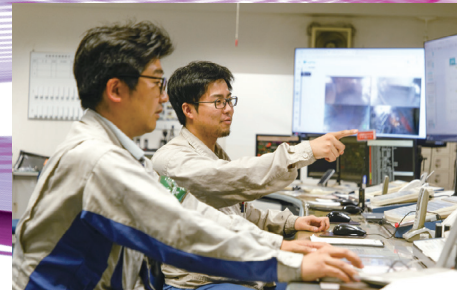


05

Operating Results by Segment



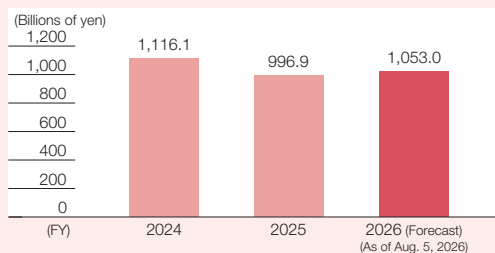
Materials: Steel & Aluminum Business



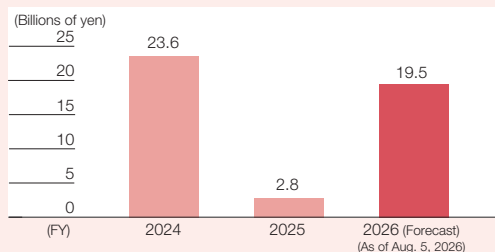
Shoji Miyazaki

Executive Vice President
Head of the Steel &
Aluminum Business

Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 115–116.

Fiscal 2025 Progress and Challenges

In fiscal 2025, despite measures to improve profitability amid a continued low-demand environment, we faced a challenging profit situation due to factors such as decreased sales volume, delays in passing on increased procurement costs to selling prices, and worsening inventory valuation. In light of the gradual decline in demand, it is crucial to strengthen the structure of our domestic business operations and establish a stable earnings base by maintaining and enhancing global competitiveness.

In our initiatives toward carbon neutrality, we updated our roadmap and advanced the development of specific CO₂ reduction measures, such as scrap and biomass utilization and increased HBI input in blast furnaces, while also identifying and examining the challenges involved. Based on this progress, we announced our decision to conduct a full-scale study on introducing a scrap melting furnace, along with a clearly defined pathway toward achieving our fiscal 2030 target.

Fiscal 2026 Key Strategic Initiatives to Achieve the Medium-Term Management Plan

In fiscal 2026, we will strive to improve profitability for both the steel and aluminum flat-rolled product businesses to establish a stable earnings base. In the steel business, faced with a persistently challenging demand environment, we will increase profitability through improved margins gained from price revisions and cost reductions. At the same time, we will work to lower the break-even point by improving our product mix through the expansion of high-value-added products, such as special steel wire rods and highly corrosion-resistant hot-dip coated steel sheets, as well as by developing technology for improving blast furnace operational flexibility under low-production conditions to cope with the gradual decline in demand. We will also work to maintain and strengthen global competitiveness, primarily in Asia and North America.

In the aluminum flat-rolled product business, in an effort to improve profitability, we will capitalize on the recovery in semiconductor-related demand, bolster cost competitiveness by passing on increased costs to selling prices and optimizing our domestic production system, and by making our Chinese operations profitable.

In carbon neutrality initiatives, we will steadily implement each CO₂ reduction measure while exploring the optimal combination of reduction methods to achieve our fiscal 2030 target. In addition, we will advance studies on introducing a scrap melting furnace, with an eye toward fiscal 2030 and beyond.

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

- With Japan's declining population, the growing trend of local production and consumption, rising protectionism, and accelerating inflation, we expect the low-demand environment to continue, making it increasingly difficult to respond to changes in the demand structure.
- The growing need for decarbonization necessitates a shift in manufacturing processes supported by technological development, while challenges remain in procuring raw materials and fuels that contribute to decarbonization, securing sufficient GX steel supply capacity, and passing on higher costs to product prices.

Impacts on Business Operations

- Lower sales volume is anticipated due to declining domestic demand and worsening market conditions. Higher costs are increasing concerns about reduced profitability.
- Carbon neutrality initiatives are expected to increase the economic burden.

Key Medium- to Long-Term Actions

- We will improve profitability by strengthening the structure of our domestic business and maintaining and enhancing global competitiveness, while building a sustainable operation base that can address changes in the demand structure.
- To respond to the expanding GX steel market, we will promote a phased transformation of our production processes and secure sufficient supply capacity.

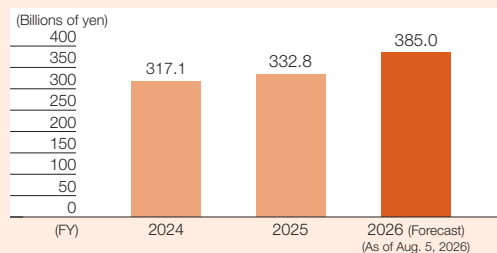
Materials: Advanced Materials Business



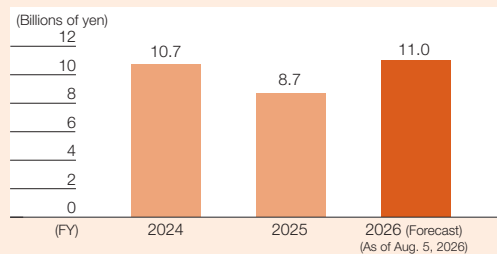
Ryosaku Kadowaki

Executive Officer
Head of the Advanced
Materials Business

Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 115–116.

Fiscal 2025 Progress and Challenges

In fiscal 2025, the business environment continued to experience rapid changes, including shifts in trade policies, heightened geopolitical risks, and persistently high energy and raw materials prices. Under these circumstances, we steadily implemented cost pass-throughs and cost reductions centered on variable costs, which resulted in ordinary profit of 8.7 billion yen. In particular, in the aluminum businesses, we have made steady progress in addressing the challenge of improving profit structure, further strengthening our financial base. On the other hand, our high dependence on the automotive sector and a business structure that is susceptible to demand fluctuations remain challenges. To address this, we are working to further expand our lineup of new offerings by combining diverse materials and processing technologies, while also enhancing our earning power through a shift to high-value-added sectors and optimizing our business portfolio, with the aim of building a stable profit structure.

Fiscal 2026 Key Strategic Initiatives to Achieve the Medium-Term Management Plan

Our main focus in fiscal 2026 is on further enhancing our earning power for the future. In light of persistently high energy and raw materials prices and geopolitical risks such as the situation in the Middle East, we will strive to pass on higher costs to selling prices as appropriate while continuously enhancing procurement BCP and implementing cost reductions. Along with this, we aim to steadily capture demand and expand our business in growth sectors such as shipbuilding, aerospace and defense, semiconductors, as well as energy and carbon neutrality by reinforcing our marketing functions with a customer- and market-oriented approach and fully leveraging our diverse business assets and strengths, including human resources. We will also promote DX, including the use of AI, as well as automation and labor-saving measures, to advance our manufacturing process starting from the customer's perspective. In addition, we will continue improvement and transformation through Kobelco TQM activities with the participation of all employees, and aim to transform our business division into a more appealing organization by accelerating the development of self-directed human resources.

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

- Persistently high energy and raw materials prices, increasing labor costs, and growing geopolitical risks have led to supply chain instability and rising procurement costs. This has made it challenging to secure stable supply sources, effectively pass on cost increases to selling prices, and maintaining cost reduction efforts.
- Our business has been significantly affected by demand fluctuations and the slow progress of EV adoption in the automotive sector, which accounts for a large proportion of sales.
- As countries localize the production of essential goods and bolster their supply chains for economic security, we see this trend as a new business opportunity and recognize that capturing this demand is a key challenge.

Impacts on Business Operations

- Persistently high energy and raw material prices and cost increases driven by supply uncertainties associated with geopolitical risks raise concerns about declining profitability in sectors where increased costs are not being passed on to selling prices.
- With slow progress of EV adoption in the automotive sector, customers are increasingly reassessing their vehicle weight reduction strategies. As a result, our aluminum business, which provides components that contribute to automotive weight reduction, may experience slower demand growth, raising concerns about a potential decline in growth.
- Growing economic security concerns are prompting a shift toward supply chain restructuring and domestic production in the shipbuilding, aircraft, defense, and semiconductor sectors. This trend is expanding opportunities for demand growth for our products.

Key Medium- to Long-Term Actions

- We will advance our manufacturing processes with a customer-oriented approach by advancing DX including the use of AI, as well as promoting automation and labor-saving measures, while passing on increased costs to selling prices and continuing cost reduction efforts. Through this, we aim to maintain and improve our competitiveness, thereby establishing an earnings base that is resilient to changes in the external environment.
- To reduce our high dependence on the automotive sector in our business portfolio, we will strengthen our marketing functions and focus management resources on areas with strong demand growth potentials—such as shipbuilding, aerospace and defense, semiconductors, energy, and carbon neutrality—where we can leverage our diverse business assets, thereby optimizing our business portfolio.

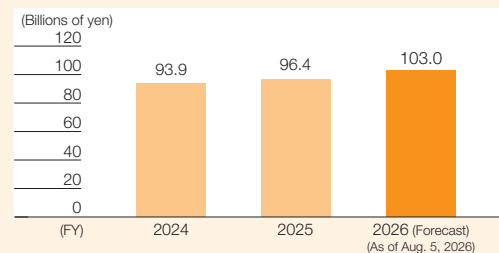
Materials: Welding Business



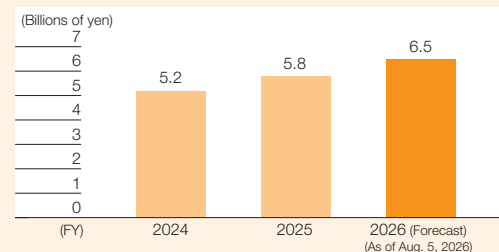
Kazuyuki Suenaga

Executive Officer
Head of the Welding
Business

Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 115–116.

Fiscal 2025 Progress and Challenges

In fiscal 2025, domestic demand for welding materials remained at a record low for the second consecutive year. In response to growing concerns over labor shortages in the manufacturing industry, we implemented various measures, including strengthening sales of our welding solution products. As a result, our segment achieved net sales of 96.4 billion yen, ordinary profit of 5.8 billion yen, exceeding the previous fiscal year, and an ROIC of over 6%. In May 2025, we announced a collaboration with Panasonic Connect Co., Ltd. (renamed Panasonic Connect Group) and rolled out a new automation solution that combines their robot technology with our welding materials and process technology AXELARC™. In November 2025, we renovated the welding training center at the Fujisawa Office. By restructuring it as a human resources development center with practical training and robotics education functions, we aim to address the societal challenge of welding labor shortages. Moving forward, we will continue to strengthen our operation base and steadily implement initiatives aimed at our next stage of growth.

Fiscal 2026 Key Strategic Initiatives to Achieve the Medium-Term Management Plan

In fiscal 2026, we will continue to work on the four key measures outlined in the Medium-Term Management Plan: (1) Implement growth strategy in the solution systems business; (2) Carry out structural reforms and strengthen the foundation of the welding materials business; (3) Promote DX to improve productivity and human resource shortages; and (4) Ensure trusted and satisfactory product quality and realize a safe and healthy workplace environment. In particular, to further increase profitability and accelerate growth in our welding solutions business, we will promote the rollout of the AXELARC™ welding process, which achieves both high efficiency and high quality across a wide range of applications, from medium-thick to thin steel sheets. In the construction sector, we will strengthen our efforts to promote labor savings and stable construction quality by expanding sales of beam welding robot systems. Additionally, we will accelerate the practical implementation of systems equipped with AI Welder™, primarily in the shipbuilding sector, with the aim of creating welding worksites that do not depend on skilled labor. By rolling out these new technologies both in Japan and overseas, we are working toward achieving net sales of 103.0 billion yen and ordinary profit of 6.5 billion yen.

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

- The gradual decline in domestic demand and the shortage of labor resulting from Japan's decreasing population are driving the need to accelerate welding automation and solution proposals.
- Heightened security and geopolitical risks in overseas markets, business locations, and supply chains have made it increasingly important to secure both robust business continuity planning (BCP) and a resilient supply system.

Impacts on Business Operations

- While the gradual decline in domestic demand and worsening labor shortages are impacting demand for welding materials, growing needs for improved construction efficiency and labor savings are expected to spur higher demand in the welding automation and solutions sector. This prompts us to transform our business structure, creating growth opportunities.
- The rise in geopolitical risks has increased demand fluctuations and uncertainties in procurement and logistics in overseas markets, raising concerns about potential impacts on earnings stability. At the same time, by leveraging the strengths of our multiple global locations, we have opportunities to enhance our supply capabilities and competitiveness.

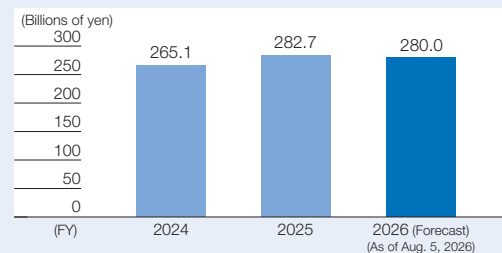
Key Medium- to Long-Term Actions

- Responding to the growing needs for labor savings and higher efficiency, we will advance our automation technologies and solution proposals with welding systems, while accelerating the transformation of our business structure by shifting to high high-value-added sectors.
- In light of rising geopolitical risks, we will work to establish a resilient operation base that balances stable supply and cost competitiveness by optimizing our globally distributed production and supply systems.

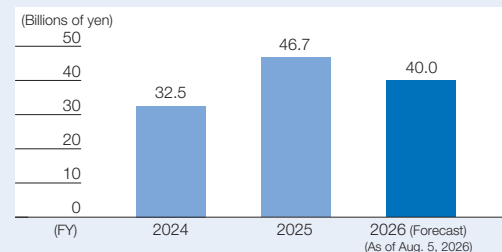
Machinery: Machinery Business



Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 115–116.

Fiscal 2025 Progress and Challenges

In fiscal 2025, we achieved record-high profits for the second consecutive year by generating revenue from previous-year orders and making progress in capturing after-sales service demand. As part of our key measures, we commenced the second phase of expansion at KIMI in India and established an after-sales service base in Saudi Arabia, further advancing our overseas base strategy. In the isostatic pressing (IP) equipment sector, we successfully captured demand from the aerospace and battery sectors. Looking at the external environment, competition is intensifying amid rapidly changing global conditions, including developments in the Middle East. To ensure sustainable growth of our machinery segment, with each product remaining competitive against rival manufacturers, we must focus on securing new projects in the short term while also pursuing medium- to long-term product strategies and inorganic strategies, such as external collaborations and capital alliances.

Fiscal 2026 Key Strategic Initiatives to Achieve the Medium-Term Management Plan

Recognizing these challenges, we have reorganized our structure to enable swift formulation and execution of order strategies, along with integrated personnel assignments to support this. Transitioning from the five-division system that was effective until the previous fiscal year, we have established a hybrid structure consisting of three business units—each responsible for both sales and technical functions, as well as the profitability of individual product lines—along with two divisions tasked with overall management and production across all units. Additionally, we established a planning section within each unit, which is responsible for formulating unit-specific growth strategies, including development plans for specialized personnel and inorganic strategies. In fiscal 2026, under the new organizational structure, we will continue to steadily take actions to strengthen our core business and promote the development and creation of new businesses, working toward the achievement of our KGIs. Furthermore, each unit will articulate its vision for 2040 and the optimal global production system required to realize it. Our next Medium-Term Management Plan will set a milestone toward achieving these goals.

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

- In response to rising geopolitical risks and intensified competition due to the emergence of new competitors, it is increasingly important to develop highly effective product strategies, along with the establishment and enhancement of an integrated manufacturing system that seamlessly connects order acquisition to delivery.
- Amid ongoing demographic shifts such as a declining birthrate and aging population in Japan, key challenges include capturing changes in industrial structure, particularly in the energy sector, and accelerating the creation of businesses to meet emerging demand, as well as securing human resources and ensuring skills transfer to support these efforts.

Impacts on Business Operations

- Amid elevated geopolitical risks, there are concerns about lower productivity due to declining demand, increased procurement costs, and reduced availability of materials. Furthermore, increased competition due to improved quality from competitors poses a risk of declining profitability.
- Japan's declining birthrate and aging population are leading to labor shortages, making it difficult to maintain production capacity and pass on technical skills. As a result, the creation of new businesses may stagnate, making sustainable growth more challenging.

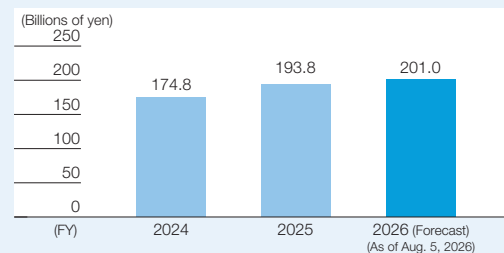
Key Medium- to Long-Term Actions

- By developing and strengthening our production systems, including overseas bases, and continually supplying machinery products and services tailored to local environments and needs, we strive to remain a business entity of choice for our customers.
- Under the new organizational structure, which places greater emphasis on product strategy, we will promote the development of specialized human resources while actively promoting DX and external collaborations. Through these efforts, we will both enhance and effectively utilize resources, including those for creating new businesses, to achieve sustainable growth.

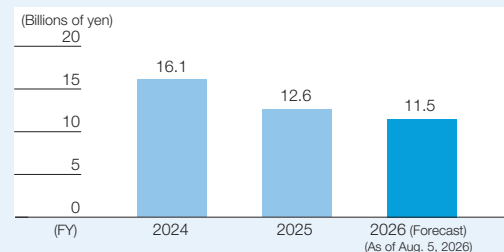
Machinery: Engineering Business



Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 115–116.

Fiscal 2025 Progress and Challenges

Despite signs of a slowdown in the trend toward carbon neutrality, interest in the MIDREX™ Process—a direct reduction process using natural gas or hydrogen as a reducing agent, which contributes to CO₂ reductions in the steel industry—remained high in fiscal 2025. In the DRI business, we continued to secure orders for large-scale projects, as in fiscal 2024. In addition, we successfully captured strong demand in water treatment and waste treatment businesses, both of which are in high demand for achieving energy conservation, energy generation and a circular economy, while steadily executing previously secured orders in other business areas. As a result, we achieved a high level of ordinary profit, totaling 12.6 billion yen.

To mitigate risks such as lost orders, cost overruns, and missed growth opportunities, we consistently advanced our efforts focused on business transformation (BX) and defensive digital transformation (DX), including strengthening our technical capabilities, introducing systems to improve project execution efficiency, and utilizing generative AI to enhance operational efficiency.

Fiscal 2026 Key Strategic Initiatives to Achieve the Medium-Term Management Plan

In fiscal 2026, we will continue to focus on the low-carbon (CO₂ reduction), environmental, and energy sectors, which are expected to grow in line with the advancing trend toward a circular economy and carbon neutrality. Through this, we aim to achieve AX (ambidexterity), contributing to both strengthening the earnings base of our existing businesses and pursuing our growth strategy.

Amid expectations of a continued slowdown in the carbon neutrality trend and ongoing impacts from the Middle East situation, we will strive to secure orders for DRI plant projects, while working to maximize the volume of orders in our existing businesses, including, core facility renovation projects in waste treatment-related businesses and energy generation projects in water treatment-related businesses. By uniting our efforts across the entire engineering segment, we will strive to maximize profits through the reliable execution of all ongoing projects.

To drive future growth, we will promote carbon neutral technology development, create new businesses, generate added value through the use of AI, advance proactive DX, as well as secure and develop human resources. Along with this, we will explore ways to strengthen our competitiveness and optimize our business portfolio through collaboration and partnerships with other companies.

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

- While the direction of carbon neutrality remains unchanged and the outlook for medium- to long-term demand for DRI continues to be positive, it is becoming increasingly difficult to predict the timing of MIDREX™ projects implementation due to the slowing carbon neutrality trend and geopolitical factors such as the situation in the Middle East.
- In the water treatment and waste treatment sectors, increased competition is anticipated due to the medium- to long-term market contraction resulting from Japan's declining population, making it vital to improve competitiveness.

Impacts on Business Operations

- Despite risks such as short-term earnings fluctuations due to uncertainty in the timing of order acquisition and increased competition, the growing demand in the low-carbon (CO₂ reduction) and environmental/energy sectors remains unchanged. As such, our engineering segment continues to function as a solution provider for these societal and customer challenges. We recognize that having sufficient competitiveness in the market presents an opportunity for us to increase profitability and achieve business growth.

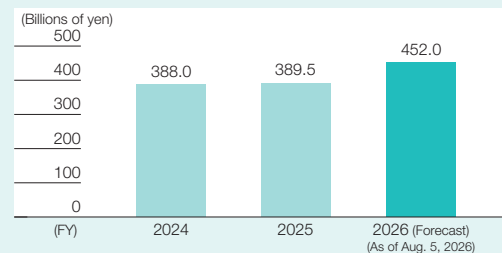
Key Medium- to Long-Term Actions

- With a view to achieving a circular economy and carbon neutrality, we will further differentiate ourselves by developing distinctive processes and technologies in fields with strong future growth potential. This will expand the offerings of our existing businesses and promote the creation of new businesses, thereby strengthening our business.
- We will also explore collaboration and partnerships with other companies, which are essential for building resource circulation systems and enhancing business competitiveness, while examining ways to optimize our business portfolio.

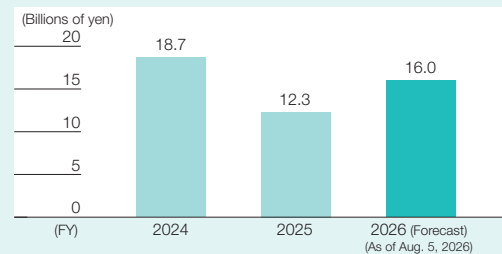
Machinery: Construction Machinery Business



Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 115–116.

Fiscal 2025 Progress and Challenges

In fiscal 2025, we achieved solid results in improving productivity and reducing costs through sales enhancements and procurement cost reduction measures, primarily in North America and Europe, while steadily strengthening our operation base through quality improvements and DX promotion.

On the other hand, declining demand in developed markets and intensified price competition led to lower selling prices, causing profitability for both excavators and cranes to fall below the targets set in the Medium-Term Management Plan and leaving challenges in improving capital efficiency. Although our efforts to monetize parts and maintenance businesses, as well as customer experience-oriented businesses, proceeded more slowly than anticipated, we made steady progress on initiatives for future growth, such as proof-of-concept trials for rebuilt machines and overseas expansion of K-DIVE®.

In response to these challenges, we have launched a cross-divisional improvement project to systematically address issues such as reviewing our earnings structure, optimizing inventories, reducing fixed costs, and reforming business processes. In addition, challenges related to business operations, such as adapting to changes in demand structure and optimizing inventory management, have become apparent. Strengthening our earnings base and improving our management structure through this project are key priorities for the final year of the Medium-Term Management Plan.

Fiscal 2026 Key Strategic Initiatives to Achieve the Medium-Term Management Plan

In fiscal 2026, our top priority will be restoring profitability and transitioning to a stable earnings structure, as we pursue qualitative transformation of our business structure. Specifically, we will work to build a profit model less dependent on price competition by shifting sales to high-profit markets such as North America and expanding sales of high-value-added products. At the same time, we will strengthen our earnings base by thoroughly reducing procurement costs and managing fixed costs. In addition, we will secure stable revenue sources by expanding our parts and maintenance businesses, while also accelerating monetization of our customer experience-oriented businesses, such as K-DIVE® and K-D2 PLANNER®, thereby promoting diversification of our business portfolio. Furthermore, by optimizing supply and demand (utilizing Blue Yonder) and leveraging DX and AI, we will advance business process reforms to establish a supply system resilient to demand fluctuations and achieve highly efficient management.

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

- Price competition is intensifying due to the slowdown in demand for construction machinery, particularly in developed countries, and further accelerating commoditization of construction machinery, creating a business environment where securing profitability is increasingly difficult.

Impacts on Business Operations

- The rise of emerging players (competitors)—such as Chinese manufacturers—with strong price competitiveness has led to declining sales prices and increased demand fluctuations. As a result, ensuring stable profitability has become more difficult than ever, and the risk of declining capital efficiency is growing.

Key Medium- to Long-Term Actions

- We will strengthen our business structure by promoting differentiation through expanding sales in high-profit markets and increasing sales of high-value-added models.
- Along with the above, in response to the increasingly price-competitive market environment, we will allocate resources to enhance our solution proposals and develop customer experience-oriented businesses, with the aim of transforming our earnings structure.

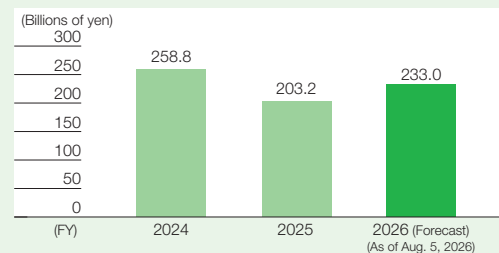
Electric Power Business



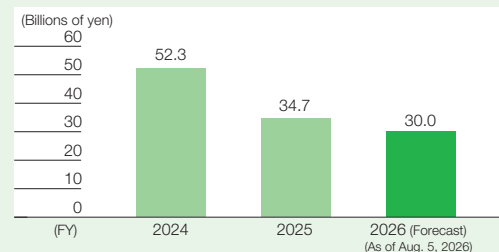
Kunihiro Yoshitake

Executive Officer
Head of the Electric Power
Business

Net Sales



Ordinary Profit



For details, please see Results by Operating Segment on pages 115–116.

Fiscal 2025 Progress and Challenges

In fiscal 2025, net sales declined due to fluctuations in thermal coal prices. Ordinary profit also declined due to factors such as time lags in fuel cost adjustments, reduced temporary gains from changes in electricity selling prices, and the extended regular inspection period for the Kobe Power Plant No. 3 unit. For the extension of inspection, we are investigating the cause and examining preventive measures.

In taking on the challenge of carbon neutrality, we undertook basic design and preliminary preparations for 20% ammonia co-firing at the Kobe Power Plant No. 1 and No. 2 units. In addition, we began operating the new Kobelco Kobe Hydrogen Station at the end of March 2026. Going forward, we will work to supply hydrogen produced using electricity derived from sewage sludge to fuel cell vehicles (FCVs).

Fiscal 2026 Key Strategic Initiatives to Achieve the Medium-Term Management Plan

In fiscal 2026, the final year of the Medium-Term Management Plan (Fiscal 2024–2026), we will fully commit to ensuring the stable operation of both the Kobe and Moka Power Plants.

In taking on the challenge of realizing carbon neutrality, we are working to achieve 20% ammonia co-firing at the Kobe Power Plant No. 1 and No. 2 units in line with our roadmap. We participated in the Long-Term Decarbonization Power Resource Auction (for fiscal 2025 bids) for the Kobe Power Plant No. 1 unit, and secured the bid in May 2026. In June 2026, we also obtained certification to receive support for addressing the price gap between clean ammonia and conventional fuels. We will continue to closely monitor developments in national energy policies and regulations, and reflect these in our business operations as we work toward achieving carbon neutrality.

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

- Electricity demand is expected to increase due to the expanded use of generative AI and the electrification of industrial sectors, while a decrease in power generation capacity is projected, particularly at aging thermal power plants.
- To ensure our contribution to society into the future through a stable supply of electricity, it will be essential to manage business operations appropriately in response to changes in national energy policies and systems.

Impacts on Business Operations

- Our highly efficient thermal power plants, located close to demand centers, are expected to advance carbon neutrality initiatives and contribute to the stable supply of electricity in Japan.

Key Medium- to Long-Term Actions

- Taking on the challenge of realizing carbon neutrality, we will achieve 20% ammonia co-firing at the Kobe Power Plant No. 1 and No. 2 units.
- By advancing carbon neutrality initiatives in line with our roadmap, we will contribute to the stable supply of electricity in Japan over the medium to long term.