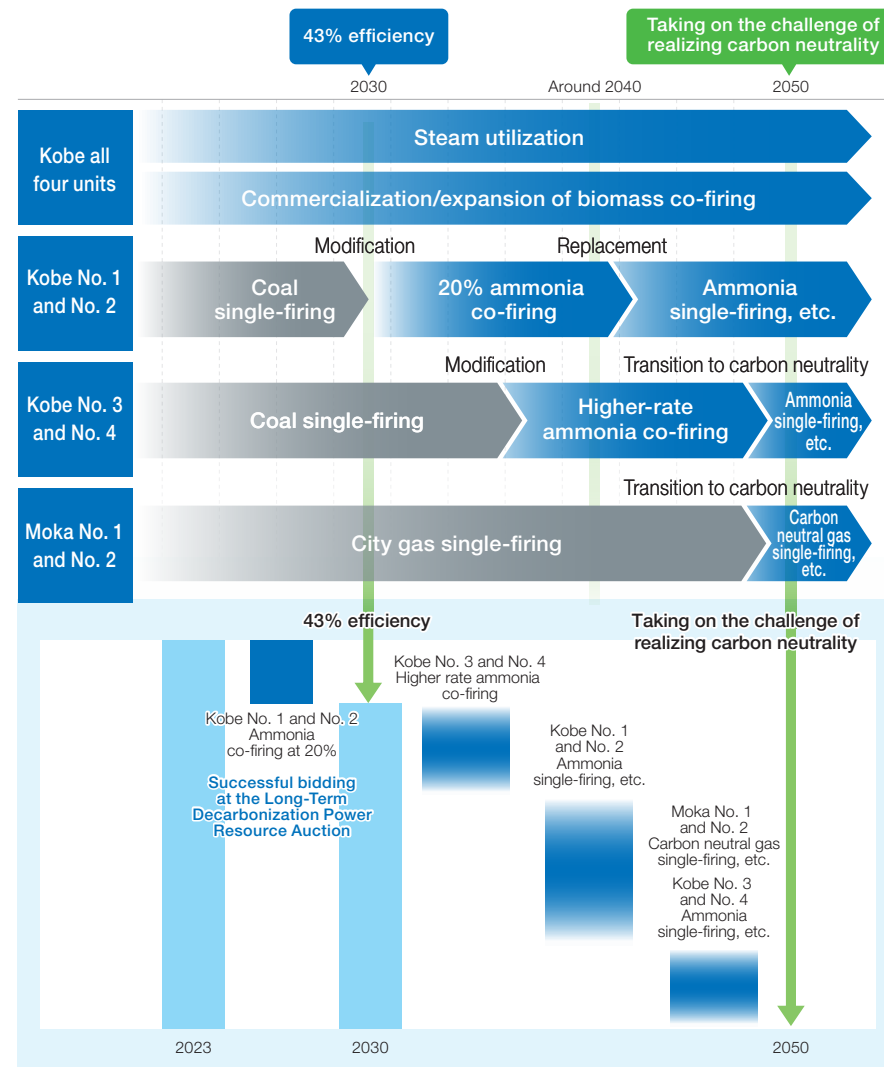
Utilization

Hydrogen co-firing in boilers started in 2024. Hydrogen co-firing and single-firing in direct heating furnaces started in 2025.



Introduction of hydrogen-fueled metal heating demonstration furnace with Japan's largest combustion capacity

■ Roadmap for Reducing CO₂ Emissions in the Electric Power Business



Climate-Related Disclosures Based on TCFD Recommendations

For details, please see Response to Climate Change on pages 14–26 of ESG Data Book 2026.

Basic Concept

Taking on the challenge of realizing carbon neutrality toward 2050 is one of the key issues under the Medium-Term Management Plan (Fiscal 2024–2026). Our Company is working to achieve a 30% reduction of CO₂ emissions by 2030 (compared to fiscal 2013).

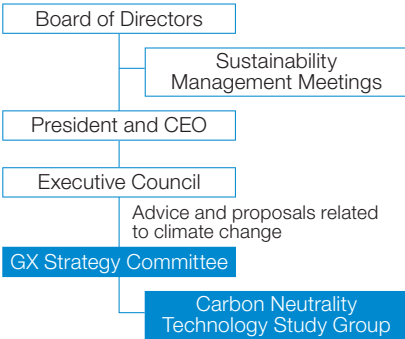
Going forward, our Group will continue to pursue reduction of CO₂ emissions in order to contribute to the realization of a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as envisioned in KOBELCO's View of the Future.

Governance and Risk Management

We have established the GX Strategy Committee (chaired by a director, executive officer), an auxiliary body to the Executive Council, is dedicated to addressing issues concerning climate risks and opportunities. The committee, tasked with conducting strategic studies of climate change, examines and implements Companywide activities to address the risks and opportunities of climate change. Addressing climate-related issues requires knowledge from a wide range of perspectives, including business, management, legal, and technological development. Therefore, the GX Strategy Committee is composed of directors and executive officers from the head office, as well as executive officers from business divisions, including the head of the Steel & Aluminum Business and the head of the Electric Power Business.

The activities of the GX Strategy Committee and its study outcomes are reported to the Board of Directors quarterly for supervision and guidance from the Board of Directors. In this manner, we have a system where the Board of Directors has direct governance over risks related to climate change.

In addition, the Sustainability Management Meetings consider carbon neutrality to be one of the key themes of discussion. As such, the monitoring of the status is enhanced by regularly sharing a wide range of updates and exchanging opinions with the executive team, including executives from business divisions.



Board of Directors	Monitors CO ₂ reduction measures that may have a major impact on management	Quarterly
Sustainability Management Meetings	Strengthens monitoring by sharing updates and exchanging opinions	Quarterly
Executive Council	Deliberates and decides on important matters related to CO ₂ reduction measures	At least once a year
GX Strategy Committee	Deliberates important matters related to CO ₂ reduction measures	At least 4 times a year

GX Strategy Committee Chair: Director, Executive Officer Kazuhiko Kimoto

Strategy

We conduct climate change analyses to assess the medium- to long-term impacts on our business environment, examining multiple scenarios, including the 1.5°C, 2°C, and 4°C scenarios presented by international organizations such as the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC), as well as scenarios from national governments and major industry associations. Our approach focuses on: policy and regulatory trends associated with the transition to a decarbonized society, rising carbon prices, changes in the energy supply and demand structure, progress in technological innovation, and physical impacts linked to the progression of climate change. These comprehensive analyses enable us to understand how various factors may affect our business.

Identified transition risks include increasing costs resulting from stricter environmental regulations, such as the implementation of carbon pricing, as well as the need for greater capital investment to meet growing demand for low-carbon products. In our steel business, we plan to invest approximately 50 billion yen by 2030 in areas such as scrap utilization, biomass utilization, and increased HBI input into blast furnaces. To achieve carbon neutrality by 2050, we are considering the introduction of a scrap melting furnace as part of our phased production system transformation, with an anticipated investment of approximately 100 billion yen. To address the above-mentioned risks, we are working to reduce CO₂ emissions and lower carbon costs by improving energy efficiency in manufacturing processes and promoting fuel transition. We are also focused on improving investment efficiency and ensuring long-term competitiveness by introducing low-carbon technologies and optimizing the ironmaking process.

In terms of physical risks, the progression of climate change has increased severity of natural disasters such as floods and typhoons in recent years, resulting in new potential risks. These include disruptions to raw materials supply chains due to water-related disasters, as well as equipment damage or operational shutdowns at production sites due to floods, storm surges, and similar events, which could have financial consequences, such as decreased operational efficiency, loss of sales opportunities, and even incurring restoration costs.

To mitigate these risks, we are taking steps to reduce their impact by diversifying procurement through multiple suppliers, implementing physical measures against flooding and storm surges at production sites, and continuously updating our business continuity plan (BCP).

On the other hand, opportunities are emerging from the growing global demand for low-CO₂ products and services as decarbonization progresses. We expect medium- to long-term demand growth for materials and components that contribute to reducing automobile weight, as well as for CO₂ reduction solutions, such as the MIDREXTM Process. These trends are expected to enhance our profitability by driving increased sales of low-carbon products and services and raising the proportion of high-value-added products in our portfolio. To seize these opportunities, we are advancing the development, enhancement, and expansion of sales of products that contribute to CO₂ reduction.

The following pages provide our scenario analysis results, summarizing the assumptions about changes in the social and business environment, anticipated financial impacts, and our strategic responses.

Climate-Related Disclosures Based on TCFD Recommendations

Scenario Analysis Results

Scenario / Important Factors	Social Changes	Impacts (Opportunity/Risk)		Strategies for Opportunities and Measures Against Risks	Financial Impacts	
					Impact Type	Impact Level
1.5°C or 2°C scenario	Shift to low-carbon materials	Decreasing demand for BF steel products	Risk	Development of CO ₂ reduction technologies <ul style="list-style-type: none"> • Energy savings through AI-based furnace heat management • Use of DRI and biomass • Increase in the volume of scrap use 	Increased purchasing cost of cold iron sources	Major
		Increasing demand for EAF steel products	Risk	Study of process transition <ul style="list-style-type: none"> • Studying the shift of production facilities from carbon intensive BF to low-CO₂ DRI or EAF without limiting to the conventional two BF unit system 	GX-related investment	Major
		Decarbonization of aluminum materials	Risk	Procurement of green aluminum material <ul style="list-style-type: none"> • Expanding procurement of green aluminum produced using renewable energy 	Increased procurement cost of green aluminum	Moderate
		Increasing demand for low-CO ₂ materials	Opportunity	Study of low-CO ₂ BF steel products <ul style="list-style-type: none"> • Low-CO₂ blast furnace steel product Kobenable™ Steel was newly developed with proprietary CO₂ reduction technology Study of low-CO ₂ aluminum products <ul style="list-style-type: none"> • Announcement of the low-CO₂ aluminum product Kobenable™ Aluminum, produced from green aluminum material 	Increased sales volume	Major
		Increasing demand for ironmaking processes that contribute to decarbonization	Opportunity	Supply of cold iron source production process <ul style="list-style-type: none"> • Capturing growing demand for the MIDREX™ Process, etc. 	Increased sales volume	Major
	Stricter regulations on fossil fuel use	Higher costs due to carbon pricing	Risk	Utilization of ammonia <ul style="list-style-type: none"> • CO₂ reduction through ammonia co-firing • Successful bidding in the Long-Term Decarbonization Power Resource Auction • Building of ammonia supply chain 	GX-related investment	Major
	Transition to non-fossil energy	Increasing demand for hydrogen, etc.	Opportunity	Sales expansion of hydrogen production equipment <ul style="list-style-type: none"> • Carrying out new projects, such as the hybrid-type hydrogen gas supply system, low-CO₂ iron metallurgy project, etc. • Promoting sales of compressors and vaporizers Expanding existing businesses <ul style="list-style-type: none"> • Strengthening sales of environmental options, such as digestion gas power generation using sewage sludge and food waste and chemical recycling of waste plastics 	Increased sales volume	Major
	Economic growth and electrification	Increasing electricity demand driven by AI and data centers	Opportunity	Stable power supply <ul style="list-style-type: none"> • Stable operation of thermal power plants ensures a steady supply of electricity by mitigating the output fluctuations caused by renewable energy sources 	Increased sales volume	Moderate
	Advancements in EVs	Increasing need for weight reduction	Opportunity	Development of lightweight materials <ul style="list-style-type: none"> • Increasing high-tensile strength steel production capacity • Developing lightweight materials (including aluminum) 	Increased sales volume	Minor
4°C scenario	Intensifying weather disasters due to rising temperatures	Supply chain disruptions due to flooding	Risk	Increasing procurement sources and ensuring a constant stock of raw materials	Decreased sales volume	Major
		Flooding and storm surge damage at production sites	Risks	Implementing physical measures against floods and storm surges, and continued BCP improvement	Decreased sales volume	Minor

Climate-Related Disclosures Based on TCFD Recommendations

Metric A | Reduction of CO₂ Emissions in Production Processes

Target

Our Group is taking on the challenge of realizing carbon neutrality toward 2050. We have also set a medium-term target for 2030.

2050 Vision
Taking on the challenge of realizing carbon neutrality
2030 Target
30% reduction (compared to fiscal 2013)^{1, 2} in CO₂ emissions in our Group's production processes
Fiscal 2025 Result
23% reduction (compared to fiscal 2013)^{1, 2}

¹ The reduction target is the combined total of Scope 1 and Scope 2 emissions.

² The scope of the reduction targets includes Kobe Steel and its major subsidiaries. This covers approximately approximately 96% of the Group's total CO₂ emissions based on fiscal 2025 results. CO₂ emissions in covered range: 18.4 million tons in fiscal 2013 and 14.3 million tons in fiscal 2025

Trends in CO₂ Emissions

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

Our Group has also maintained a consistent approach in advancing various energy conservation and CO₂ reduction measures through proactive capital investments. For example, we installed highly efficient gas turbine power generation facilities that use gas from blast furnaces at Kakogawa Works over the period of fiscal 2009–2014, resulting in a substantial reduction of CO₂ emissions. Our CO₂ emissions in fiscal 2025 remained at a similar level to fiscal 2024, resulting in a 23% reduction compared to fiscal 2013.

In the ironmaking process, we have completed a technical test and verified that CO₂ emissions in the blast furnace process can be reduced by approximately 25% by charging a large quantity of DRI in the form of HBI, manufactured with the MIDREX™ Process, into the blast furnace. To achieve our 2030 target, we will work to reduce CO₂ emissions through our HBI charging technology, as well as combining it with the utilization of scrap and biomass. Furthermore, looking toward carbon neutrality in 2050, we will accelerate our efforts to determine the optimal production system, including the introduction of electric arc furnaces (EAFs), while simultaneously examining the introduction of a scrap melting furnaces as part of a phased transformation of our production system.

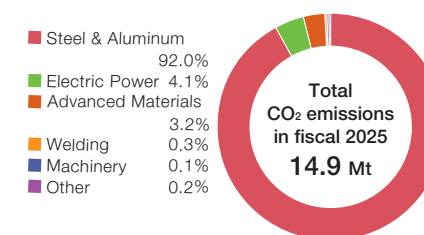
Energy-Derived CO₂ Emissions

In fiscal 2025, our Group's energy-derived CO₂ emissions totaled 14.9 million tons.

Of this amount, approximately 92.0% was emitted from the steel & aluminum business, roughly 4.1% from the electric power business, and about 3.2% from the advanced materials business.

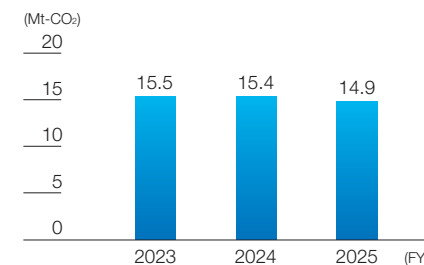
Energy-Derived CO₂ Emissions

Total of Scope 1 and Scope 2, excluding some areas³ (including domestic and overseas Group companies)



Energy-Derived CO₂ Emissions by Year

Total of Scope 1 and Scope 2, excluding some areas³ (including domestic and overseas Group companies)



³ Energy-derived CO₂ emissions do not include CO₂ emissions associated with the generation of electricity sold externally by the three subsidiaries of the Electric Power Business and the Steelworks of Kobe Steel (12.0 million t-CO₂).

Note: We revised the calculation method for energy activity data at certain sites to improve accuracy, starting in fiscal 2025. This change has been applied retroactively to previous fiscal years.

Climate-Related Disclosures Based on TCFD Recommendations

Metric B Contribution to Reduction of CO₂ Emissions Through Technologies, Products, and Services

Target

Our Group contributes to the reduction of CO₂ emissions in various areas of society through its distinctive technologies, products, and services. We have set a target for 2030 and vision for 2050 in terms of its contribution to reduction of CO₂ emissions. In addition, we have set a 2030 target for net sales of related products.

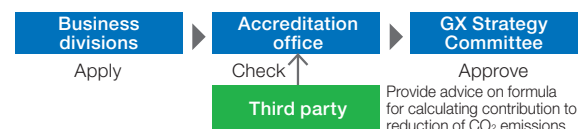
Regarding the contribution to reduction of CO₂ emissions through technologies, products, and services, the Group has an internal accreditation system in place. For the formulas used in accreditations, we receive advice from Kiyotaka Tahara, the Director of the Research Laboratory for IDEA at the Research Institute of Science for Safety and Sustainability, Department of Energy and Environment, the National Institute of Advanced Industrial Science and Technology (AIST).

Calculation method for the MIDREX™ Process's contribution to reduction of emissions: The calculation was made by comparing the CO₂ emissions from the steel products manufactured with the MIDREX™ Process in the Middle East, where the process is most widely used, with the CO₂ emissions from the steel products manufactured in Asia and exported to the Middle East.

2050 Vision
Contribution to CO ₂ reduction: 100 million tons or more
2030 Target
Contribution to CO ₂ reduction: 78.0 million tons*
Net sales of related products: 550 billion yen
Fiscal 2025 Result
Contribution to CO ₂ reduction: 67.42 million tons
Net sales of related products: 389.2 billion yen

* The 2030 target for contribution to CO₂ reduction has been revised upward from 61.0 million tons.

Accreditation Flow



Contribution to Reduction of CO₂ Emissions

The Group's contribution to reduction of CO₂ emissions through its technologies, products, and services in fiscal 2025 was 67.42 million tons, as approved by the GX Strategy Committee. Net sales of related products was 389.2 billion yen.

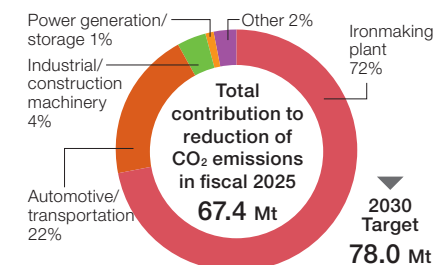
Technologies, Products, and Services		Contribution to Reduction (Million tons/year)	CO ₂ Reduction Concept
Ironmaking plant	MIDREX™ Process	48.51	Direct reduction ironmaking process with low-CO ₂ emissions
Automotive/ transportation	Ultra-high-tensile strength steel for automobiles, welding materials for ultra-high-tensile strength steel	10.96	Improvements in fuel economy by using high-strength, lightweight materials for automobiles and transportation equipment
	Wire rods for suspension springs	0.30	
	Wire rods for automotive valve springs, high-strength steel for connecting rods	0.93	
	High-tensile strength steel for shipbuilding	1.82	
	Aluminum materials for automobiles	0.41	
	Aluminum materials for rolling stock	0.08	Lowering power consumption through weight reduction
Industrial/ construction machinery	Heat pumps, standard compressors, SteamStar, binary power generation systems Eco-Centri	2.40	Energy conservation by achieving higher efficiency and utilizing unused energy
	Fuel-efficient construction machinery	0.57	Improvements in fuel economy by using fuel-efficient construction machinery
Power generation/ storage	Wood biomass power generation, waste-to-energy (WtE)	0.23	Reduction in fossil resource use through the use of resources that contribute to carbon neutrality
Other	Blast furnace cement, wire rods and steel bars with no need for heat treatment process	1.21	Energy-reduction effect in customers' manufacturing process through the use of recycled raw materials and products with no need for heat treatment process
	High-performance steel products for building construction		Energy-reduction effects related to steel manufacturing for high-strength and lightweight applications and its transportation

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

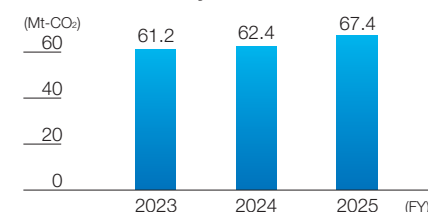
Other Significant Technologies, Products, and Services That Contribute to CO₂ Reductions

Technologies, Products, and Services		CO ₂ Reduction Concept
Automotive/transportation	Fuel-cell bipolar plates materials, titanium for aircraft components	Improvement of fuel economy by reducing weight of automobiles and transportation equipment, effects of replacing gasoline-powered automobiles with next-generation vehicles
Hydrogen utilization	High-purity Hydrogen Oxygen Generator (HHOG)	Reduction in fossil resource use through hydrogen utilization
Power generation	Conversion of sludge into fuel and its utilization at coal-fired thermal power plants	Reduction in fossil resource use through the use of resources that contribute to carbon neutrality

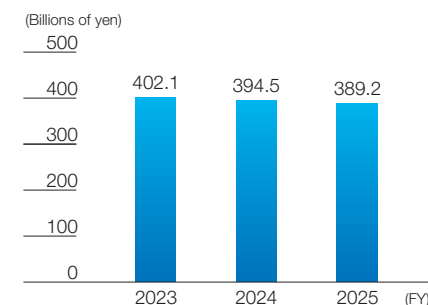
Total Contribution to Reduction of CO₂ Emissions



Contribution to Reduction of CO₂ Emissions by Year



Net Sales of Related Products



Financial and Capital Strategy to Accelerate Growth

Message from the CFO

Leveraging Our Improved Financial Base to Move into Execution Phase—Balancing Defense and Offense to Accelerate Corporate Value Enhancement

Kazuhiko Kimoto
Director, Executive Officer



Steady Progress in Securing Stable Earnings and Strengthening Financial Foundation

Under the Medium-Term Management Plan (Fiscal 2024–2026) announced in fiscal 2024, we advanced initiatives to enhance corporate value, focusing on the priority issues of (1) enhancing earning power and pursuing growth, (2) taking on the challenge of realizing carbon neutrality, and (3) strengthening sustainability management. The prerequisite for these initiatives is the establishment of a financial base resistant to changes in any business environment, and the Group continues to work on strengthening this foundation.

Our financial results for fiscal 2025 were: net sales of

2,436.5 billion yen, ordinary profit of 121.3 billion yen, ROIC of 5.3%, free cash flow of 128.0 billion yen, net asset ratio of 46.4%, and D/E ratio of 0.61. While the materials businesses continued to face a challenging demand environment, the machinery business segment—a growth driver—posted record-high profits. Impacted by changes in the business environment since the formulation of the Medium-Term Management Plan, we are still only partway toward achieving our ROIC target. However, for all other financial indicators, we reached our targets one year ahead of schedule.

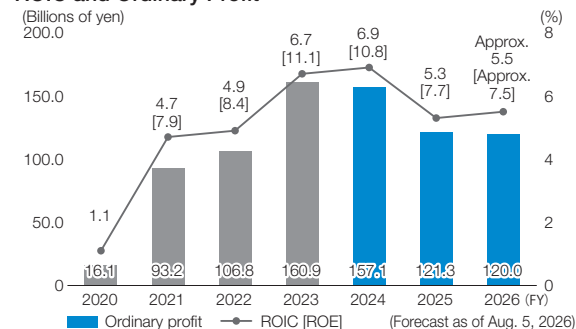
The fiscal 2026 forecast projects net asset ratio of approximately 49% and D/E ratio of approximately 0.55. We maintained solid performance even in an

unpredictable business environment and prepared for future growth investments, which we view as steady progress. Regarding efforts to strengthen our financial base, we have steadily implemented disciplined financial measures—such as reducing strategic shareholdings and lowering cash and deposit levels—while also ensuring stable earnings. As a result of these efforts, we are moving forward in establishing a robust financial base that enables us to respond flexibly to changes in the business environment. Building on this progress, we recognize that further enhancing our earning power will be a key priority going forward. With our improved financial base as a foundation, we will move forward with investments for future growth and translate them

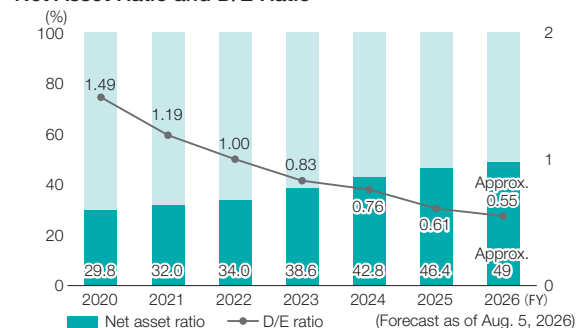
Financial and Capital Strategy to Accelerate Growth

into enhanced corporate value. In our existing businesses, we are working not only to maintain and strengthen competitiveness through renewal investments and productivity improvements, but also to increase added value. In our response to carbon neutrality, we are striving both to reduce our own emissions and expand technologies, products, and services that contribute to CO₂ reductions. Alongside these initiatives, we will pursue growth investments centered on the machinery businesses, thereby striking a balance between defensive and offensive business strategies.

ROIC and Ordinary Profit



Net Asset Ratio and D/E Ratio



Kobelco Group's Core Strengths: Unique Value Created Through Integration Across Materials, Machinery and Electric Power Businesses

Our Group is sometimes viewed as a company engaged in a diverse range of businesses centered on the steel industry. However, this represents only one aspect of our overall business activities.

A distinctive feature of the Group is the ability to deliver value that cannot be realized by any single business alone, by leveraging the integration of technologies and products across the materials, machinery, and electric power businesses. This creates a unique competitive advantage of our Group.

While we have multiple business divisions based on the nature of each business, they do not operate in isolation; instead, they work together to create value as a Group. This is an important point to emphasize to our stakeholders.

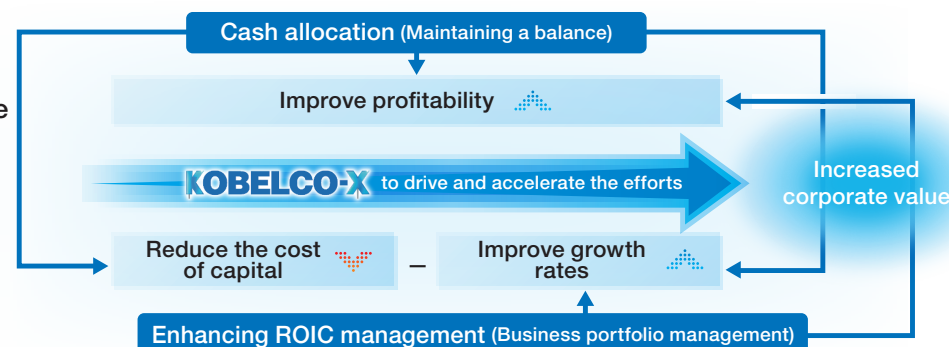
We will continue examining how to position and strengthen each business, as well as how to leverage their respective strengths and interconnections to further

enhance corporate value. We believe that more clearly demonstrating the value created through the integration across business divisions will deepen understanding of the Kobelco Group's uniqueness and lead to enhanced corporate value and greater recognition in the capital market.

Our Approach to Financial and Capital Strategy for Enhancing Corporate Value

Our Group regards improving profitability, increasing growth rates, and reducing the cost of capital as key elements in enhancing corporate value. Our financial and capital strategy aims to increase profitability and capital efficiency by enhancing ROIC management and managing our business portfolio, while balancing growth investments, shareholder returns, and financial soundness through disciplined cash allocation. Through this, we will drive sustainable enhancement of corporate value.

Mechanism for Increasing Corporate Value



Financial and Capital Strategy to Accelerate Growth

Enhancing Quality of Management Decisions by Using ROIC as Common Language

ROIC serves as a common benchmark for management and investment decisions within our Group. In fiscal 2025, our Group achieved an ROIC of 5.3%. While this fell short of the target level of approximately 6% set in the current Medium-Term Management Plan, it exceeded the WACC (our Group estimate: 5%). However, even more important than the Companywide ROIC figure is setting ROIC targets that reflect the characteristics of each business, translating these targets into key performance indicators (KPIs), and linking them to daily operations and initiatives. We believe that this process will further enhance the quality of management.

Our Group introduced ROIC as a performance indicator for measuring the profitability and capital efficiency of each business division in fiscal 2020. During the current Medium-Term Management Plan period, we have translated ROIC into operational KPIs and promoted its adoption as a common language across the entire Group.

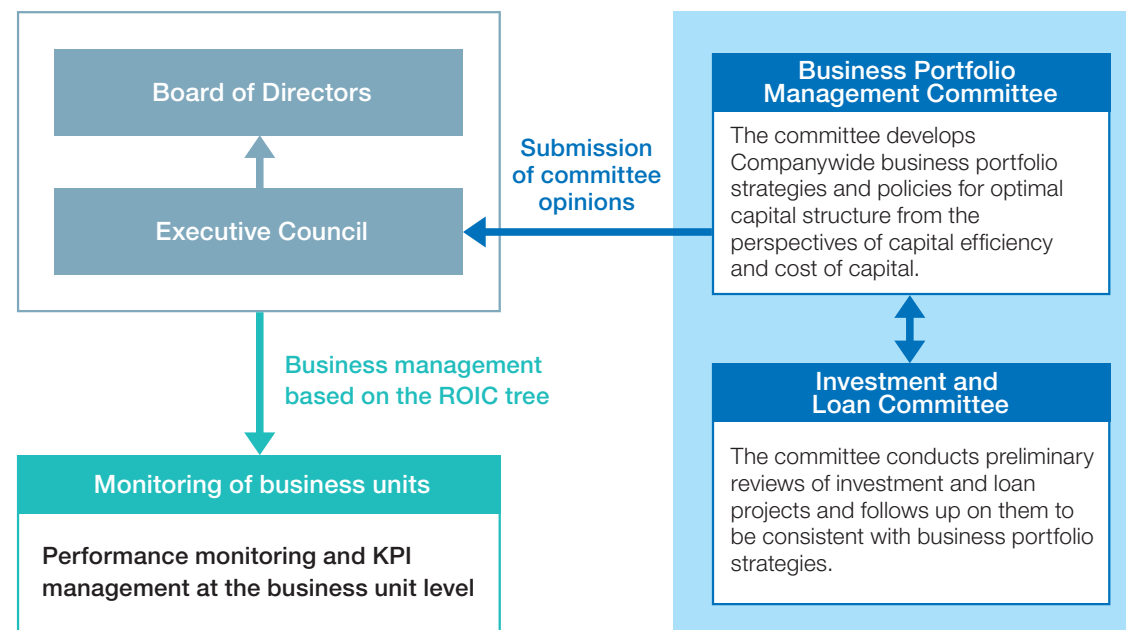
Since the introduction of ROIC, we have focused on deepening understanding among senior management by systematically sharing the definition of ROIC and methods for its application. At the operational level, we have also fostered understanding of the ROIC concept, returns on invested capital, and specific actions that contribute

to ROIC improvement by linking them to actual operational tasks. As a result, the concept of ROIC is now becoming ingrained throughout the Group, and decisions regarding business activities and initiatives are increasingly being made from the perspective of capital efficiency. For example, rather than just aiming to increase sales and market share, greater emphasis is now placed on whether these efforts also contribute to improving

capital efficiency.

ROIC is monitored by the Business Portfolio Management Committee, which sets KPIs and key goal indicators (KGIs) based on ROIC and ensures their alignment. Going forward, we will continue leveraging ROIC to enhance the quality of our business and investment decisions, while driving sustainable enhancement of corporate value through increased capital efficiency.

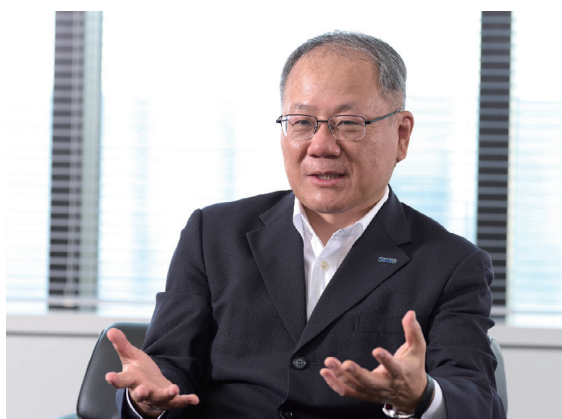
ROIC-Centered Business Portfolio Management Structure



Financial and Capital Strategy to Accelerate Growth

Initiatives for Business Portfolio Transformation

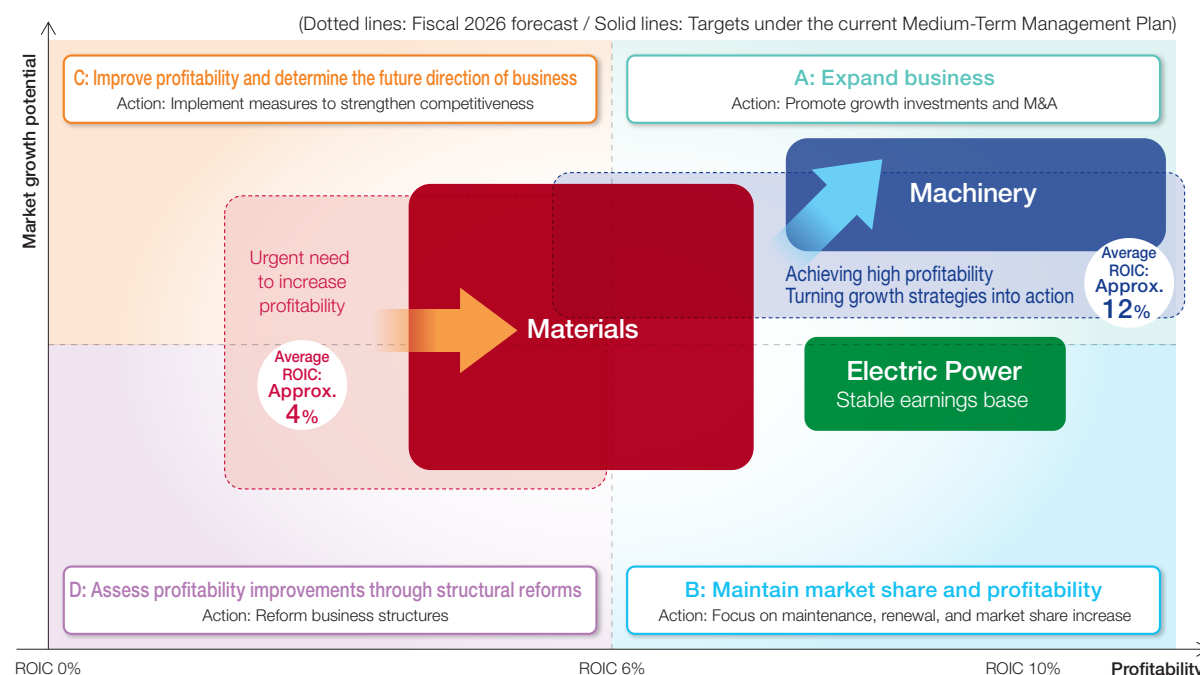
Alongside promoting the advancement of business management centered on ROIC, our Group is also working to transform its business portfolio. For each business area—materials, machinery, and electric power—we clarify their positioning based on profitability, growth potential, and business characteristics, and allocate management resources accordingly. Under the current Medium-Term Management Plan, we are working to strengthen the earning power of the materials businesses and establish a financial base to consistently achieve an ROIC of 6–8%. For the machinery businesses, which continue to serve as a growth driver, we are targeting profitability capable of achieving an ROIC of 8–10%. For the electric power business, we aim to maintain an ROIC of 10% or higher as a stable earnings base, while steadily advancing carbon neutrality initiatives.



As part of our business portfolio review, we have implemented specific measures for individual businesses from the perspectives of capital efficiency and growth potential. These include the transfer of shares in Nippon Koshuha Steel Co., Ltd. in fiscal 2025 and the signing of a basic agreement for the integration of the aluminum extrusion businesses in fiscal 2026. Through these initiatives, we are strengthening our earnings base and reallocating cash generated from each business to growth areas, thereby building a business portfolio that contributes to sustainable corporate

value enhancement. Looking ahead to the next Medium-Term Management Plan, we will further refine our portfolio management, implementing more effective resource allocation and growth strategies while responding to changes in the business environment.

Future Business Model (As of May 2026)



Financial and Capital Strategy to Accelerate Growth

Cash Allocation to Accelerate Growth Investments

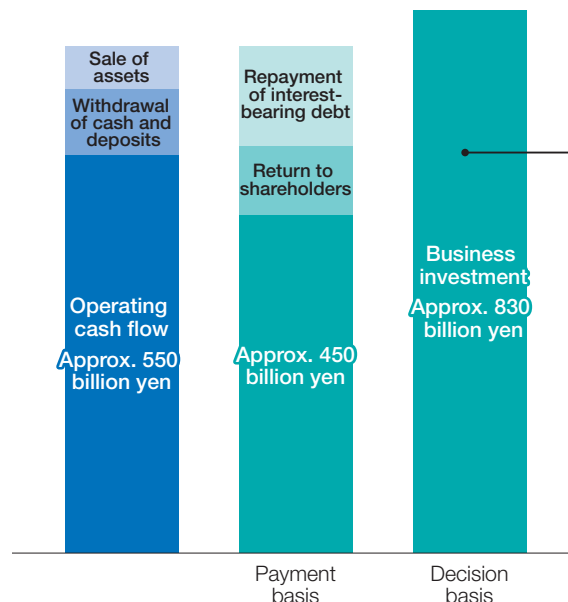
Under the current Medium-Term Management Plan, we anticipate 120 billion yen for investments in enhancing earning power and 70 billion yen for investments in pursuing growth. Backed by the financial base we have built over the years, we have now entered the final stage of fully executing growth investments.

Our approach to cash allocation, from a medium-to long-term perspective, aims to maintain financial soundness and improve capital efficiency at the same time, considering an appropriate balance between defensive and offensive strategies. Specifically, we will strive to maintain financial soundness within a certain range while balancing strategic investments for future growth and investments to maintain and strengthen existing businesses, as well as coordinating these investments with shareholder returns.

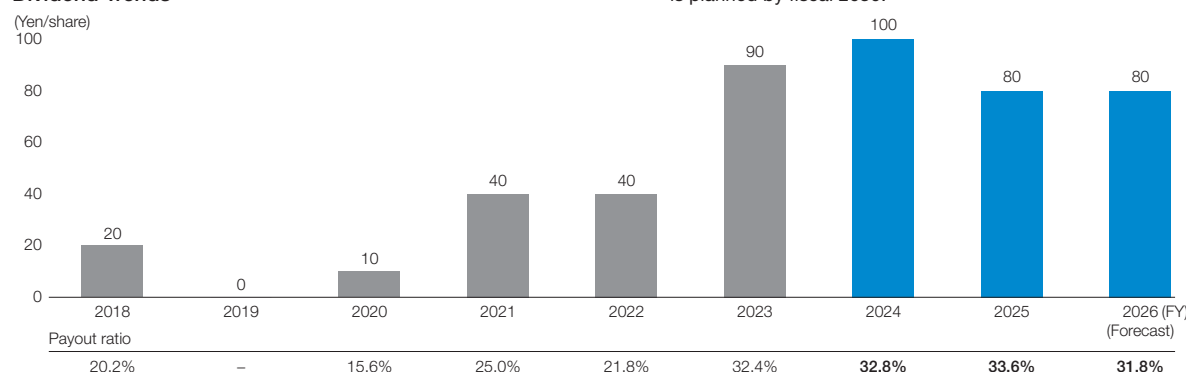
Looking ahead to the next Medium-Term Management Plan, we plan to expand growth investments focused on the machinery businesses, including M&As, while also continuing to invest in our existing businesses.

Our Company determines dividends taking into overall consideration our financial condition, business performance, future capital needs and other factors, with the aim of paying dividends on a continuous and steady basis, in principle. During the current Medium-Term Management Plan period, we have set a target dividend payout ratio of approximately 30% per share (as of August 5, 2026). Toward the next Medium-Term Management Plan, we are exploring the optimal approach to shareholder returns, while considering an appropriate balance with growth investments.

Fiscal 2024–2026 (Total for 3 years)



Dividend Trends



Fiscal 2024–2026 Investment Plan Reviewed (Billions of yen)

	Previous (May 2025)	Current (May 2026)
Investment in carbon neutrality	Approx. 150 →	Approx. 170
Investment in enhancing earning power	Approx. 120 →	Approx. 120
Investment in pursuing growth	Approx. 70 →	Approx. 70
Investment in human capital [workplace improvement and staff shortages]	Approx. 60 →	Approx. 60
Investment in rationalization, renewal, etc. (incl. DX)	Approx. 350 →	Approx. 410
Total		Approx. 830

Investment in enhancing earning power

- KOBEMAG™ in-house production
- Turning Kansai Coke and Chemicals Co., Ltd. into a subsidiary
- Investment in enhancing production capacity in the advanced materials business (copper rolled products, aluminum castings and forgings, etc.)
- Enhancement of India's KIMI production capacity in the machinery business

Investment in pursuing growth

- Accelerating studies for the next medium term

Investment in carbon neutrality

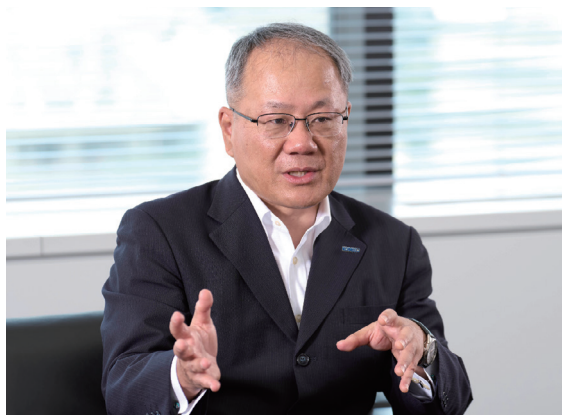
- An additional investment of **approx. 130 billion yen** is planned by fiscal 2030.

Carbon neutrality-related investments: Approx. 300 billion yen

Financial and Capital Strategy to Accelerate Growth

Demonstrating Kobelco Group's "Distinctiveness" Through Performance to Enhance Market Valuation and Corporate Value

Our Group regards improving its P/B ratio and increasing its share price as important management issues, and we are advancing initiatives to enhance corporate value. The Group's challenge lies not only in strengthening its business capabilities, but also in ensuring that the capital market accurately understands its strengths and growth potential. We see that the current situation, where our P/B ratio remains below 1.0, reflects the capital market's insufficient recognition of our financial base, business capabilities, and future growth potential. This is partly because our Group is still viewed within the framework of the steel industry, and our valuation is influenced by the uncertainties surrounding the industry. To further enhance corporate value, it is important to present more clearly the unique strengths of our Group that extend beyond the scope of the steel industry. Our



Group has a distinctive business structure encompassing technologies and businesses in both the materials and machinery sectors, enabling new value creation and further growth through their integration. This is one of our major strengths. Going forward, we will continue to build on these strengths by delivering concrete results, while also deepening the capital market's understanding of our Group's growth potential and the distinctive features of its business portfolio through ongoing dialogue. This will help enhance both our market valuation and corporate value. Additionally, we will use the feedback gained from these discussions, including the capital market's expectations and identified issues, to inform management, as well as to improve the quality of management and our disclosure practices.

Through continued dialogue with the capital market we believe that understanding of our Group's distinctive characteristics, strengths, and unique business structure is steadily deepening. At present, however, the capital market are only beginning to recognize our potential. To fundamentally change the assumptions underlying the market's valuation of the Group, it is essential for us to continue delivering tangible results.

Our Group has evolved through numerous challenges over the years. However, we may not have fully communicated these changes to the capital market. Going forward, we must demonstrate our ongoing transformation through concrete results, rather than remaining in our current position. From a financial perspective, I believe it is an important responsibility to link our

transformation—reflected in the outcomes of growth investments, improvements in ROIC, enhanced profitability, and stable shareholder returns—to improved market valuation.

As we move toward the next Medium-Term Management Plan, we also intend to present our businesses in a way that more clearly conveys our Group's unique value creation structure—specifically, how technologies originating from the materials businesses contribute to the strengths and uniqueness realized in the machinery businesses. In addition to highlighting our Group's distinct strengths, we will steadily implement the initiatives and strategic directions as set out in the Medium-Term Management Plan, turning them into concrete results and building solid track records. Through these efforts, we aim to enhance both our market valuation and corporate value.

Enhancing corporate value cannot be achieved through financial results alone. Non-financial capital—including human capital, technical development and intellectual property, initiatives to address environmental and societal challenges, and strengthened governance—forms an important foundation supporting medium- to long-term growth and competitiveness. By promoting value creation from both financial and non-financial perspectives, we will create a virtuous cycle that advances both the realization of a sustainable society and the enhancement of our corporate value.

Dialogue with the Capital Market

Discrepancy with Market Evaluation —Market Concerns

Despite recent improvements in our profitability (ROE), our P/B ratio remains below 1.0. We believe this arises from a discrepancy between the cost of shareholders' equity recognized by the capital market and that recognized by the Company. Our analysis identifies the following two factors as the main reasons behind this discrepancy.

- Factor ①:** Concerns about the instability of the earnings base and finances based on past performance
- Factor ②:** Concerns about uncertainties, including carbon neutrality and future growth potential, etc.

Efforts to Resolve the Discrepancy

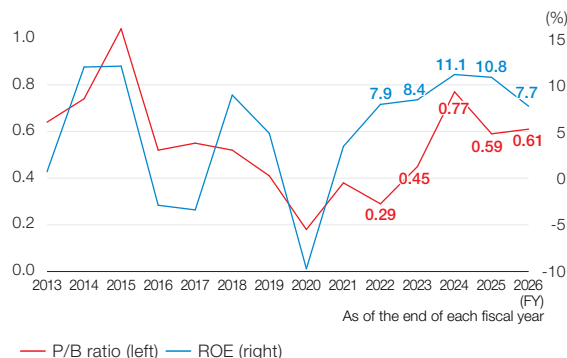
① Improving Profitability and Growth Rates

We believe that concerns about profitability have been alleviated to some extent through the earnings contributions of our machinery businesses and the electric power business. However, we recognize that concerns still remain regarding future growth potential and other matters. Alongside efforts to enhance earning power, we advance specific initiatives to pursue growth, as priority issues set out in the Medium-Term Management Plan.

② Reducing the Cost of Capital

We work to reduce the cost of capital by strengthening our sustainability management, including addressing carbon neutrality and reinforcing our financial base, while ensuring continuous and stable returns for our shareholders.

P/B Ratio and ROE Trend



Basic Approach to Active Dialogue with the Capital Market and Information Disclosure

We believe that timely and appropriate information disclosure and constructive dialogue with investors help reduce information asymmetry with the capital market and foster trust in our management, thereby contributing to lowering our cost of capital.

Under our basic policy of disseminating information strategically and systematically, our executives actively participate in dialogue with the capital market to promote a better understanding of the Company's management strategy, business structure, and growth potential.

As a result of these initiatives, our Company was ranked second in the steel and non-ferrous metal category of the 2025 Award for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan, following our third-place ranking in fiscal 2024. This reflects the consistently high evaluation of our disclosure practices.

For our Dialogue with the Capital Market, please visit our corporate website:
<https://www.kobelco.co.jp/english/ir/markets.html>

Enhancing Recognition of Our Distinctive Business Structure

Our business portfolio, which has traditionally maintained a balanced focus on the materials, machinery, and electric power sectors, is gradually shifting toward a unique earnings structure, with the machinery segment becoming a key growth driver (see Figure 1). On the other hand, our valuation in the stock market, as measured by the price-to-earnings (P/E) ratio, remains at a level comparable to the relatively low-rated steel sector (see Figure 2).

While striving to address the market concerns mentioned earlier on this page, we will work to enhance recognition of our Group's uniqueness through active dialogue with the capital market and timely, appropriate information disclosure.

Figure 1. Changes in Consolidated Ordinary Profit by Segment

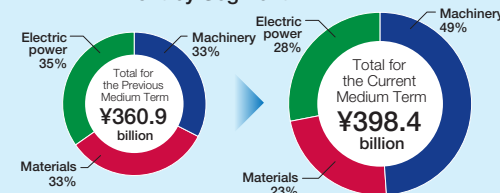
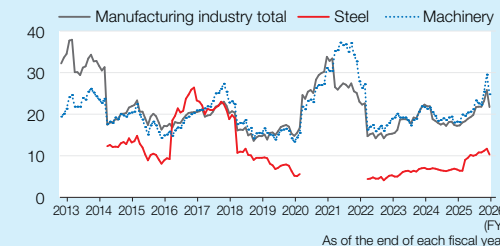


Figure 2. P/E Ratio by Sector



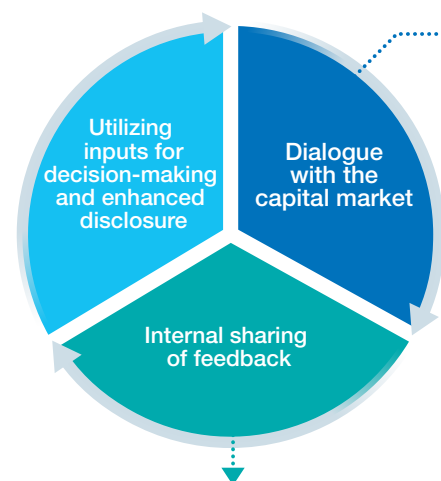
Note: A negative P/E ratio is not indicated in the line graph.

Source: Japan Exchange Group

Dialogue with the Capital Market

Mechanism for Enhancing Management and Disclosure Through Dialogue with the Capital Market

Our Company has established a cycle in which feedback obtained through dialogue with the capital market is shared and analyzed internally, and then utilized in management decision-making, as well as in reviewing initiatives and information disclosure. We will continue to update these activities as appropriate, taking external evaluations into account.



Overview of Dialogue Activities

Dialogue with the Capital Market	Events	Number of Companies/Sessions (Total)		
		FY2023	FY2024	FY2025
	Exchanges with institutional investors and securities analysts	11	10	11
	Meetings with institutional investors	39	68	62
	(of which, overseas institutional investors)	(16)	(35)	(41)
	(of which, domestic institutional investors * Including ESG-focused investors and proxy voting-related engagement)	(23)	(33)	(21)
	IR interviews	216	187	247
	Financial results briefings	4	4	4
	Medium-Term Management Plan, ESG, and business briefings	7	3	3
	Plant tours for institutional investors and securities analysts	2	3	2
	Briefings for individual shareholders	1	1	2
	General Meeting of Shareholders	1	1	1

Reference: Information Disclosed Since Fiscal 2025

- Revisions to the carbon neutrality roadmap for achieving our fiscal 2030 targets
- Human capital-related investment amounts and the introduction of a stock compensation plan
- The share transfer of Nippon Koshuha Steel Co., Ltd., and the basic agreement on the integration of aluminum extrusion businesses
- Progress on initiatives to develop specific growth strategies focused on the machinery businesses

Main Topics of Dialogue and Feedback Internally Shared

Main Dialogue Themes	Dialogue with the Capital Market		Feedback Shared Internally
	Capital market	Our Group	
Carbon neutrality initiatives	The prioritization of actions for achieving targets, as well as their earnings and financial impacts, should be clarified.	The steel segment is exploring ways that combine various measures, including the use of HBI, and the electric power segment is promoting ammonia co-firing. We are pursuing a realistic transition while maintaining profitability.	While the commitment to pursuing economic rationality is viewed positively, it is necessary to clarify specific measures and their financial impacts.
Human capital management	How can human capital initiatives contribute to enhancing corporate value?	To achieve sustainable corporate value enhancement, we have identified necessary personnel and skills, and are working to support our business strategies through human resource development and optimal allocation.	It is important that individual initiatives are aligned with business strategies and contribute to enhancing corporate value.
Business portfolio	What is the future direction of the business portfolio, including measures for underperforming businesses?	From the perspectives of profitability and growth, we rigorously monitor the overall portfolio as well as the challenges and progress of initiatives in each business. For unprofitable businesses, we continue to consider structural reforms and potential business reorganizations.	There is strong interest in the efforts toward unprofitable businesses and impacts on cash allocation strategies.
Capital efficiency, share price, and P/B ratio	How is the Company addressing its P/B ratio remaining below 1.0?	The key issues we recognize include strengthening earning power and addressing concerns about capital efficiency in our diversified business portfolio. While earning power has improved to some extent, it will be necessary to create value through cross-segmental synergies while maximizing capital efficiency.	Stock market trends, feedback and evaluations from analysts and investors, and share price trends

Utilization of feedback for management decision-making and enhanced disclosure continues to be explored.

Roundtable Discussion Among Outside Expert, Executive Vice President, and Independent Directors

Transforming Kobelco Group's

Unique Integration into a Growth Driver

—Charting Value Creation Through

Dialogue with Capital Market



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Capital Market Focus Shifts from Efficiency Improvement to Value Creation

Nakada In recent years, I have observed a significant shift in the capital market's interest in the Kobelco Group. Beyond improving capital efficiency—measured by indicators such as ROE, P/B ratio, and ROIC—there is now greater emphasis on how this foundation will be leveraged for growth investments and what kind of value will be created as a result.

The Kobelco Group has identified “enhancing earning power” as one of its priority issues in its Medium-Term Management Plan (Fiscal 2024–2026) and has been working to improve profitability and strengthen the financial base toward that end. At the same time, regarding another key priority “pursuing growth,” I believe the Company has reached the stage where it needs to demonstrate more concretely how its initiatives are leading to

growth. It is important for the Kobelco Group to more clearly communicate the unique strengths and distinctiveness that come from having a diverse range of businesses.

Nagara As you noted, our current Medium-Term Management Plan has focused on both enhancing earning power and pursuing growth. The expectations of the capital market align closely with the direction the Group has been aiming for, and I believe that we have been on the right track all along. Going forward, we need to present this direction as a concrete growth strategy and communicate it clearly to stakeholders, including the capital market.

Nakada I agree. The Kobelco Group operates in three business areas: materials, machinery, and electric power. In addition to optimizing management resources as a whole, it is crucial to consider how the Group leverages integration across its different businesses and what kind of value this creates. By promoting integration and

collaboration not only in technologies, but also in human resources, intellectual capital, and other assets, the Group has the potential to build a unique competitive advantage that other companies cannot easily replicate. If this can be clearly demonstrated, I believe the capital market will view the Group's diverse business portfolio in a new light.

Nagara This is something that our Group is highly conscious of. However, creating new value through synergies between businesses is not easy and entails many challenges. Rather than simply adding various elements from different businesses divisions, we must take a strategic approach that leverages the technologies, human resources, and expertise developed in each business to generate new competitive advantages across organizational boundaries. For example, we can enhance the competitiveness of our machinery business by applying technologies cultivated in our materials business. By presenting concrete examples of

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value creation that transcend business boundaries, we aim to communicate that having a diverse range of businesses is a key strength of our Group.

Nakada Such concreteness is also important for investors. When assessing the Kobelco Group's competitiveness, they look not only at current profitability, but also at how technologies, human resources, intellectual property, and other factors contribute to business growth. They consider how technological advantages are leveraged to differentiate products and services, and to develop business models that are difficult for competitors to replicate. By presenting the Group's strengths as part of a value creation story, I believe the Company can deepen investor understanding of its growth strategy.

Leveraging Diverse Technologies to Solve Global Challenges

Tsukamoto Now that a financial base to support growth investments is in place, the capital market's next focus is on which growth markets the

Company will target and how it will generate profits. Traditionally, the Group has been perceived as a steelmaker. However, in reality, more than half of its profits are now generated by the machinery businesses. Meanwhile, unique solutions that help address global challenges are created through the collaboration across business segments, such as materials and machinery/engineering. These solutions have earned strong market recognition and significant market share worldwide. For example, in the field of green steel, the MIDREX™ Process, a DRI production solution, accounts for more than 60% of the global market, and the isostatic pressing (IP) equipment, which is used to manufacture high-density, highly reliable materials capable of withstanding extreme environments in the fast-growing aerospace sector, as well as all-solid-state batteries for EVs, holds the world's leading market share of over 50%. Each of these is an evolution of the technologies and operational know-how cultivated through decades of materials manufacturing centered on steel, developed into solutions that address customer and societal challenges. It is important for the Group to consistently and proactively communicate that it is capable of addressing challenges in cutting-edge fields worldwide and helping to drive growth in those markets. Continuing these efforts will further enhance understanding of its corporate value.

Kitagawa As you mentioned, the Group needs to communicate its strength of operating diverse businesses more clearly. In addition to its ability to integrate various technologies, the Group has strengths in having a customer base all over the world, which allows it to quickly identify market

changes and emerging needs. It is also essential to allocate management resources to growth sectors in response to these changes while leveraging the strengths of each business, building on the steel business that has been at the core since the Company's founding. By utilizing the technologies and expertise developed in the materials businesses, the Group can expand its value into growth sectors, such as machinery. I believe it is important to lay out a thoughtfully designed, unique growth trajectory—distinctive to the Group—both within and outside the Company.

Nakada Listening to both of your perspectives, I realized that the Kobelco Group's strength lies not only in its individual technological capabilities, but also in its ability to connect them to market and customer needs and develop them into new businesses. Going forward, it will be crucial to clearly show which areas the Group will focus on to further develop its strengths and drive growth, while also outlining the business portfolio and investment direction.

Carrying the Progress of the Current Medium-Term Management Plan into the Next Stage of Growth

Nagara As we enter the final year of the current Medium-Term Management Plan, we are making solid progress on our key priorities: “enhancing earning power and pursuing growth” and “taking on the challenge of realizing carbon neutrality.” In terms of enhancing earning power, we have continuously explored and implemented initiatives to strengthen our businesses, including optimizing the

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structure and functions of our Group companies. For pursuing growth, we have established internal implementation structures to drive initiatives, and specific actions are now underway. Regarding the challenge of carbon neutrality, we are implementing specific measures in our ironmaking process and electric power business, while balancing them with economic rationality and competitiveness. On the other hand, we need to further increase our speed of execution. In fiscal 2026, we will further encourage each employee to take initiative in new challenges, enhance the capacity to embrace failures as learning opportunities, and accelerate the pace of transformation. We will then carry this momentum into the next Medium-Term Management Plan, which begins in fiscal 2027.

Nakada When I began engaging in dialogue with the Kobelco Group around 2018, the main topics were preventing the recurrence of quality misconduct and restoring trust. Since then, the focus of our discussions has gradually shifted outward and forward-looking, moving on to areas such as



addressing carbon neutrality, strengthening earning power, and pursuing growth. Today, we have reached a stage where we discuss, beyond meeting market expectations, how to create new value. I feel that the seeds for the next stage of growth are steadily beginning to emerge.

Kitagawa As we look ahead to our next Medium-Term Management Plan, it is important to clearly define the direction in which we intend to evolve the business portfolio. It is not easy to change current practices and organizational structures all at once. That is why every single employee needs to change their mindset and take action. Furthermore, overseas strategy is also an important consideration when pursuing growth. In addition to expanding individual businesses overseas, the Group should outline its strategy for which regions and markets it will target and how. To that end, we must also develop the talent necessary to implement this strategy, as well as establish a foundation for gathering local information and building connections with potential partner companies.

Nagara KOBELCO-X is what drives this change forward. It is not merely a slogan for internal transformation, but an initiative that encourages each employee to start by making a small change. One example of this is the introduction of ABW* at our newly relocated Tokyo head office. We believe that the accumulation of small changes leads to new challenges and enhances our ability to execute our growth strategy.

* ABW is an acronym for activity-based working, a work style that allows employees to freely choose the time and place of work based on the nature of their tasks or their preferences.

Tsukamoto I believe that everything about KOBELCO-X



represents the elements of internal transformation necessary for the next stage of growth for the Kobelco Group. Each aspect of KOBELCO-X contributes to enhancing the value provided to customers, such as CX² (improving customer experience), DX (transforming operations with digital technologies), EX (fostering talent that embraces challenges), and FX (advancing next-generation manufacturing and factory transformation). It is also essential to clearly communicate both the Company's direction (strategy) and how we will accomplish this (KOBELCO-X) as a single, unified story both internally and externally. The Group is working to accelerate the development of solutions that integrates its distinctive technologies developed in the materials and machinery businesses to address the challenges faced by customers and society. To achieve this, it is essential to undertake internal reforms in human resources and business operations under KOBELCO-X. I believe that when the Company's business strategy is aligned with each individual's goals, both the quality of our

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initiatives and the results will further improve.

Nakada For KOBELCO-X to be truly effective, all employees must be able to sense and experience the changes within the organization. The Company should promote the review of conventional practices and actively encourage new ideas and actions. I believe that consistently building on these efforts will lead to significant leaps in growth and positive changes in how the Company is evaluated externally.

Turning Dialogue with Capital Market into a Source of Transformation and Growth

Kitagawa Along with changes in the capital market's perspective, the Board of Directors is holding more intensive discussions about whether individual initiatives contribute to medium- to long-term growth and increased corporate value, and whether we have a clear vision for the future. When it comes to the business portfolio, we are scrutinizing more closely whether the Group has globally competitive strengths and can generate



sustainable profits. The role of an independent director is not to hold back a company striving for change, but rather to support management's efforts by asking the necessary questions and encouraging bold actions. While pursuing growth, it is also necessary to provide oversight and ensure the essential standards, such as compliance, are properly maintained.

Nakada Both aspects are important. Investors look not only at the structure and composition of the Board of Directors, but also at what is actually being discussed and the roles played by independent directors. Independent directors are expected to both rigorously oversee management and actively support the decisions that are made. Being a company's primary supporter is also important, as it helps investors determine whether they continue to support a company. Furthermore, in companies operating multiple businesses, it is vital not only for the CEO but also for the heads of each business division—and even the layers below them—to share the Company's vision. This alignment enhances the overall execution capabilities of the entire Group.

Nagara To prevent the executive team from becoming complacent, the perspectives and feedback provided by independent directors are crucial. Through the unique perspectives independent directors provide—highlighting points that internal directors may overlook—we hope to foster discussions at Board meetings and other forums, thereby facilitating the transformation and growth of the Group.

Nakada Since there is a wide variety of investors in the capital market, it is not possible to meet every

request. The first step, then, is to clearly communicate the Company's vision to investors who understand the Kobelco Group's potential and expect long-term growth. Such dialogue can help increase the number of people who consistently support the Group and enhance corporate value by incorporating their feedback. This, I believe, is how a company leverages the power of the capital market for growth. Alongside these efforts, making bold investments will also be crucial when the situation calls for it.

Tsukamoto To link dialogue with the capital market to growth, it is important to see investors as partners who share the common goal of Kobelco Group's growth. Rather than simply listening to their opinions, the Company should consider how to apply their input to its management and business operations, and then communicate the results back through further dialogue. By creating this cycle of listening and responding, I am confident that the Company can steadily move its transformation forward.

Nagara Our Group actively engages in dialogue with the capital market, but simply reporting the number of sessions and comments received to the Board of Directors is not sufficient. More importantly, we must gain a deep understanding of the background and meaning behind each individual comment and incorporate these insights into our long-term management strategies toward 2030 and beyond. Going forward, we will continue to reflect our dialogue with the capital market in our management strategy, pursuing both the unique value that only the Kobelco Group can create and the sustainable enhancement of corporate value.