

# 03

Business Foundation for  
Value Creation

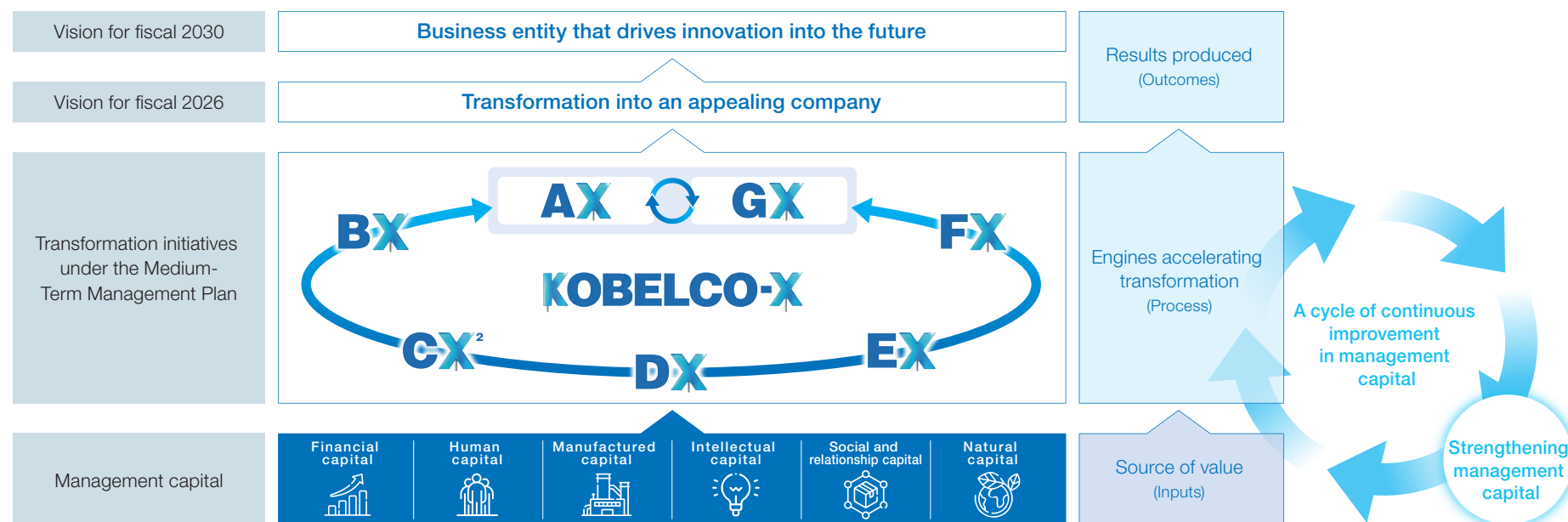
# Leveraging Non-Financial Capital to Achieve Business Strategy



The source of value that empowers the Kobelco Group to transform into an appealing company and enhance corporate value lies in our six forms of management capital. How effectively we utilize these management capitals is crucial to achieving our goal. The seven transformations, defined as AX through GX under KOBELCO-X, provide a framework for leveraging these management capitals and also serve as engines to accelerate transformation. The outcomes generated by each “X” initiative will not only transform us into an appealing company but will also further strengthen our management capital.

By implementing this cycle, the Kobelco Group will drive transformation and further strengthen its management capital, creating synergies that enhance corporate value.

In this section, we explain our initiatives for the five categories of non-financial capital, organized by type of management capital, along with corresponding KOBELCO-X initiatives for each category.



# Materiality-Related Non-Financial KPIs

| Kobelco Group's Materiality                                                                                                                                         |                                                                                | Indicators and Targets                                                                                  |                                                                                                                                                                          | Actual<br>(FY2023)                         | Actual<br>(FY2024)                                                               | Actual<br>(FY2025)                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------|
|                                                                                                                                                                     |                                                                                | Indicator                                                                                               | Target                                                                                                                                                                   |                                            |                                                                                  |                                                                      |
| Contributing to<br>a green society<br>                                             | Response to<br>climate change                                                  | (1) Reduction of CO <sub>2</sub> emissions in<br>production processes                                   | 2030: 30% reduction (compared to FY2013)<br>2050: Taking on the challenge of realizing carbon<br>neutrality                                                              | 20% reduction                              | 20% reduction <sup>2</sup>                                                       | 23% reduction                                                        |
|                                                                                                                                                                     |                                                                                | (2) Contribution to reduction of<br>CO <sub>2</sub> emissions and net sales of<br>related products      | Contribution to CO <sub>2</sub> reduction:<br>78.0 million tons in 2030 and 100 million tons or more in 2050<br>Net sales of related products: 550 billion yen in FY2030 | 61.18 million tons<br>402.1 billion yen    | 62.35 million tons<br>394.5 billion yen                                          | 67.42 million tons<br>389.2 billion yen                              |
|                                                                                                                                                                     |                                                                                | (3) Reduction of CO <sub>2</sub> emissions in<br>the electric power business                            | 2030: Increasing efficiency of coal-fired power plants<br>to the USC level or higher<br>2050: Taking on the challenge of realizing carbon neutrality                     | —                                          | —                                                                                | —                                                                    |
|                                                                                                                                                                     | Response to<br>resource recycling                                              | (4) Water recycling rate                                                                                | Water recycling rate: 95% or higher                                                                                                                                      | 95.9%                                      | 96.0%                                                                            | 96.2%                                                                |
|                                                                                                                                                                     |                                                                                | (5) Discharges of pollutants<br>(COD, total phosphorus)<br>in restricted areas                          | Discharges of pollutants (COD, total phosphorus)<br>• COD: 474 tons/year or less<br>• Total phosphorous: 23 tons/year or less                                            | COD: 227 tons<br>Total phosphorous: 7 tons | COD: 220 tons<br>Total phosphorous: 7 tons                                       | COD: 220 tons<br>Total phosphorous: 5 tons                           |
|                                                                                                                                                                     |                                                                                | (6) Disclosure based on the TNFD<br>recommendations                                                     | —                                                                                                                                                                        | —                                          | Scoping and disclosure of<br>L (Locate) and E (Evaluate)<br>of the LEAP approach | Scoping and disclosure of<br>all four phases of<br>the LEAP approach |
| Ensuring safety and<br>security in urban<br>development and<br>manufacturing<br> | Supplying energy focused<br>on S+3E <sup>1</sup>                               | (7) Continuous stable supply of<br>electricity                                                          | Continuous stable supply of electricity                                                                                                                                  | Ongoing                                    | Ongoing                                                                          | Ongoing <sup>3</sup>                                                 |
|                                                                                                                                                                     | Providing materials and<br>machinery that meet needs                           | (8) Percentage of eco-friendly<br>products in steel products                                            | FY2024: 22%<br>FY2026: 22% → FY2030: 25%                                                                                                                                 | 19%                                        | 23%                                                                              | 24%                                                                  |
|                                                                                                                                                                     |                                                                                | (9) Percentage of low-CO <sub>2</sub> raw materials<br>in aluminum rolled products                      | FY2024: 86%<br>FY2026: 90% → FY2030: 100%                                                                                                                                | 76%                                        | 85%                                                                              | 84%                                                                  |
|                                                                                                                                                                     |                                                                                | (10) Advanced materials: Percentage of<br>environmental products in net sales                           | FY2024: 29%, FY2025: 29%<br>FY2026: 32%                                                                                                                                  | 30%                                        | 31%                                                                              | 32%                                                                  |
|                                                                                                                                                                     |                                                                                | (11) Percentage of orders for<br>environment-related machinery<br>products (decarbonization, LNG, etc.) | FY2024: 23%<br>FY2030: 25%                                                                                                                                               | 31%                                        | 16%                                                                              | 27%                                                                  |
|                                                                                                                                                                     |                                                                                | (12) Total domestic unit sales of<br>ICT construction machinery                                         | FY2024: 400 units or more<br>FY2026: 1,000 units or more                                                                                                                 | 400 units or more                          | 400 units or more                                                                | 500 units or more                                                    |
|                                                                                                                                                                     |                                                                                | (13) Percentage of welding solution<br>products in sales                                                | FY2024: 23%<br>FY2026: 25%                                                                                                                                               | 22%                                        | 24%                                                                              | 23%                                                                  |
| Providing solutions for<br>the future connecting<br>people and technology<br>    | Manufacturing and<br>operational transformation<br>through digitalization (DX) | (14) Employee awareness survey<br>results on DX                                                         | FY2024: Begin survey/set targets<br>FY2026: 72%                                                                                                                          | —<br>(Before activities)                   | 68% <sup>4</sup>                                                                 | 76% <sup>4</sup>                                                     |
|                                                                                                                                                                     | Integration and innovation of<br>diverse intellectual assets                   | (15) Number of ideas for<br>new businesses                                                              | Every year: 10 cases/year                                                                                                                                                | —<br>(Before activities)                   | 7 cases                                                                          | 8 cases                                                              |

1 S+3E = Safety + Energy Security, Economic Efficiency, and Environment      2 We revised the calculation method for energy activity data at certain sites to improve calculation accuracy, starting in fiscal 2025. This change has been applied retroactively to previous fiscal years.  
3 Despite the extended inspection of the Kobe Power Plant unit No.3, there was no impact on the stable supply of electricity.      4 The materiality indicator shows the percentage of employees who responded that they are ready to promote DX.

## Materiality-Related Non-Financial KPIs

| Kobelco Group's Materiality                                                                                                                    |                                                                   | Indicators and Targets                                                                            |                                                                                                                                       | Actual<br>(FY2023)                                                        | Actual<br>(FY2024)                                                        | Actual<br>(FY2025)                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------|
|                                                                                                                                                |                                                                   | Indicator                                                                                         | Target                                                                                                                                |                                                                           |                                                                           |                                                                |
| Promoting active participation of diverse human resources<br> | Enhancing organizational diversity                                | (16) Percentage of women in new graduate hires for career-track positions                         | Every year: Career-track administrative positions: 50% or more<br>Career-track technical positions: 15% or more                       | Administrative: 44%<br>Technical: 13%                                     | Administrative: 42%<br>Technical: 8%                                      | Administrative: 46%<br>Technical: 14%                          |
|                                                                                                                                                |                                                                   | (17) Percentage of women in new graduate hires for general technical positions and their turnover | Every year: Percentage of women in new graduate hires: 10% or more;<br>Turnover rate within five years: 15% or less                   | Percentage of women in new hires: 9%<br>Turnover rate: 25.8% <sup>5</sup> | Percentage of women in new hires: 6%<br>Turnover rate: 19.2% <sup>5</sup> | Percentage of women in new hires: 9%<br>Turnover rate: 17.6%   |
|                                                                                                                                                |                                                                   | (18) Number of female managers <sup>6</sup>                                                       | FY2026: 100 female managers                                                                                                           | 74 people                                                                 | 86 people                                                                 | 93 people                                                      |
|                                                                                                                                                | Creating a work environment where employees can play active roles | (19) Percentage of male employees taking paternity leave or special leave for childcare           | Every year: 100% or higher                                                                                                            | 167.8%                                                                    | 157.4%                                                                    | 155.0%                                                         |
|                                                                                                                                                |                                                                   | (20) Number of annual paid leave days taken                                                       | 15 days (per year/employee)                                                                                                           | 18.0 days                                                                 | 16.8 days                                                                 | 17.3 days                                                      |
|                                                                                                                                                | Encouraging the growth and initiative of every employee           | (21) Instilling the Group Corporate Philosophy                                                    | Every year: 80% or higher positive response rate for related questions in the employee awareness survey                               | 77–79%                                                                    | 79–80%                                                                    | 82%                                                            |
|                                                                                                                                                |                                                                   | (22) Improving and expanding employee training                                                    | FY2026: 40 hours or more average hours of training per employee                                                                       | 33.0 hours                                                                | 44.2 hours                                                                | 50.4 hours                                                     |
| Pursuing governance that supports sustainable growth<br>    | Compliance and risk management                                    | (23) Whistleblowing system usability                                                              | Positive response rate for related questions in the employee awareness survey<br>FY2026: 85% or higher                                | 76.1%                                                                     | 77.7%                                                                     | 86.7%                                                          |
|                                                                                                                                                | Human rights                                                      | (24) Companies implementing human rights due diligence                                            | Supply chain (SC): Approx. 330 companies <sup>7</sup><br>Group companies: Domestic 83 companies<br>Overseas 41 companies <sup>7</sup> | SC: Completed Domestic: 3 companies<br>Overseas: 18 companies             | SC: Completed Domestic: 34 companies<br>Overseas: 29 companies            | SC: Completed Domestic: 64 companies<br>Overseas: 46 companies |
|                                                                                                                                                | Safety and health                                                 | (25) Lost time injury frequency rate                                                              | Every year: 0.10 or less                                                                                                              | 0.31                                                                      | 0.27                                                                      | 0.21                                                           |
|                                                                                                                                                | Quality assurance                                                 | (26) Percentage of business sites certified under the Quality Guidelines                          | FY2025: 100%                                                                                                                          | 67%                                                                       | 84%                                                                       | 100%                                                           |
|                                                                                                                                                | TQM                                                               | (27) Kobelco TQM practical management program completion rate                                     | FY2025: 100% of line managers<br>FY2027: 100% of managers and eligible employees of Group companies                                   | —                                                                         | Line managers: 78% (Kobe Steel)<br>Managers: Program commenced in FY2025  | Line managers: 93% (Kobe Steel)<br>Managers: 76% (Kobe Steel)  |

<sup>5</sup> Due to a change in the calculation method (now calculated using employees who joined the Company in the most recent five years as the population), the figures for fiscal 2023 and fiscal 2024 have been revised.

<sup>6</sup> At Kobe Steel, managers or higher positions are defined as managerial positions.

<sup>7</sup> The number of companies that implement human rights due diligence as of fiscal 2026.

## Natural capital

# Environmental Management

For details, please see Basic Environmental Management Policy and Structure, Appropriate Management of Water Resources, Resource Recycling, and Reduction of Environmental Impacts on pages 11–13 and 32–40 of ESG Data Book 2026.

Aiming for a sustainable society, we will promote initiatives to realize a low-carbon society and a recycling-oriented society in an integrated manner.

## Basic Environmental Management Policy

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

### Basic Environmental Management Policy

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

- VISION 1** Pursuing environmentally friendly manufacturing
- VISION 2** Contributing to the environment through technologies, products, and services
- VISION 3** Coexisting and cooperating with society

As we strive to realize the world that we envision, we assume the important responsibility of passing on to future generations a healthy global environment in which all forms of life can thrive. To this end, the Kobelco Group has formulated long-term policies, set targets, and is promoting environmental management based on the Kobelco Group's Basic Environmental Management Policy, which consists of three Visions.

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

## Response to Resource Recycling (Appropriate Management of Water Resources)

### Basic Policy

Our Group's manufacturing sites use large quantities of water for cooling, cleaning, and other purposes, and we recognize that water shortages constitute a risk. There is also the risk of operations being impacted by flood damage, such as torrential rain, which is becoming increasingly severe. The risk of water shortages and flood damage at our domestic production sites has been found to be low in assessments using Aqeduct\* provided by World Resources Institute (WRI). Nevertheless, the Group is working to reduce water consumption and increase its water recycling rate by improving water use efficiency and recycling water in production processes to be prepared for any potential eventuality.

Additionally, we recognize that the environment and living organisms in public waters may be impacted by the violation of environmental laws and regulations, ordinances, and agreements pertaining to wastewater. To address wastewater risks, we not only comply with

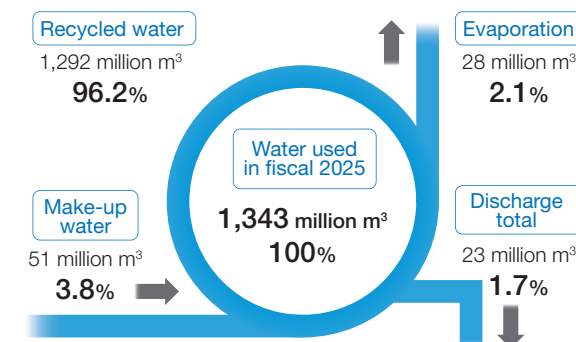
regulations but also strive to reduce pollutant discharge into public water areas by cleaning up wastewater from the production process with a treatment system suitable for its specific characteristics.

\* Aqeduct is a global water risk mapping platform that identifies and evaluates water risks around the world.

### Targets and Results

As management indicators for our initiatives, we have set targets for water recycling rate, chemical oxygen demand (COD), and total phosphorus pollution load, and achieved all the targets.

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



### Water Recycling Rate and Wastewater Pollution Load

| Category             |                  | Target                | Fiscal 2023   | Fiscal 2024   | Fiscal 2025   |
|----------------------|------------------|-----------------------|---------------|---------------|---------------|
| Water recycling rate |                  | 95% or higher         | 95.9%         | 96.0%         | 96.2%         |
| Pollution load       | COD              | 474 tons/year or less | 227 tons/year | 220 tons/year | 220 tons/year |
|                      | Total phosphorus | 23 tons/year or less  | 7 tons/year   | 7 tons/year   | 5 tons/year   |

# Biodiversity

For details, please see Biodiversity on pages 41–47 of ESG Data Book 2026.

The Kobelco Group has long recognized the importance of conserving the earth's diverse ecosystems as a central theme in its environmental activities. In December 2010, we formulated the Kobelco Biodiversity Guidelines, which consist of five principles. Based on these, we are working to conserve and contribute to biodiversity through our business activities. We are also taking steps to disclose information in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

## Governance

To promote internal management of biodiversity-related risks and opportunities, we have established the Biodiversity Response Team within the Environmental Management and Disaster Prevention Subcommittee under the Sustainability Management Committee. The findings from the reviews and activities of the Biodiversity Response Team are reported to the Executive Council through the Sustainability Management Committee.

## Strategy

We use IBAT\* to assess the potential impacts of the Kobelco Group's production site operations on regions critical for preserving the biodiversity of the surrounding area. Our assessment has confirmed that there are no high conservation value areas within a three-kilometer radius.

We also conducted an assessment on water stress using WRI Aqueduct and found that none of the Group's business sites or Group companies in Japan are located in regions of high water stress or above.

We conducted an IBAT assessment targeting our material suppliers operating major iron ore and coal mines related to our large-scale steel projects. The results show that some are located close to protected areas.

We have confirmed that these mines are working to protect biodiversity.

\* Integrated Biodiversity Assessment Tool: A tool that can access basic data and the latest information on nature conservation

## Management of Risks and Impacts

Based on the characteristics of our Group's business and potential future societal developments, we have analyzed our dependencies and impacts on nature as well as relevant risks and opportunities under the Nature Positive Scenario and Nature Loss Scenario, as shown in the table below.

## Measurement Indicators and Targets

To assess the impact of our business on the natural environment, we have set the following indicators and targets for management.

- Water quality: COD 474 tons/year, total phosphorous 23 tons/year
- Water resources: Water recycling rate: 95% or higher
- Nature opportunities: Contribution to reduction of CO<sub>2</sub> emissions: 78.0 million t-CO<sub>2</sub> (fiscal 2030)  
Net sales of products that contribute to reduction of CO<sub>2</sub> emissions: 550 billion yen (fiscal 2030)

| Categories of Risks and Opportunities          | Stage of Value Chain          | Dependencies and Impacts                                                    | Risks and Opportunities                                                                                                                                                                                                                 | Impacts* (Nature Positive Scenario) | Impacts (Nature Loss Scenario) | Response Measures                                                                                                                                                                                                                                                                                     |
|------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Physical risks (acute and chronic)             | Upstream/ Direct operations   | Climate adjustment, disaster mitigation                                     | <ul style="list-style-type: none"> <li>• Supply chain disruptions due to flooding</li> <li>• Flooding and storm surge damage at production sites</li> </ul>                                                                             | Moderate                            | Major                          | <ul style="list-style-type: none"> <li>• Increasing the number of suppliers and ensuring a constant stock of raw materials</li> <li>• Implementing physical measures against floods and storm surges, and continued reviews of BCP</li> <li>• Confirming using IBAT and WRI Aqueduct, etc.</li> </ul> |
| Physical risks (acute)                         | Direct operations             | Supply of water resources                                                   | Water stress at Group companies located in some overseas areas worsens, making it difficult to obtain sufficient water for business continuity and resulting in a decline in operating rates                                            | Minor                               | Moderate                       | Assessing the water stress situation and maintaining/improving water recycling rates according to the level of risk [Indicator No. C3.0 Water Resources]                                                                                                                                              |
| Transition risks (policies)                    | Direct operations             | Waste and recycling                                                         | Response to policies calling for the reuse of recycled resources (circular economy)                                                                                                                                                     | Moderate                            | –                              | Working on horizontal recycling of raw materials                                                                                                                                                                                                                                                      |
| Transition risks (policies)                    | Upstream                      | Alteration of terrestrial ecosystems                                        | The expansion of protected areas in line with the 30by30 policy results in a decrease in new resource development areas and permits, leading to supply chain disruptions and price hikes for metal resources and coal                   | Moderate                            | –                              | Diversifying raw materials suppliers                                                                                                                                                                                                                                                                  |
| Transition risks (policies and society)        | Direct operations             | Emissions of air pollutants other than GHGs; Discharges of water pollutants | <ul style="list-style-type: none"> <li>• Increased costs to address stricter water and air pollution regulations during the manufacturing stage</li> <li>• Demands from local communities regarding water quality management</li> </ul> | Minor                               | –                              | Regular monitoring of wastewater quality [Indicator No. C2.1 Water Quality]                                                                                                                                                                                                                           |
| Transition risks (markets and technologies)    | Direct operations/ Downstream | Impacts of resource use over the life cycle                                 | Changes in product demand due to increased demand from customers for recycled materials                                                                                                                                                 | Moderate                            | –                              | Working on horizontal recycling of raw materials                                                                                                                                                                                                                                                      |
| Transition risks (markets and technologies)    | Direct operations/ Downstream |                                                                             | Changes in product demand due to increasing needs for low GHG materials                                                                                                                                                                 | Moderate                            | –                              | Expanding production of Kobenable™ Steel and Kobenable™ Aluminum                                                                                                                                                                                                                                      |
| Opportunities (markets, products and services) | Downstream                    |                                                                             | Increased demand for products with low GHG emissions and nature-related certifications                                                                                                                                                  | Major                               | –                              | Expanding sales of Kobenable™ Steel and Kobenable™ Aluminum as well as the MIDREX™ Process [Indicator No. C7.4 Nature Opportunities]                                                                                                                                                                  |

\* Impact levels:

- Major: Significant impact on overall company management and strategy, spanning almost all business divisions.
- Moderate: A certain impact on overall company management and strategy, or on specific business units.
- Minor: Some impact on management, but its effect on overall company management and strategy is limited.

## Human capital

# EX Human Resources Strategy and Employee Experience Improvement

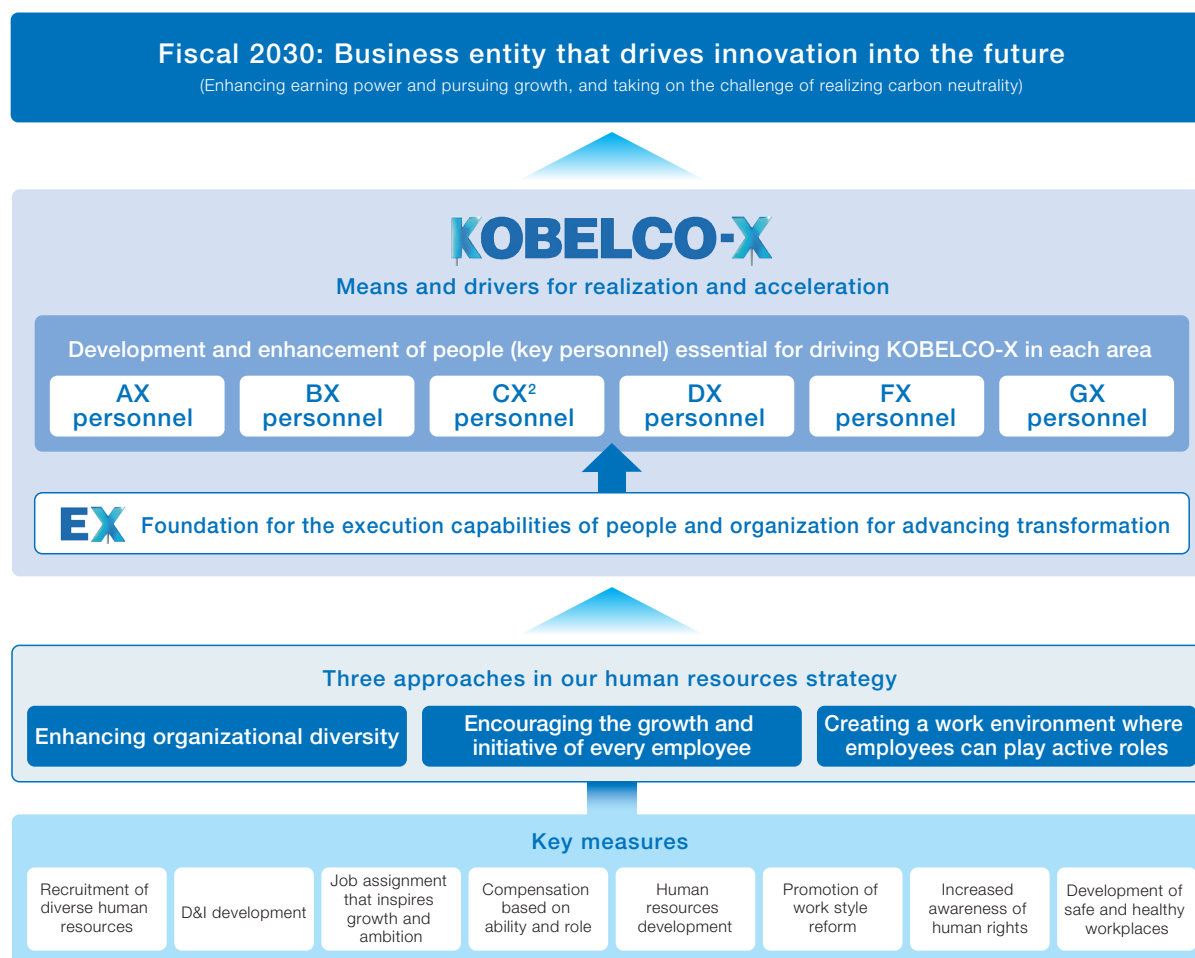
Our Group is driving KOBELCO-X transformation initiatives to achieve the Medium-Term Management Plan. Among these initiatives, EX (human resources strategy and employee experience improvement) is positioned as an area focused on enhancing the execution capabilities of our people and organization to support this transformation.

## Kobelco Group's Human Resources Strategy

To realize our Group's vision of becoming a business entity that drives innovation into the future, it is essential to advance a human resources strategy that is aligned with our business strategy. EX is an initiative aimed at enhancing the execution capabilities of our people and organization toward this goal. We are actively implementing measures to secure, develop, assign, and retain key personnel who have been identified as essential for driving KOBELCO-X.

## Three Approaches in Our Human Resources Strategy

To ensure the recruitment, development, placement, and retention of key personnel, it is crucial to integrate people with diverse knowledge and experiences into the organization, to enable them to acquire the necessary skills and take on new challenges, and to create an environment where they can continue to demonstrate their abilities with confidence. Our Group promotes human resources initiatives based on three approaches—enhancing organizational diversity, encouraging the growth and initiative of every employee, and creating a work environment where employees can play active roles.



## EX Human Resources Strategy and Employee Experience Improvement

### People Essential for Driving KOBELCO-X

To continuously drive KOBELCO-X transformation initiatives, it is important to systematically secure talent with the expertise and experience required in each area and to create an environment where they can perform effectively in the right roles. To this end, our Group is working to identify the key personnel essential for advancing each area of KOBELCO-X, while also promoting initiatives for their recruitment, development, placement, and retention.

|                                                          |                                                                                                                                                                                               |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>AX</b> Ambidexterity                                  | Personnel who drive initiatives to restructure the operation base in the materials businesses, maintain global competitiveness, and enhance ROIC management to increase corporate value       |
| <b>BX</b> Business transformation                        | Personnel who lead fundamental reviews of business processes and drive productivity improvements                                                                                              |
| <b>CX<sup>2</sup></b> Customer experience transformation | Personnel who propose and implement Groupwide solutions to address customer challenges                                                                                                        |
| <b>DX</b> Digital transformation                         | Personnel who drive digital transformation, who promote its on-site implementation, and who create an environment to support these challenges                                                 |
| <b>EX</b> Employee experience                            | Personnel who encourage the growth and initiative of diverse human resources and organizations and lead the creation of an environment that enables them to fully demonstrate their potential |
| <b>FX</b> Factory transformation                         | Personnel who lead the transition to smart factories, labor savings, and automation                                                                                                           |
| <b>GX</b> Green transformation                           | Personnel who play a key role in CO <sub>2</sub> reduction in ironmaking and power generation processes, as well as in businesses related to low-carbon iron sources and energy transition    |

#### Development of DX Personnel

We are committed to developing IT evangelists and data scientists as key personnel in the DX field. These personnel are responsible for leveraging digital technologies and data to address on-site challenges, driving business transformation and value creation. Through training programs, we support employees in acquiring necessary knowledge and skills and encourage them to apply what they have learned to initiatives in their respective workplaces. Even after the program ends, we conduct follow-up training sessions that allow participants to gain fresh perspectives and insights through the sharing of case studies—including those from other companies—as well as through interactions with fellow participants, thereby encouraging them to take further action. Through these efforts, we expect our DX personnel to keep improving their skills and execution capabilities, leading the implementation, acceleration, and advancement of digital transformation to achieve KOBELCO-X.

|                        |                                                                                         |
|------------------------|-----------------------------------------------------------------------------------------|
| <b>IT evangelists</b>  | Personnel who drive DX through IT tool utilization<br>(1,041 employees trained)         |
| <b>Data scientists</b> | Personnel who drive DX through data analysis and utilization<br>(195 employees trained) |

Note: The number of employees trained is as of March 2026.

EX Human Resources Strategy and Employee Experience Improvement

Enhancing Organizational Diversity

We believe that it is essential to incorporate diverse knowledge, experiences, and values from both inside and outside the Company, thereby broadening the organization's perspective and capacity for creative thinking, in adapting to change and creating new value. We respect diversity that encompasses differences in career paths, expertise, values, and cultural backgrounds, alongside diversity in personal attributes. By deepening mutual understanding, we enable each individual to leverage their strengths, which in turn strengthens the organizational foundation for transformation and value creation.

Human Rights and D&I Month

We continuously implement internal communication initiatives to promote a deeper understanding of D&I. In fiscal 2025, we designated December as Human Rights and D&I Month and carried out intensive awareness-raising activities.

Human Rights and D&I Month Events

- Lunchtime Sessions  
Introduction to the Guidebook on Reasonable Accommodation for Disabilities
- Lunchtime Sessions  
Roundtable Discussion with Users of the Career Self-Development System
- VR Online Experience  
Experiencing the Perspective of Those Caring for Family Members
- Distribution of executive messages and D&I Newsletter
- Display of human rights awareness posters and implementation of human rights training

Encouraging the Growth and Initiative of Every Employee

To encourage employees to expand their potential and continue to take on new challenges, our Group is working to enhance systems that support their growth and foster a corporate culture that embraces learning and ambitious initiatives. In addition to enhancing human resources development, we are supporting our employees' growth and ambition through systems and assignments that foster career development. These initiatives not only encourage individuals to improve their skills and demonstrate their expertise, but also improve organizational effectiveness by ensuring that the right people are placed in the right positions.

Career Self-Development System

Through our Career Self-Development System—an internal recruitment system—we promote employees' autonomous career development and flexible placement in response to changes in the business environment. We have introduced a new mechanism that allows each employee to express their intention to utilize the Career Self-Development System according to their career goals during annual meetings with their supervisor.

|                                                      |                                                                                                                      |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Position-specific recruitment (year-round)           | Employees apply directly to specific positions (currently in effect)                                                 |
| Position-specific recruitment (start of fiscal year) | Employees apply to specific positions after discussion and consultation with their supervisors (newly introduced)    |
| Position-specific recruitment plus one               | Employees take on tasks in the recruiting department while remaining in their current department (internal side job) |
| Open position recruitment                            | Employees proactively apply for a transfer to their desired organization or division                                 |

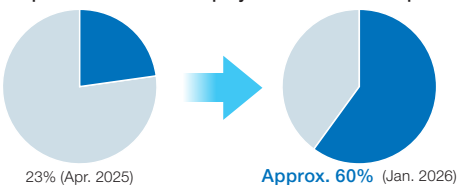
Creating a Work Environment Where Employees Can Play Active Roles

For our diverse workforce to consistently demonstrate its full potential, it is important to create an environment where employees can continue to work with peace of mind. This includes not only systems and corporate culture but also the physical workplace. Promoting each employee's initiative to take ownership of enhancing corporate value, while increasing employee satisfaction and engagement, will lead to improved employee retention and organizational revitalization. As part of our current Medium-Term Management Plan, we are making steady investments of approximately 45 billion yen to improve the workplace environment, aiming to create an environment that allows employees to realize their full potential.

Stock Incentive Scheme for Employees

We have introduced the Kobelcoo Stock Plan, a stock incentive scheme for employees, with the aim of increasing engagement by raising employees' awareness of their role as stakeholders in the enhancement of corporate management and corporate value. The scheme offers a special incentive to members of the employee stock ownership plan to encourage them to purchase the Company's stock, providing an annual special incentive equivalent to 30 shares. Before the scheme was introduced, the participation rate in the employee stock ownership plan was about 23%. As of January 2026, it has increased to about 60%.

Participation Rate in the Employee Stock Ownership Plan

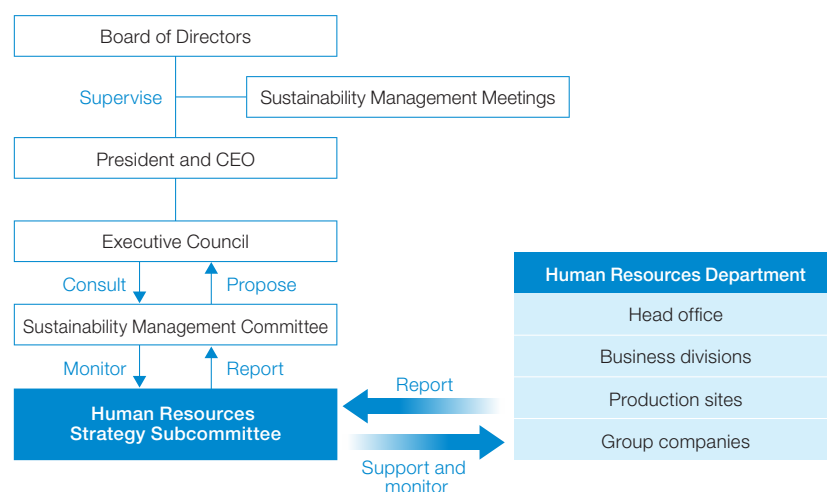


## EX Human Resources Strategy and Employee Experience Improvement

### Governance for Implementing Human Resources Strategies

Kobe Steel has established the Human Resources Strategy Subcommittee under the Sustainability Management Committee that serves as an auxiliary body to the Executive Council. The subcommittee is in charge of planning the Group's human resources strategy, examining measures, and monitoring their implementation. The implementation of these initiatives is carried out by the departments responsible, such as the Human Resources Department, and by Group companies. The subcommittee compiles progress reports from these departments and Group companies, and then reports on and deliberates key human resources strategy initiatives at the Sustainability Management Committee and the Executive Council, thereby ensuring management's involvement in decision-making and governance. Human resources strategies have been positioned as one of the priority themes of Sustainability Management Meetings, which are attended by all directors, including outside directors. We are strengthening the Board of Directors' monitoring function of human resources strategies by regularly sharing awareness and holding discussions during meetings.

### Human Resources Strategy Implementation Structure



### Response to Risks in Promoting Human Resources Strategies

Intensified competition for talent exacerbates a shortage of necessary personnel and expertise, raising concerns that delays in key initiatives could impact the execution of our business strategy. To address this, we have identified risks related to securing human resources as one of the Top Risks in our Companywide risk management. For Top Risks, we formulate risk mitigation action plans under the supervision of the designated risk owners, monitor their implementation, and verify the effectiveness through an annual management cycle that includes interim and year-end reviews. The results are then reported to the Executive Council through the Risk Management Committee. In line with these processes, we continuously review our talent recruitment, development, and retention initiatives, incorporating our findings into the implementation of our human resources strategy.

For details on our risk management structure, please see Risk Management on page 104.

### Metrics and Targets for Realizing Materiality

To track the progress and results of our human resources strategy, we have defined indicators and targets for the materiality "promoting active participation of diverse human resources," and we continuously monitor the progress.

Please see Materiality-Related Non-Financial KPIs on page 64.

#### Interview



Nobuko Sekiguchi  
Independent Director  
(Audit & Supervisory  
Committee Member)

Human capital is a vital asset that should be regarded as an integral part of the Kobelco Group's management strategy in achieving sustainable growth, as it forms the foundation supporting the technology, knowledge, and corporate culture that underpin its competitiveness. The Group's technological capabilities and commitment to quality are cultivated by its people. In this sense, I believe that human capital is the source of corporate value creation. Many of the Group's employees carry out their duties with sincerity and respect for one another, which is also one of its strengths. An organization can drive new value creation and innovation by fostering an environment where individuals with diverse experiences and values can perform to their full potential and feel fulfilled through challenges and growth. As an independent director, I intend to closely monitor whether the Group's human resources strategy is contributing to the realization of this goal.

## Human capital

# BX Business Transformation

We aim to achieve significant improvements in productivity and dramatic enhancements in operational quality across all business operations by integrating business process transformation through leveraging digital technology and improving daily business operations with behavioral change driven by transformation in individual awareness and actions.

## What Is BX in KOBELCO-X?

Under KOBELCO-X, initiatives aimed at transforming all aspects of business operations are defined as business transformation (BX). The key element of BX is the behavioral change of each employee—transformation in individual awareness and actions—across a diverse range of business functions, including safety, environment, quality, research and development, sales, design, production, procurement, accounting, human resources, legal affairs, and more. The specific focus of BX varies according to each employee's job responsibilities.

### BX: Transformation of specific tasks

including safety, environment, quality, research and development, sales, design, production, procurement, business strategy, finance and accounting, human resources, intellectual property, and legal affairs.

BX is a transformation undertaken by everyone within the scope of their responsibilities at their respective workplaces. Therefore, among the seven X initiatives of KOBELCO-X, only BX does not have a Groupwide promoting body in the form of a committee or project team.

Each employee's BX initiatives also contribute to customer experience transformation (CX<sup>2</sup>), factory transformation (FX), employee experience (EX), and more.

On the other hand, these are not the only areas targeted. BX is a transformation that everyone advances within each workplace and for each business unit.

## Business Process Transformation and Behavioral Change

BX can only be achieved by combining the transformation of business processes, which could occur by the change of organizational structures or the introduction of new systems, with behavioral change, a transformation in individual awareness and actions.



### BX Initiative Example

As part of our CX<sup>2</sup> efforts, we have introduced a Companywide business card management system and customer relationship management (CRM) system, enabling centralized, cross-functional management of customer contact data across all business divisions. This is an example of major process transformation, providing open access to customer contact information gathered from all segments.

However, simply sharing customer information is not sufficient. True value is realized only when employees change their behavior in how they utilize this information. Such behavioral change is essential for transforming the customer experience.

Individual behavioral change is a critical factor for BX. To this end, our transformation efforts focus on empowering every employee to design optimal operational processes from scratch, rather than relying on conventional methods, with the goal of achieving significantly higher productivity and dramatically improved quality. In particular, as AI adoption increases within the Company, employees' work environments are changing

significantly, heightening individual awareness of the need for transformation. By taking the following actions based on their unique skills and experience, each employee is driving business transformation across the entire Group.

- ① **Individual:** Free thinking, not constrained by the status quo
- ② **Organization:** A flexible mindset for transformation at an organizational level, embracing such spirit
- ③ **Means:** Utilization of digital tools and data (xD) that enable transformation
- ④ **Awareness:** Each individual's strong commitment to behavioral change

## The Aim of BX

BX also represents a transformation in awareness that extends throughout KOBELCO-X. The first step is to foster various behavioral changes among individual employees in their respective roles and workplaces. A mindset for transformation is aligned with the Group Corporate Philosophy, particularly the spirit of KOBELCO's Mission: "to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies," as well as with the third statement of the Core Values of KOBELCO: "Through continuous and innovative changes, we create new values for the society of which we are a member." This mindset forms the foundation of our Group's business activities.

Our Group's BX initiative aims to achieve operational efficiency and quality improvements through a variety of initiatives, thereby enhancing the Group's corporate value.

The KOBELCO-X transformation initiatives are recognized in the innovation category of the Kobelco Core Values Awards, one of our employee recognition programs (see page 17).

# Human Rights

For details, please see Human Rights and Labor on pages 51–53 of ESG Data Book 2026.

As a corporate group that operates globally, the Kobelco Group respects the International Bill of Human Rights adopted by the United Nations and implements initiatives in accordance with international standards. In March 2021, we began participating in the United Nations Global Compact. As a company that endorses the principles of protecting human rights and eliminating improper labor practices, we will continue our efforts to fulfill them and strengthen our initiatives to prevent human rights violations.

## Basic Policy on Human Rights

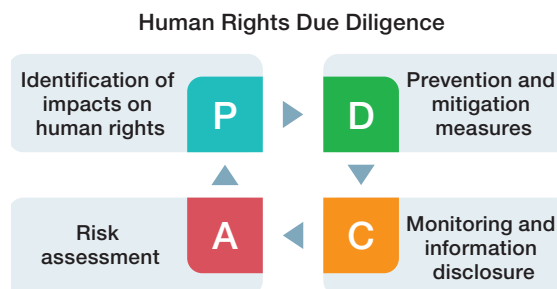
As global awareness of human rights grows, we examined our Basic Policy on Human Rights and updated it into the Kobelco Group Basic Policy on Human Rights in December 2022, in accordance with the United Nations Guiding Principles on Business and Human Rights. Based on this policy, we are stepping up our efforts to comply with international norms.

Our human rights policy applies to all directors, executive officers, and employees of the Group. In addition, we are working to ensure that this policy is supported and implemented by the Group's business partners, including suppliers.

## Human Rights Due Diligence

Based on the identification and evaluation results of potential adverse impact on human rights in our Group business activities, we are working to establish a due diligence process to prevent or mitigate such impacts.

In fiscal 2022, Kobe Steel conducted its own risk assessment concerning the identification of human rights issues, risk evaluation, and the identification of impact on human rights. In fiscal 2023, the Company began expanding the scope of risk assessment to include its major domestic Group companies and overseas Group companies. We will strive to establish a human rights due diligence process throughout the Group by examining measures to mitigate identified human rights risks and disclosing information to our stakeholders.



## Human Rights Risk Assessment Results

| Fiscal Year | Scope                    | Identified Human Rights Issues                                                                                                      |
|-------------|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| 2022        | Kobe Steel               | <ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Harassment</li> <li>Procurement practices</li> </ul> |
| 2023        | Domestic Group companies | <ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Harassment</li> </ul>                                |
|             | Overseas Group companies | <ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Women's rights</li> <li>Working hours</li> </ul>     |
| 2024        | Domestic Group companies | <ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Harassment</li> <li>Working hours</li> </ul>         |
|             | Overseas Group companies | <ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Harassment</li> </ul>                                |
| 2025        | Domestic Group companies | <ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Harassment</li> <li>Working hours</li> </ul>         |
|             | Overseas Group companies | <ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Harassment</li> </ul>                                |

Note: Based on the risk assessment results, we identify human rights issues that pose a particularly high risk to human rights for each Group company.

## Human Rights Risk Assessment Results and Plan (Number of Group Companies Covered)

| Group Companies | Fiscal 2022     | Fiscal 2023 | Fiscal 2024 | Fiscal 2025 | Fiscal 2026 |
|-----------------|-----------------|-------------|-------------|-------------|-------------|
|                 | Results         |             |             |             | Plan        |
| Domestic        | Kobe Steel only | 3           | 31          | 30          | —           |
| Overseas        | —               | 18          | 11          | 17          | 18          |

## Manufactured capital

# FX Factory Transformation

The Kobelco Group is working on factory transformation (FX) to increase productivity and advance automation on production floors in an effort to address future labor shortages and strengthen earning power. By utilizing various tools such as AI and digital technologies, we are promoting the automation of manual labor and transportation and the advancement of equipment diagnostic technology.

By leveraging the strength of our diverse business operations, we promote the Groupwide sharing of technologies and know-how across our production sites, encouraging employees to emulate and learn from best practices and pioneering initiatives. This approach enables us to drive and accelerate our Group's unique FX.

In order to achieve our goals of enhancing earning power and pursuing growth, as well as taking on the challenge of realizing carbon neutrality, it is imperative that we strengthen our *monozukuri* (manufacturing) capabilities. The *Monozukuri* Reform Working Group, which was established in fiscal 2024, examined the current status of labor shortages at manufacturing sites and set up key measures focused on labor-saving initiatives\*. Three of our production sites—Kakogawa Works (Plate Mill), Moka Works (Aluminum Sheet & Plate Plant), and Chofu Works (Aluminum Extrusion & Fabrication Plant)—are designated as model plants for labor-saving initiatives, implementing initiatives focused on automation and logistics optimization. Through these activities, common manufacturing challenges are being addressed, with an array of best practices being developed, such as completing the verification of remote operation technologies designed to automate high-heat tasks that place a heavy burden on workers. This initiative won the Grand Prix in the Transformation Category at the 7th Kobelco Core Values Awards and was shared Groupwide as an initiative that created new value. Furthermore, we hold production technology exchange meetings with the aim of improving our *monozukuri* capabilities and developing human resources and raising the level of these capabilities Companywide.

\* Labor-saving initiatives aim to sustain operations with a smaller number of workers

## Major Initiatives

### Advancing Kobelco Group's Unique FX

We will improve our *monozukuri* capabilities by promoting the sharing of best practices across our Group's diverse business domains. We will establish a system to aggregate and index solutions to common manufacturing challenges and promote the application of these solutions through emulation and learning.

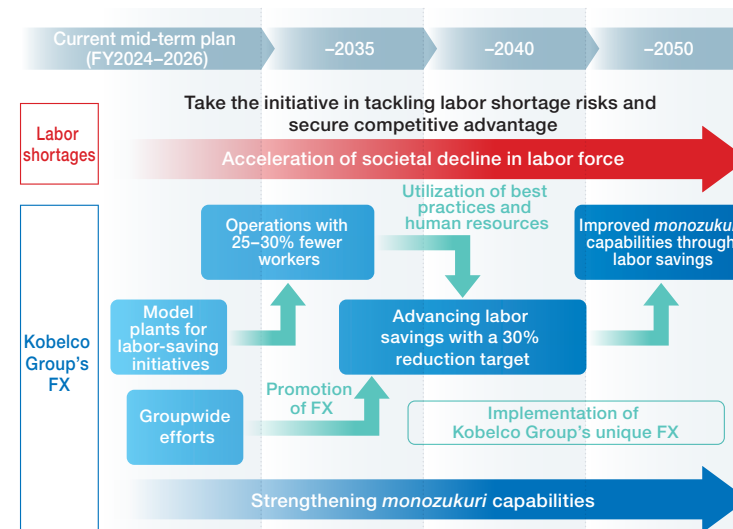
### Promoting Labor-Saving Model Plants

Our Company has designated three domestic model plants as its labor-saving front-runners with the goal of making them capable of maintaining production with 25–30% fewer workers by 2030. We will utilize the resources and outcomes obtained from the labor savings across the Group to accelerate our efforts.

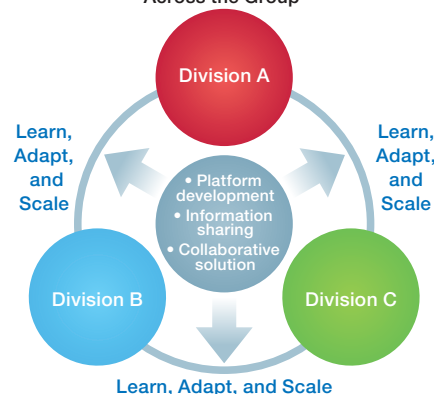
### Groupwide *Monozukuri* Support

At the production technology exchange meetings, engineers from various fields gather for lectures and study sessions aimed at strengthening core technologies underpinning our *monozukuri* (i.e., casting, forging, rolling, measurement and control, process technology, analysis and evaluation, and no-code/low-code development). These exchanges promote collaboration within the Group and foster the development of technical personnel.

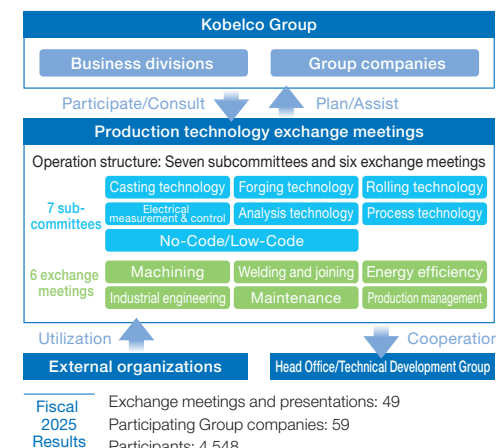
## The Aim of Kobelco Group's FX



### Kobelco Group's FX Learn, Adapt, and Scale Best Practices Across the Group



Application of Solutions to Common FX Challenges (Learn, Adapt, and Scale)



Companywide *Monozukuri* Support

# Quality

For details, please see Quality on pages 98–99 of ESG Data Book 2026.

The Kobelco Group is taking proactive steps to enhance its quality management and quality control processes, while continuing to implement measures to prevent the recurrence of quality misconduct as a top priority.

## Basic Policy

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

### Quality Charter

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

### Companywide Policy on Quality Improvement

- Strengthening the infrastructure that can provide “Trusted Quality”
- Strengthening management capabilities to provide “Satisfying Quality”

\* Total Quality Management: A method of business management for comprehensive quality control. Kobelco TQM has begun as the next phase after completing quality misconduct preventive measures. It aims to strengthen the management of each business segment while identifying legal compliance issues that serve the needs of customers and society and addressing them with the participation of all employees.

## Implementation Structure

### Quality Management Committee

The Company established the Quality Management Committee in April 2019 as an advisory body to the Board of Directors. The committee’s purpose is to monitor and make recommendations on activities to enhance quality management (Kobelco TQM), including the measures to prevent recurrence of quality misconduct.

Members of the committee include two internal executives of the Company and three external experts selected by the Board of Directors who have technical or management knowledge on quality control.

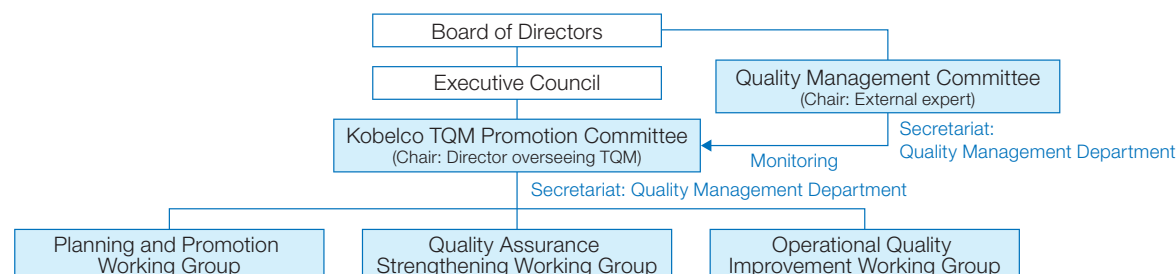
### Kobelco TQM Promotion Committee

The Kobelco TQM Promotion Committee was established as an auxiliary body to the Executive Council, taking over the activities of the Kobelco TQM Promotion Meetings under the previous Medium-Term Management Plan.

While improving measures to prevent recurrence of quality misconduct, the committee will work to improve quality management capabilities by promoting the Kobelco TQM activities, which began in fiscal 2020, and encouraging its practice in daily operations throughout the Group. As Groupwide measures, the committee is working on enhancing middle management, strengthening quality assurance, and improving operational quality through quality control (QC) circle activities, contributing to achieving the goals of management issues.

The committee, chaired by the director overseeing Companywide TQM activities, consists of 14 members from the head office, business divisions, etc.

The Quality Management Committee monitors the Kobelco TQM Promotion Committee’s activities and reports their progress to the Board of Directors. In addition, the TQM Promotion Committee aims to raise the level of its capabilities by receiving the recommendations of external members of the Quality Management Committee.



# Safety and Health

For details, please see Safety and Health and Health and Productivity Management on pages 57–58 of ESG Data Book 2026.

The Kobelco Group believes that safety and health are fundamental to business operations and take priority over all business activities. Based on this, we comply with relevant laws and regulations and carry out various safety and health activities to create a vibrant workplace where employees can work with safety and security.

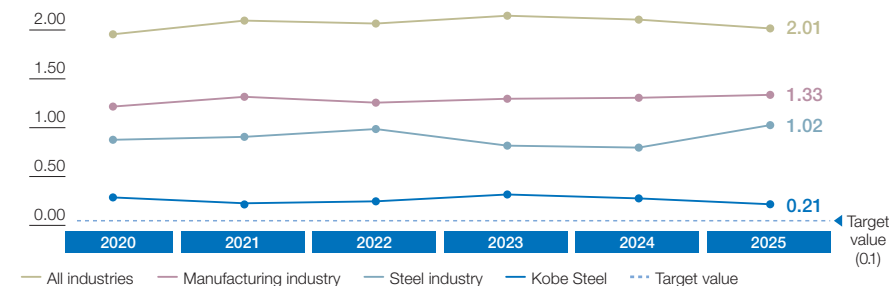
## Safety Code of Conduct Based on the Core Values of KOBELCO

- We follow workplace rules and earn the trust of family and coworkers.
- We value each and every one of our coworkers and care for each other.
- We aim for higher levels of safety and security through continued improvement of workplace facilities and systems.

## Key Objectives (Fiscal 2026)

- Fatal and serious accidents (involving three or more people at the same time): Zero
- Lost time injury frequency rate: 0.10 or less

## Lost Time Injury Frequency Rate



Notes:

1. Lost time injury frequency rate (LTIFR) = (Number of injuries requiring absence from work / Number of total hours worked) x 1,000,000
2. Data for all industries, manufacturing industry, and steel industry is based on data from the Ministry of Health, Labour and Welfare, Japan, and calculated on a calendar year basis (January–December).
3. Data for Kobe Steel is calculated on a fiscal year basis (April–March).

In fiscal 2025, machine safety improvements for production equipment were continuously implemented at all production sites. As part of the KOBELCO-X initiative, an accident analysis and search system utilizing generative AI was developed to promote the sharing of information on past incidents and strengthen

mechanisms to prevent their recurrence.

In fiscal 2026, efforts to further improve machine safety will continue. Additionally, safety and health management will be enhanced by utilizing generative AI to support hazard prediction and identifying potential hazards through risk assessments, as well as by using AI-powered cameras to detect entry into hazardous areas.

## Key Activities in Fiscal 2026

- Developing safety-oriented personnel who can check and ensure safety before starting any work or operational procedures (fostering a safety culture)
- Enhancing safety audits and support
- Promoting machine safety
- Introduction of AI-powered cameras and promotion of digital tools to support safe behavior (DX)
- Initiative to establish an occupational safety and health management system
- Ensuring thorough and regular control of hazardous operations

## Introduction of Accident Analysis and Search System Using Generative AI

Our Company has developed and implemented a system utilizing generative AI technology that can instantly search and display similar accident cases from the vast amount of accident reports, analysis materials, and countermeasure implementation records accumulated in the past, simply by entering basic information about an accident. This system is now available Companywide.

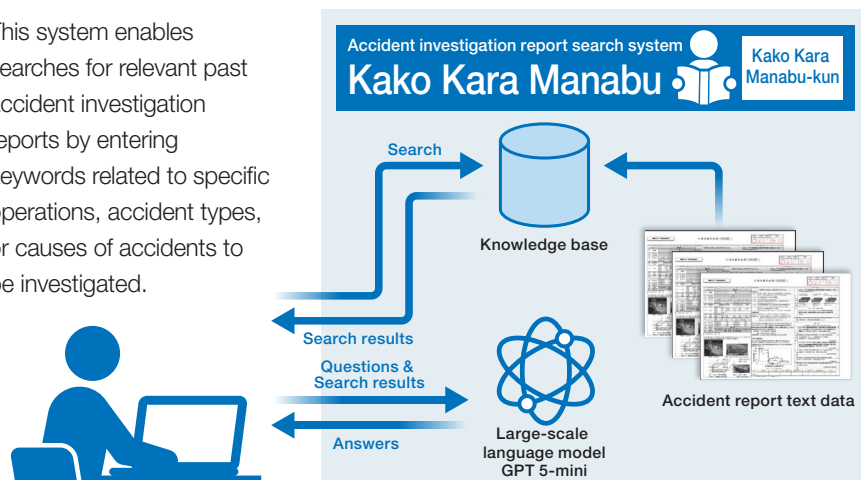
The system makes it easy for employees to learn about past accident cases related to their own work and workplaces, and is being used as an educational tool to improve workers' ability to predict danger. It also contributes to further improvements in safety awareness by increasing opportunities to share awareness of dangers within the workplace.

## Manufactured capital

## Safety and Health

## Development of Accident Investigation Report Search System

This system enables searches for relevant past accident investigation reports by entering keywords related to specific operations, accident types, or causes of accidents to be investigated.



## Health and Productivity Management

In order to create a healthy work environment with safety and security ensured, we are promoting initiatives aimed at helping employees to maintain and improve their mental and physical well-being. In recognition of these initiatives, we were certified as a 2026 Outstanding Organization of KENKO Investment for Health for the 10th time following the previous year.



## Mental Health Initiatives

- Providing consultation desks “ask me anything” sessions staffed by industrial counselors at all business locations.
- Creating a healthy workplace environment that considers work engagement based on the results of stress checks.
- Arranging a consultation with industrial physicians to follow up with employees who have reported irregularities in sleep-related questions in the stress check questionnaire. Promoting support for better sleep by developing and distributing educational videos on sleep.

## Providing Improved Health Checkups (in cooperation with Health Insurance Association)

- Providing gastroscopy and *Helicobacter pylori* testing every two years for employees aged 40 and older (early detection of stomach cancer).
- Providing comprehensive medical checkups for employees reaching the age of 50 or 60 as well as their spouses.

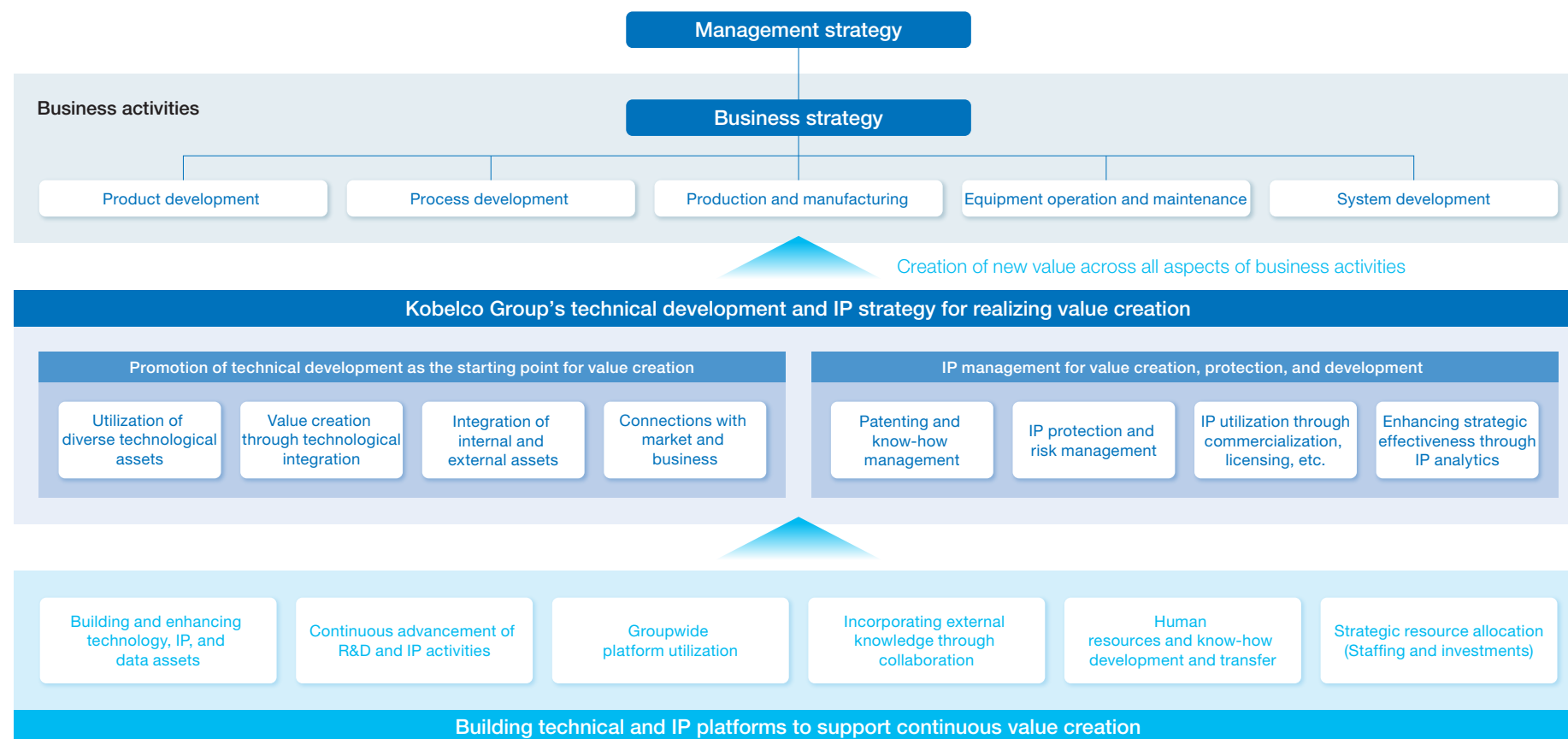
## Activities to Help Employees Maintain and Improve Their Health (in cooperation with Health Insurance Association)

- Advancing initiatives to improve employee health through campaigns to create exercise habits and improve sleep with a focus on e-learning, walking, and good sleep using the health support app “Pep Up.”
- Distributing videos on stretching and low back pain prevention exercises on the intranet.

## Technical Development and Intellectual Property Strategy

Our Group is advancing technical development—built upon diverse technological assets—placing it at the core of value creation to achieve its management and business strategies. By integrating technologies with internal and external assets, we bring them to market and business, driving the creation of new value. Alongside a systematic approach to the protection, utilization, and development of intellectual property (IP), we enhance the effectiveness of our business and technical strategies by leveraging the analysis and utilization of IP information. Furthermore, by strengthening the framework through the accumulation and enhancement of technology, IP, and data assets, as well as external collaborations, human resources development, and strategic resource allocation, we will achieve continuous value creation and sustainable corporate value improvement.

### Overview of Our Technical Development and IP Strategy



# Technical Development Strategy

## Driving New Business Value Creation Originating from Diverse Technological Assets

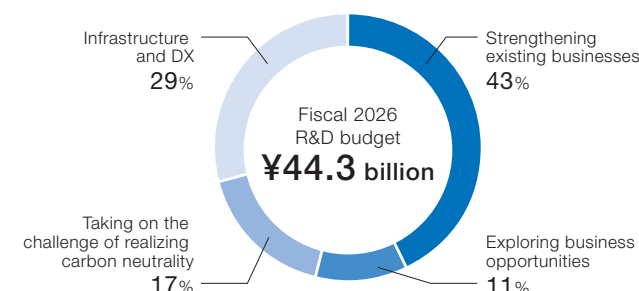
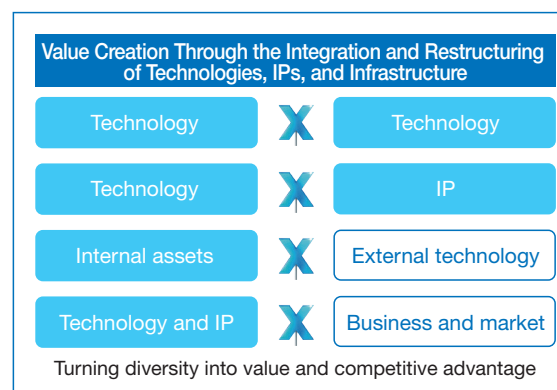
Our Group operates a diverse range of businesses, encompassing materials, machinery, and electric power, and has accumulated a wide variety of technological assets—such as core technologies, basic technologies, elemental technologies, data, and know-how—cultivated in each field. These technological assets are not only utilized within individual businesses but also serve as a source of new value creation through utilization across the Group and the integration of different technologies.

To make the most of these technological assets, our Group is working to integrate and restructure them through Groupwide collaborations, integrating internal assets with external technologies. Along with this, we are also striving to expand our technological assets while advancing and updating our core technologies. Throughout this process, we pursue integrated utilization of these assets through close collaboration across technical development, IP, and implementation platforms. Furthermore, by connecting our

technologies with market and business needs, we ensure they are not confined to mere R&D results, but are translated into tangible business value. Through this process, we are working to strengthen mechanisms that transform diversity into value and competitive advantage. Additionally, in collaboration with external partners, we are exploring promising cutting-edge technologies to secure future technological options, while actively acquiring and implementing necessary technologies. By integrating external insights with our Group's technological assets, we will expand the scope of our value creation.

These initiatives not only strengthen the competitiveness of our existing businesses but also create new business opportunities, contribute to addressing societal challenges such as achieving carbon neutrality. Furthermore, we are working on sustainable business value creation by promoting AX (ambidexterity) and GX (green transformation). Our business divisions, the Technical Development

Group, the head office, and Group companies are working together to build a framework that allows for the Groupwide utilization and integration of technological assets. In addition, by strategically allocating human resources and R&D investments, we will enhance the effectiveness of our business value creation process through the integration and restructuring of technological assets and the utilization of intangible assets, including IP.



# Intellectual Property Strategy

## Value Creation Process Through IP (Creation, Protection, and Utilization)

In line with our Group's basic policy of "utilizing intellectual property (IP) as a management resource to enhance corporate value," we are actively promoting activities that leverage IP.

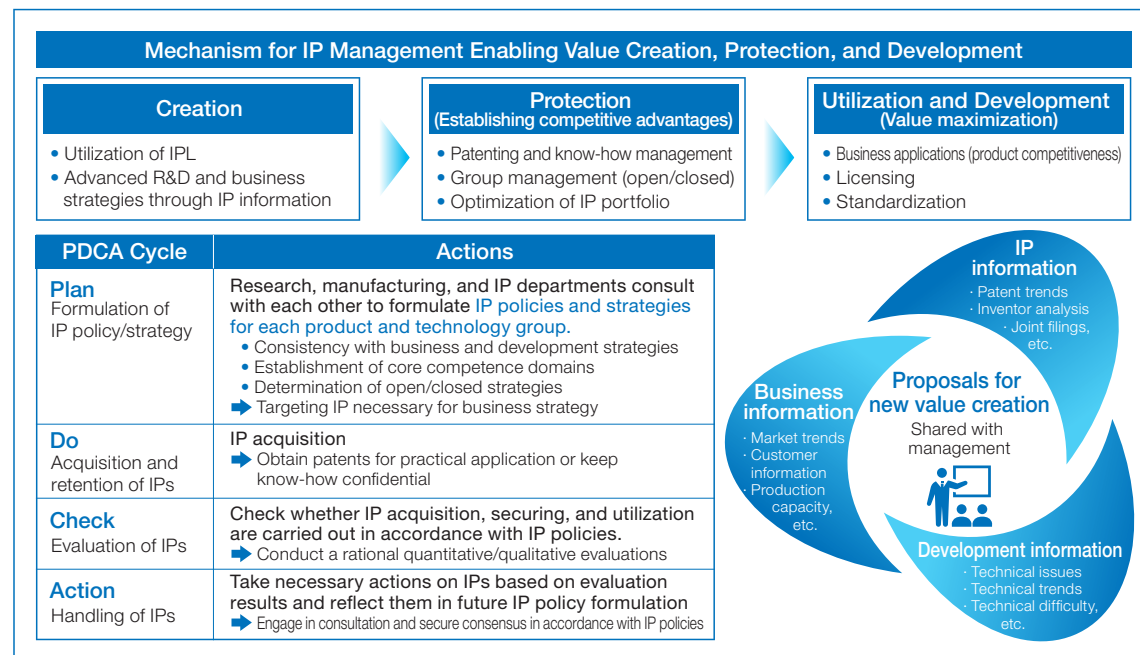
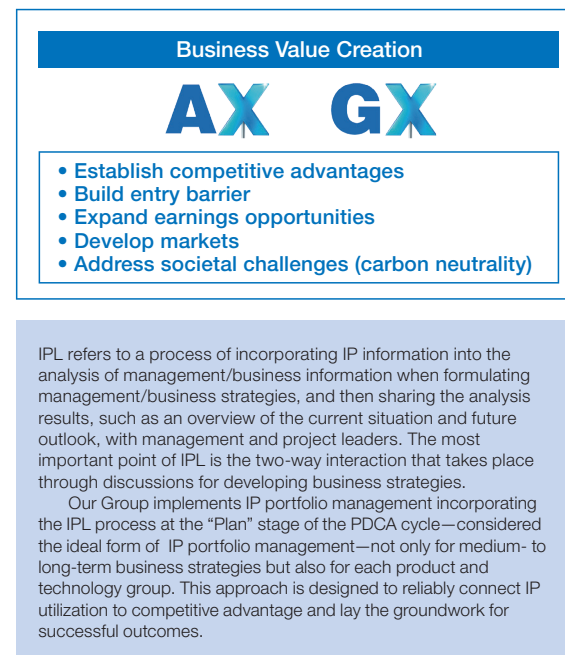
Based on our overall strategy—designed to integrate management/business strategies, technology development strategies, and IP strategies through the utilization of IP Landscape (IPL)—we are implementing initiatives to create new value, enhancing the efforts aimed at strengthening existing businesses and fostering the creation of new businesses. We plan to expand the use of IPL to our Group's diverse range of products and

technologies, while advancing further sophisticated, Companywide utilization.

For each piece of technical knowledge generated, we establish IP management policies for groups of technologies and products—a method known as IP portfolio management—by appropriately leveraging patent-based exclusivity and know-how as trade secrets. This approach enables us to achieve both competitive advantage and effective risk management. Through these activities, we promote an integrated approach—from the creation and protection of new value to its utilization and expansion. This approach not only helps secure competitive advantages and

build barriers to entry but also contributes to addressing carbon neutrality and other societal challenges, thereby enhancing our corporate value.

As a foundation to support these strategies, we are working to develop personnel who can combine IP information with management/business and other information to propose strategies and tactics that contribute to business and technical development and strengthen collaboration with business and technical divisions. Along with this, we continuously promote IP activities and enhance IP strategy through the plan-do-check-act (PDCA) cycle.



# DX Digital Transformation

We will realize, accelerate, and advance transformation by utilizing digital technology and data to provide solutions to the needs of society and create new value.

## Kobelco Group's Basic Policy on DX Strategy

KOBELCO-X provides impetus for our transformation into an appealing company and business entity that drives innovation into the future. Groupwide DX initiatives are a central to this effort.

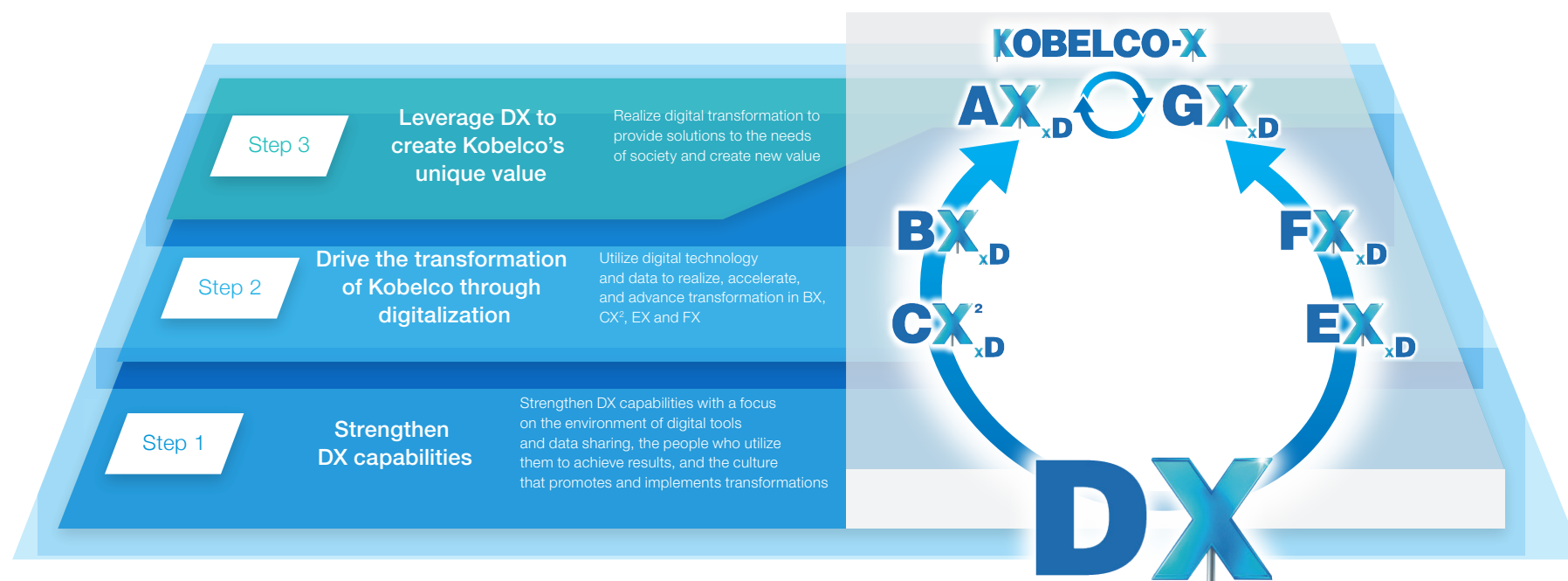
The Group's DX strategy is to realize, accelerate and advance BX, CX<sup>2</sup>, EX and FX through KOBELCO-X by utilizing digital technology and data (collectively referred to as xD), making it linked to AX and GX through providing solutions to the needs of society and creating new value.

We will strengthen our DX capabilities through three elements: an environment that enables transformation, people who can use digital technologies and data to

create value, and a culture that promotes and executes transformation. By doing so, we will empower all employees to drive BX and other transformations across a wide range of business operations.

Kobelco Group's DX aims to not only enhance the earning power of existing businesses using resources it generates, but also increase corporate value by leveraging digital technology and data to create new businesses, help achieve carbon neutrality, and address other societal challenges.

For more information about Kobelco's DX initiatives, please see Kobelco DX Report 2025. ([https://www.kobelco.co.jp/sustainability/pdf/20251118\\_dx.pdf](https://www.kobelco.co.jp/sustainability/pdf/20251118_dx.pdf)) (in Japanese only)



## Intellectual capital

**DX** Digital Transformation

## Our DX Initiatives

**Step 1 Strengthening DX Capabilities**

We are advancing measures to bolster our ability to drive DX forward involving all employees, including executive management. Based on the results of the fiscal 2025 awareness survey, which indicated an improvement in our DX capabilities, we will continue and strengthen our ongoing initiatives as outlined below.

**Environment**

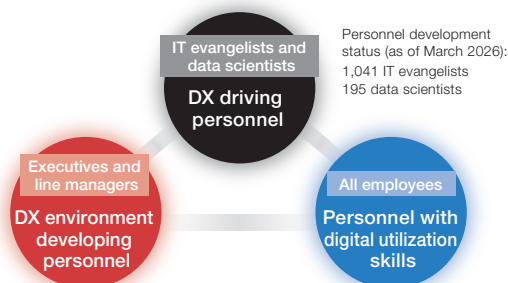
In fiscal 2025, we conducted a large-scale demonstration test of Microsoft 365 Copilot (paid version) to thoroughly evaluate the use of generative AI. The test confirmed that generative AI effectively improved efficiency and the quality of deliverables across all aspects of daily operations, reducing monthly work time by an average of approximately 240 minutes per employee among roughly 3,600 participants. Furthermore, over 80% of employees responded that they redirected the time saved to value-creating work. We are also working on creating a foundation to support the use of generative AI by organizing data into formats that are easy to use in business operations.

**People**

To ensure that each employee understands their role and advances DX, three categories of personnel have been defined: DX driving personnel, DX environment developing personnel, and personnel with digital utilization skills. In fiscal 2025, we further expanded training programs tailored to each personnel category, building on last year's efforts. This included introducing new training for line managers and enhancing follow-up initiatives to support the practical application of skills after training.

For more information about Kobelco's DX initiatives, please see Kobelco DX Report 2025. ([https://www.kobelco.co.jp/sustainability/pdf/20251118\\_dx.pdf](https://www.kobelco.co.jp/sustainability/pdf/20251118_dx.pdf)) (in Japanese only)

## Definition of DX Personnel

**Culture**

We are working to create systems and environments that recognize employees' DX activities and spread these initiatives Companywide. In fiscal 2025, we worked to foster a culture where each individual proactively advances DX by sharing transformation initiatives through DX consultations and dialogue sessions between employees and directors or executive officers at each business location, creating opportunities for mutual learning across the organization.

**Step 2 Spreading Internal Transformations Through Digital Technology and Data**

Companywide data utilization platforms, such as DataLab™ and a customer information sharing platform, are being developed to advance digital technology and data-driven transformation across the organization.

In fiscal 2025, our efforts from the previous fiscal year continued to build a system that utilizes generative AI for cross-functional application of knowledge obtained in the past. As a result, tasks that previously relied on individual experience were transformed into data-driven, reproducible processes, enhancing quality and risk management and improving responses to equipment abnormalities.

In fiscal 2026, the full-scale adoption of agentic AI will be implemented, promoting initiatives aimed at dramatically improving productivity across the entire organization.

Furthermore, the use of digital tools is producing transformation initiatives in various business divisions, such as material management at manufacturing sites and on-site information sharing. By accumulating these initiatives and fostering cross-divisional collaboration, we aim to expand digital- and data-driven transformation Companywide, further accelerating our evolution.

**Step 3 Providing New Value and Addressing Societal Challenges****DX Promotion Structure**

- To promote Companywide DX initiatives, we have established the DX Strategy Committee as an auxiliary body to the Executive Council.
- The DX Strategy Committee advances KOBELCO-X by leveraging digital technology in collaboration with other committees and transformation promoting bodies.

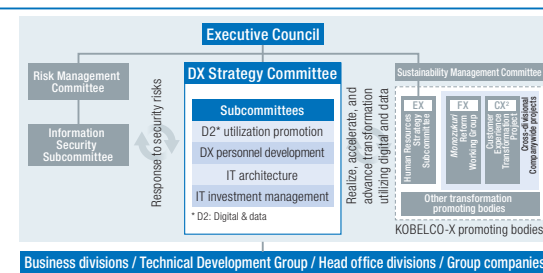
By developing and accelerating various internal transformations generated in Step 2, Kobelco Group's DX aims to enhance the earning power of our existing businesses, while working to provide new value to customers and create new businesses through the utilization of digital technology and data.

We have commercialized Japan's first low-CO<sub>2</sub> blast furnace steel product Kobenable™ Steel by integrating the steel and engineering businesses' technologies with AI-based blast furnace operation technology. As of July 2026, Kobenable™ Steel has been adopted in 16 commercial-use cases, contributing to the realization of a carbon neutral society.

By using AI to reproduce how experienced waste crane operators assess conditions and make decisions at waste treatment plants and transforming situation-dependent judgments into a reproducible process, we have automated waste crane operations. This contributes to addressing challenges, such as labor shortages and skills transfer. This technology has been adopted by two projects, scheduled for completion in fiscal 2027.

In materials development, we are promoting a shift to a data-driven development process utilizing DataLab™. By structuring and aggregating experimental data that had been scattered and managed individually, we have enabled the use of an AI model built on this data for prediction of material properties and exploration of optimal designs. In fiscal 2025, this approach proved effective in 10 new material development projects in the welding sector, contributing to improved manufacturing quality and shorter development lead times.

Through these initiatives, we will create value unique to the Kobelco Group by leveraging our businesses and technologies, while providing solutions to societal challenges and enhancing corporate value.



For more information on cybersecurity, please see pages 101–102 of ESG Data Book 2026.

For more information on AI governance, please see page 103 of ESG Data Book 2026.

# CX<sup>2</sup> Customer Experience Transformation

We provide new value to our customers by sharing their concerns across business segments and proposing solutions that integrate Kobelco Group's diverse technologies, products, and services.

## What Is CX<sup>2</sup> in KOBELCO-X?

As societal demands evolve, our customers encounter increasingly complex challenges. We are responding to this situation by offering solutions that utilize our unique and diverse technologies, products, and services with a new perspective on customers—seeing them as “Kobelco Group's customers” rather than “each business division's customers.”

Customer experience transformation (CX<sup>2</sup>) is a term invented by the Group to describe the Kobelco Group's uniqueness. While customer experience (CX) was formerly the domain of each business segment, CX<sup>2</sup> has presented a new concept of customers who are viewed as customers of the entire Kobelco Group, not just particular business segments. In addition to improving customer trust, we are working to transform our customer engagement alongside customer experience. The term CX<sup>2</sup> was chosen to convey two meanings: multiplying (x) the CX efforts of each business unit and transforming customer experience (CX).

## Customer Experience Transformation Project, Driving and Enhancing CX<sup>2</sup> Efforts

To promote CX<sup>2</sup>, we had to renew the previous customer information management system by each business unit with one that allows for the centralized management of information across all businesses. To this end, we launched the Customer Experience Transformation Project under the Executive Council in fiscal 2023. The project developed a CRM system as a platform for sharing customer information, with operations commencing in fiscal 2024. In some

business divisions, functionality will be extended to include sales force automation (SFA) starting in fiscal 2026, making even more effective use of customer information.

The aim and goal of CX<sup>2</sup> cannot be achieved by simply having a system or a shared platform. To increase the momentum within business divisions, the Customer Experience Transformation Project has appointed the head of each business division as the person responsible for promoting CX<sup>2</sup> and around 100 people as evangelists across the Company to support users of the platform.

In fiscal 2025, users generally became accustomed to entering customer contact information, with over 110,000 pieces of information from customer contacts stored and shared Groupwide. At the same time, the utilization of accumulated information advanced, creating a foundation for concrete outcomes. These include the study for the effective use of customer information in cross-divisional initiatives focused on automobiles, hydrogen, semiconductors, and building materials; joint proposals across business divisions to deliver new value to customers; and research, development, and new proposals addressing customer challenges identified on the SFA system. These developments reflect a growing

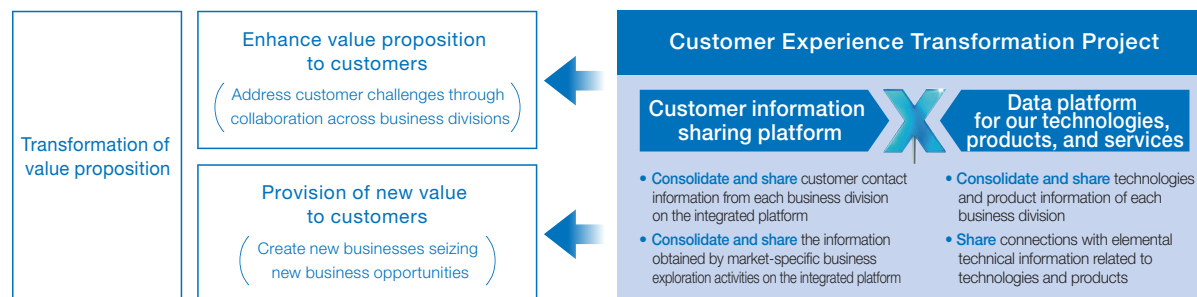
awareness of CX<sup>2</sup> creation.

In fiscal 2026, as the next phase of the Customer Experience Transformation Project, efforts will begin to facilitate information sharing across business divisions by visualizing Kobelco Group's technologies, products, and services that address customer challenges, with the aim of further accelerating CX<sup>2</sup> initiatives.

## AX and the Transformation of Customer Experience Value

Going forward, we will utilize customer-specific information together with information on the Group's technologies, products, and services, aiming to increase the value we provide to customers and enhance the earning power of our existing businesses. Along with this, we will explore opportunities to create new businesses, utilizing information with a focus on specific markets or specific societal challenges such as carbon neutrality, thereby pursuing growth.

We will continue to realize CX<sup>2</sup>—transformation of customer experience value—through Kobelco Group's unique problem-solving across business segments.



# Building Responsible Supply Chains

As a responsible member of the global supply chain, the Kobelco Group is proactively working to address human rights, environmental and other issues not only within the Group but also throughout its entire supply chain.

## Basic CSR Procurement Policy

Our Group has formulated the Basic CSR Procurement Policy, which systematizes its approach and action agenda to build responsible supply chains and shares it with all of its business partners.

Based on this policy, we will fulfill our social responsibility while working to identify supply chain issues in the procurement of raw and other materials and ensuring a stable supply of products and services.

### Basic Procurement Policy

Our Group's procurement divisions implement activities in accordance with the basic procurement policy as provided below.

1. Compliance with laws, regulations, and other social norms
2. Fair and impartial transactions
3. Coexistence with the global environment through procurement
4. Strengthening of partnerships with business partners
5. Control of confidential information

### Requests to Our Business Partners

Our Group requests its business partners to understand and practice the following in order to work together to build responsible supply chains.

|                       |                          |
|-----------------------|--------------------------|
| Compliance            | Human rights and labor   |
| Safety and health     | Environmental            |
| Fair trade and ethics | Quality and safety       |
| Information security  | Business continuity plan |
| Social contribution   |                          |

### Implementation Structure

Our Group's procurement policy is proposed by the Sustainability Management Committee to the Executive Council for deliberation to build consensus. Implementation is led by the operations managers of procurement departments within each business division. From a risk management perspective, the Sustainability Management Committee collaborates with the Risk Management Committee to strengthen the execution framework.

### Action Agenda

The Kobelco Group engages in activities according to the following action agenda and works to build a responsible supply chain.

1. Notification of Requests to Our Business Partners, including their suppliers
2. Solicitation for compliance with Requests to Our Business Partners and support for improvements
3. Information disclosure
4. Cooperation with business partners
5. Cooperation with employees, Group companies, and affiliates

## Main Initiatives in Fiscal 2025

| Theme                  | Description of Initiatives                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Human rights and labor | <ul style="list-style-type: none"> <li>The third CSR survey and the second detailed survey on human rights were sent to business partners.</li> </ul>                                                                                                                                                                                                                                                                                                                              |
| Conflict minerals      | <ul style="list-style-type: none"> <li>It was confirmed that neither our Company or Group companies purchased minerals subject to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (tin, tantalum, tungsten, and gold) from restricted areas.</li> <li>It was also confirmed that neither our Company or Group companies purchased cobalt or mica, which are associated with human rights violation risks, from conflict-affected or high-risk areas.</li> </ul> |

## Initiatives for Fiscal 2026 and Beyond

| Fiscal 2026                                                                                                                       | Fiscal 2027                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Support measures for our business partners will be explored based on the responses to the second detailed survey on human rights. | Support measures for our business partners will be implemented, and future action policies will be developed based on a review of previous initiatives. |

For details, please see Building Responsible Supply Chains on pages 73–76 of ESG Data Book 2026.

# Providing Value and Communicating with Stakeholders

For details, please see our ESG Data Book 2026.

The Kobelco Group is committed to proactive communication with its stakeholders. We earnestly listen to our stakeholders through dialogues with shareholders and investors, as well as surveys of our customers and business partners. Recognizing that improving management transparency is a priority, we are promoting timely, appropriate, and extensive information disclosure.

| Stakeholders               | Value Proposition to Stakeholders (Outcomes)                                                                                                                                                                                                                                                           | Communication for Co-Creation                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                      |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                            |                                                                                                                                                                                                                                                                                                        | Objectives                                                                                                                                                                                                                                                                                       | Key Opportunities for Dialogue                                                                                                                                                                                                                                                                                                       |
| Shareholders and Investors | <b>Enhancing shareholder value over the medium to long term and providing returns</b> <ul style="list-style-type: none"> <li>Enhancing corporate value through medium- to long-term growth</li> <li>Continuous and stable dividend payment</li> </ul>                                                  | <ul style="list-style-type: none"> <li>Promoting understanding of the medium- to long-term value creation story</li> <li>Building trust to reduce the cost of capital</li> <li>Providing consistent explanations aligned with the management, financial, and non-financial strategies</li> </ul> | <ul style="list-style-type: none"> <li>Integrated Report and ESG Data Book</li> <li>Individual meetings and plant tours with institutional investors</li> <li>Briefings on financial results and management plan progress</li> <li>General meetings of shareholders</li> <li>Online briefings for individual shareholders</li> </ul> |
| Customers                  | <b>Ensuring safety and security in urban development and manufacturing</b> <ul style="list-style-type: none"> <li>Providing materials and machinery that meet needs</li> <li>Supplying energy focused on S+3E</li> </ul>                                                                               | <ul style="list-style-type: none"> <li>Communicating our value proposition, technical capabilities, and reliability</li> <li>Building long-term business relationships</li> <li>Creating opportunities for co-creation and collaboration</li> </ul>                                              | <ul style="list-style-type: none"> <li>Technical exchange meetings</li> <li>Joint development</li> <li>Customer surveys</li> <li>Exhibitions, product catalogs, and websites</li> </ul>                                                                                                                                              |
| Business Partners          | <b>Building cooperative and responsible supply chains</b> <ul style="list-style-type: none"> <li>Maintaining integrity throughout the supply chain</li> <li>Strengthening competitiveness and addressing challenges through collaboration with our Group</li> </ul>                                    | <ul style="list-style-type: none"> <li>Establishing stable procurement and supply relationships</li> <li>Sharing quality and ESG requirements</li> <li>Enhancing value across the entire supply chain</li> </ul>                                                                                 | <ul style="list-style-type: none"> <li>Briefings for business partners</li> <li>Guidelines for suppliers</li> <li>Regular consultations, audits, and evaluations</li> </ul>                                                                                                                                                          |
| Employees                  | <b>Increasing employee satisfaction in work and personal life and promoting employees' global activities</b> <ul style="list-style-type: none"> <li>Creating a safe, secure, and comfortable work environment</li> <li>Providing opportunities for career development and skill enhancement</li> </ul> | <ul style="list-style-type: none"> <li>Instilling Group Corporate Philosophy and strategy</li> <li>Fostering empathy toward the Company's future vision</li> <li>Enhancing employee engagement</li> <li>Improving employee retention</li> </ul>                                                  | <ul style="list-style-type: none"> <li>Internal briefings</li> <li>Site visits and dialogue sessions by the president and CEO and other executives</li> <li>Internal newsletters</li> <li>Various human resources development initiatives</li> </ul>                                                                                 |
| Community Members          | <b>Contributing to society as a member of the local community</b> <ul style="list-style-type: none"> <li>Promoting environmental conservation in communities</li> <li>Returning business profits to society</li> <li>Contributing to society through sports</li> </ul>                                 | <ul style="list-style-type: none"> <li>Building understanding and trust for business activities</li> <li>Coexistence and mutual prosperity with local communities</li> <li>Contributing to solving societal challenges</li> </ul>                                                                | <ul style="list-style-type: none"> <li>Briefings on business activities</li> <li>Joining and sponsoring local events</li> <li>Donating to disaster-affected areas; and supporting reconstruction efforts</li> </ul>                                                                                                                  |