



# KOBELCO

**Kobelco Group**  
Integrated Report 2025

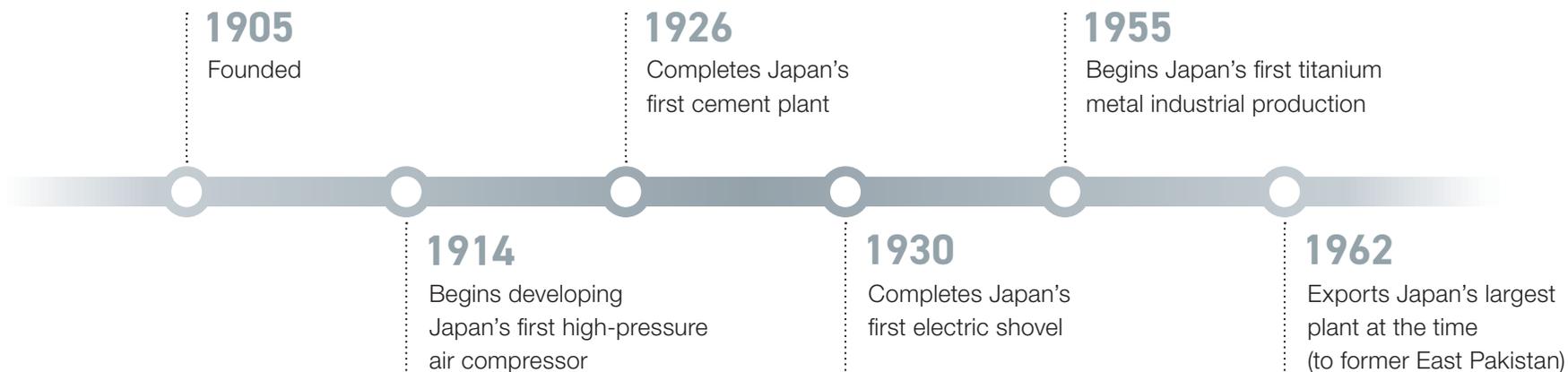
# Our Origin

Over the course of 120 years, we have been pursuing manufacturing excellence, driving the growth of Japanese industry.

Kobe Steel was founded in 1905, when Suzuki & Co. (Suzuki Shoten) acquired Kobayashi Steel Works in Wakinoshima, Kobe and changed its name to Kobe Steel.

It was a period in which Japanese industry was primed for rapid development.

With its founding spirit of sparing no effort for the benefit of society unchanged, the Company has adapted to the changing times and expanded its business from steel to machinery, non-ferrous metals, engineering, electricity and more. And now, at the milestone of the 120th year of founding, we are embarking on a new chapter in our quest of creating greater value.

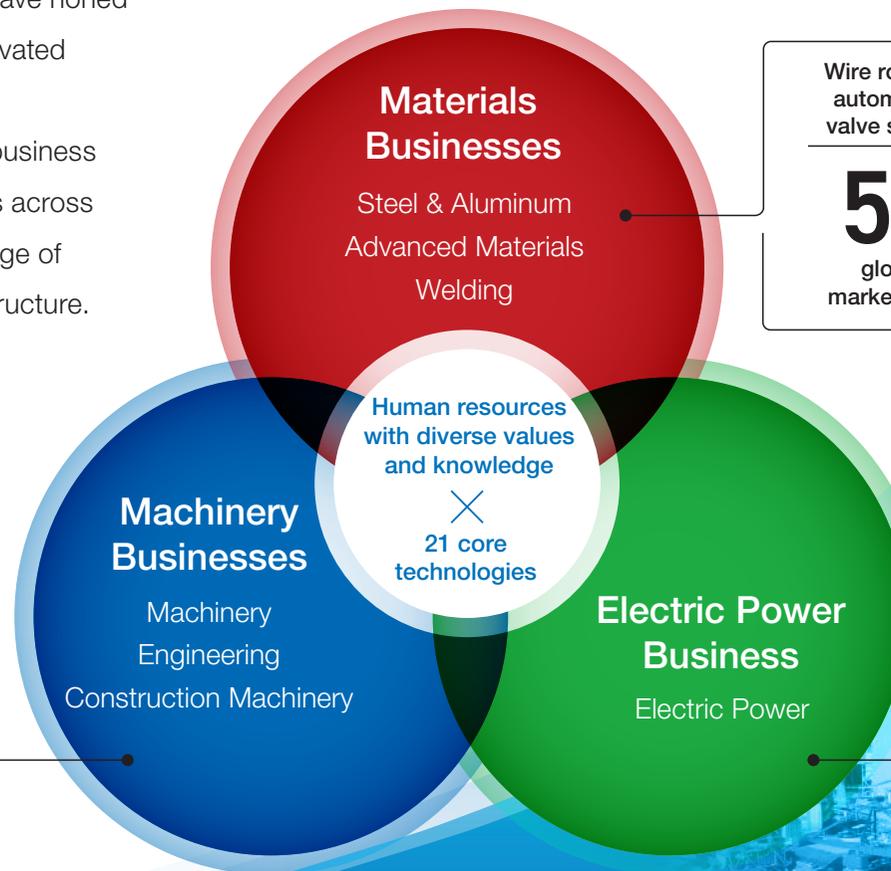


# Our Uniqueness

The integration of technologies from our three core business areas—materials, machinery, and electric power—continues to create new value.

Throughout our 120-year history, we have honed our technological capabilities and cultivated the spirit of taking on new challenges. With these as the cornerstone of our business operations, we drive future innovations across industries, creating value in a wide range of fields and contributing to social infrastructure.

Rubber mixers	
<b>40%</b> global market share	
MIDREX® Process	Isostatic pressing (IP) equipment
<b>Largest global market share</b>	<b>50%</b> global market share

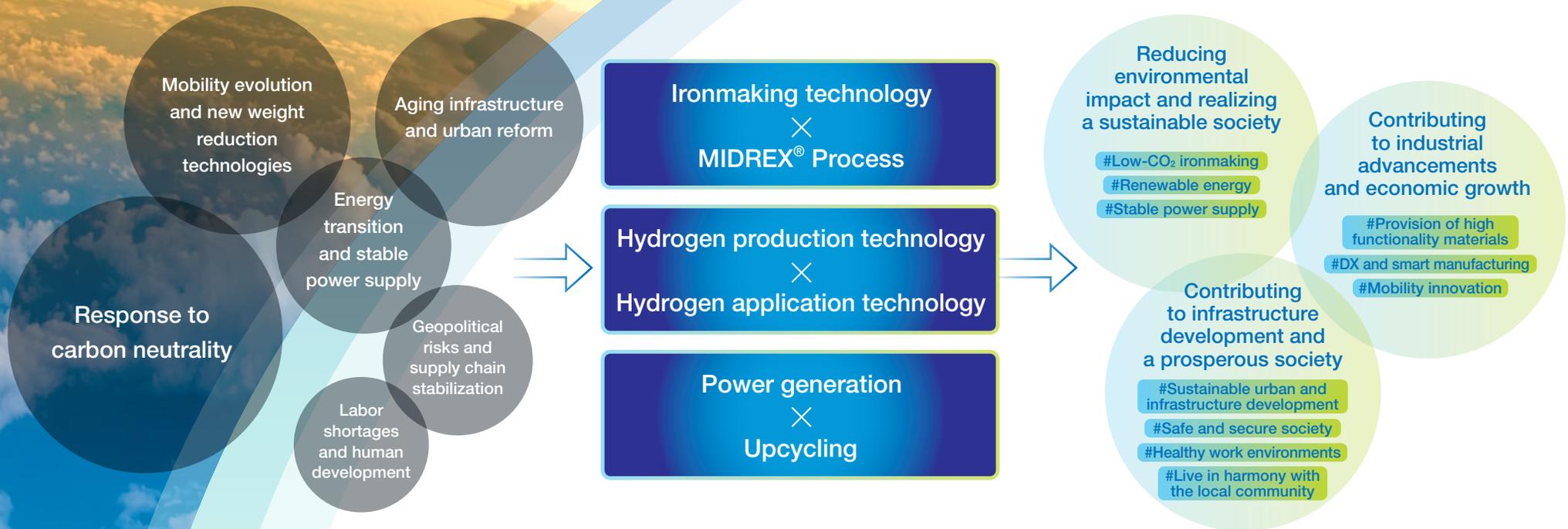


Wire rods for automotive valve springs	Crankshaft	REGARC™ welding process
<b>50%</b> global market share	<b>Largest global market share</b>	<b>Largest market share in Japan</b>

Kobe Power Plant
<b>Urban power plant equipped with highly efficient environmental facilities</b>
Moka Power Plant
<b>Japan's first large-scale inland thermal power plant</b>

# Our Mission

We will continue to take on new challenges as we evolve with societal transformations and industrial advancements.



We are living in a time of global transformation.

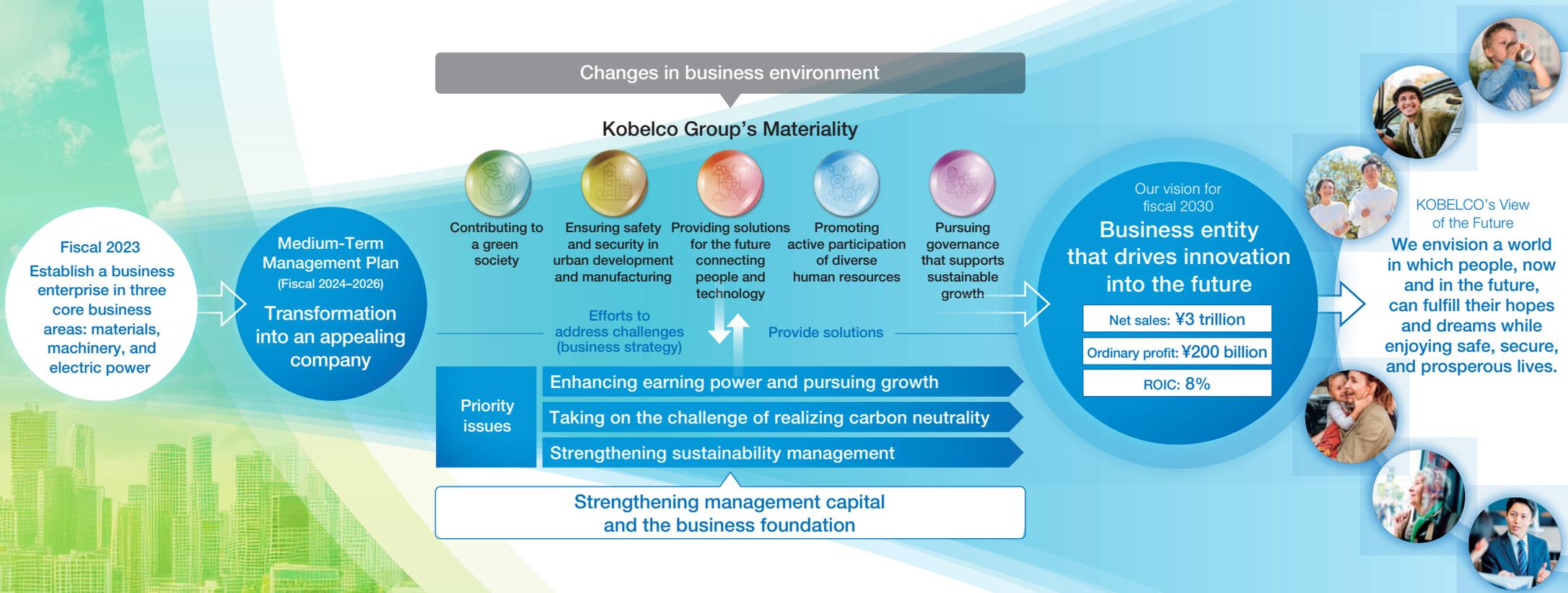
Decarbonization, urban development, energy transition, and mobility innovation are revamping our societal underpinnings, presenting new challenges and new opportunities.

The Kobelco Group is tackling these changing trends, leveraging its technological and manufacturing capabilities, with the aim of achieving the transformation into an appealing company that earns the trust of society.

Industrial decarbonation, evolution of lightweight materials, and major changes to urban and energy structures are urgent issues we are facing today. By turning them into business opportunities, we will extend our business frontiers and create new value.

# Our Future

## Kobelco Group's initiatives toward 2030, leading to the creation of new value



Under the previous Medium-Term Management Plan, we have established a business enterprise with a solid business base in three core business areas. Now, we are geared up for transforming this into an appealing company toward our fiscal 2030 vision of becoming a business entity that drives innovation into the future.

## Message from the President and CEO

**Kobelco Group's culture of embracing challenges drives its ambitious transformation into an appealing company, paving the way for a brighter future.**

The Kobelco Group, celebrating its 120th anniversary this year, is working on the transformation into an appealing company. This effort is aligned with its key priority issues set out in the Medium-Term Management Plan (Fiscal 2024–2026), which include: enhancing earning power and pursuing growth, taking on the challenge of realizing carbon neutrality, and strengthening sustainability management through transformation (KOBELCO-X). Even in an uncertain and rapidly changing business environment, we will strive to achieve the targets under the Medium-Term Management Plan, leveraging our Group's culture that embraces challenges.

Yoshihiko Katsukawa

President, CEO and Representative Director



## Message from the President and CEO

### Kobelco Group's 120 Years of History Has Been Shaped by Its People and Built Upon Its Unique Business Operations with Three Core Pillars

Our Group's history has been a series of upheavals and challenges. Since our founding in 1905 as a steel castings and forgings business, we have navigated the significant tides of the times and advancements in industry while boldly expanding our operations to meet the diverse expectations of our customers. Our business has now extended to encompass steel and aluminum, advanced materials, welding, machinery, engineering, construction machinery, and electric power. This evolution reflects the challenges we overcame through the integration of different technologies across segments. We believe that the Kobelco Group's uniqueness stems from our willingness to embrace challenges and create new value, without fearing change.

September 2025 marks our 120th anniversary. This significant milestone was rendered by the aspirations of our predecessors who led the company, as well as the dedicated efforts of all employees in overcoming difficulties and taking on numerous challenges together. In fiscal 2024, we achieved our highest-ever profits. This accomplishment is a testament to the tireless efforts of everyone working on the frontlines of daily operations.

Regardless of the current circumstances, we should not settle for the present and must strive for a better future. Whatever growth opportunities the Kobelco Group

may encounter over the next 10 or 20 years, it is vital that we grasp the latest trends and stay prepared to take action. Over the course of our history, we have had to exit certain businesses because we were unable to capitalize on opportunities. However, even these experiences have served as stepping stones for our business development. Even if our generation may not have a great opportunity, it is our responsibility to leave the company in the best possible condition for the next generation, not leaving behind a "negative legacy," so that our successors, who will shape the future of the Kobelco Group, can start off on a strong footing.

I became the 22nd president and CEO of Kobe Steel in April 2024. Since joining the company in 1985, I have engaged in various roles within the Group, including serving as a sales representative in the Machinery Business and working as a staff member at the head office. I have always felt that the strength of the Kobelco Group lies in the knowledge and ambitious spirit of members dedicated to specific tasks, as well as the comprehensive strengths generated by the entire Group.

Our Group has flexibly expanded its businesses in response to changing times and the diverse needs of our customers. I believe that this was made possible by the unwavering commitment of every employee to address customer concerns faithfully in pursuit of the best materials, components, machinery, and services in each field—not merely to expand our business domains.

Having encountered challenges in various business divisions and workplaces, I have observed numerous

examples of collaboration across segmental boundaries, where teams developed solutions that exceed customer expectations by combining their wisdom and technical capabilities. This cross-functional teamwork and agility represent our Group's strengths. Our diverse range of business operations might be seen as a "conglomerate discount," but the synergies that arise across business segments are the source of our competitiveness and value creation. In my daily work, I feel that our sincere commitment to addressing customer issues not only contributes to societal challenges but also highlights the significance of our Group in society.

### Enhancing Earning Power, Pursuing Growth, and Strengthening the Financial Base— Essential Actions in a Rapidly Changing Business Environment

In recent years, the global situation and economic environment have changed rapidly, making it difficult to predict the future. The business environment is becoming increasingly complicated, characterized by rising geopolitical risks, fluctuations in resource prices, instability in exchange rates and interest rates, and growing protectionist movements. In these uncertain times, it is crucial for corporate managers to carefully assess the current situation and future outlook from a medium- to long-term perspective, instead of reacting emotionally to short-term developments.

Fiscal 2024 was the first year of our Medium-Term

## Message from the President and CEO

Management Plan, and initiatives generally progressed smoothly. In terms of enhancing earning power, which is one of our key priority issues, we have managed to secure a certain level of profits despite a prolonged slump in demand for materials, and our initiatives remain on track. We are focusing on establishing a sustainable earnings base through taking various measures, including restructuring our businesses in aluminum flat-rolled products and aluminum advanced materials, and strengthening our global expansion efforts, as well as increasing in-house production of KOBEMAG® and boosting orders for ARCMAN™ PORTABLE.



Pursuing growth is another key priority issue in the Medium-Term Management Plan. The machinery and engineering segments have consistently increased their profits in recent years, driving the Group's overall growth. We will place even greater emphasis on implementing specific growth strategies, including exploring new businesses. We have set a medium- to long-term target of achieving net sales of 1 trillion yen for the machinery businesses, which are projected to reach 877 billion yen in fiscal 2025. We aim to further develop this segment to meet the target. In terms of the expansion of overseas bases, we are making prompt decisions, including expanding our service bases in India, Saudi Arabia, and Houston, United States, based on feedback from our frontline operations and market insights. While engaging in direct communication with local employees and customers, we aim to maintain and strengthen our global competitiveness. I strongly feel that these dynamic initiatives lead to the sustainable growth of the entire Group.

In terms of taking on the challenge of realizing carbon neutrality, we are exploring a combination of CO<sub>2</sub> reduction measures that are low-cost and require minimal capital investment, while examining the business climate through detailed facility planning as well as research and development. Our roadmap for 2030 outlines a realistic and steady approach aimed at achieving a 30 to 40% reduction in CO<sub>2</sub> emissions compared to fiscal 2013. Toward this end, we have implemented a variety of concrete actions, including exploring a joint black pellet business with Mitsubishi UBE Cement Corporation and

developing technology to reduce CO<sub>2</sub> emissions through the use of blast furnace (BF) hot briquetted iron (HBI)\*. Every time I visit our R&D sites and power plants, I realize that the expertise and passion of each employee serve as the driving force that shapes the future of the Kobelco Group. When it comes to capital investment, we will carefully make decisions on the selection of projects, taking into account the current inflationary situation, with planned investments ranging from 10 to 20 billion yen for the time being.

To strengthen sustainability management, we are promoting Companywide KOBELCO-X initiatives, with the aim of transforming into an appealing company. In this transformation effort, it is important that not only the management team, but also every employee recognizes their role and take actions in their daily operations, without sticking to precedents. Through visits to various workplaces, I feel encouraged by the growing sense of urgency that “we must change” and the confidence that “we can change” among our people.

In terms of financial indicators, our forecast projects an ordinary profit of 110 billion yen for fiscal 2025. We have set a target of maintaining a return on invested capital (ROIC)—an indicator of profitability—at approximately 6%. We anticipate ROIC to be approximately 5% and return on equity (ROE) to be approximately 8% in fiscal 2025. With respect to ROIC, we have maintained a certain level by reducing working capital and operating capital, and we will continue our efforts to further improve profitability. In the future, we anticipate a temporary decline in ROIC due to

## Message from the President and CEO

investments aimed at reducing CO<sub>2</sub> emissions and achieving carbon neutrality. Even if this situation arises, we will continue to prioritize enhancing corporate value over the long term, and in line with this policy, we will strive to gain the understanding of our external stakeholders by providing a thorough explanation.

Regarding financial stability indicators, we have achieved our target for the net asset ratio, which is projected to reach approximately 44% in fiscal 2025, and the debt-to-equity (D/E) ratio is expected to improve to approximately 0.7 times. Our financial position is also steadily improving, partly due to improved cash flows.

In terms of investments in growth and renewal, we initially planned to allocate 950 billion yen on a decision basis over the three-year period of the Medium-Term Management Plan. However, considering the progress in technological development and uncertainties concerning future outlooks, we have revised downward the total investment amount to approximately 750 billion yen. While careful investment decisions are required to pursue economic rationality in taking on the challenge of realizing carbon neutrality, some of these decisions have been postponed until the next medium-term management plan is initiated. As a result, we have decreased our investment in carbon neutrality from the originally planned 300 billion yen to approximately 150 billion yen. Currently, we are making decisions aligned with our business portfolio strategy, ensuring economic rationalities and effective risk management through the review process conducted by the Investment and Loan Committee. We will continue to

strive to secure cash flows while maintaining a balance between investments and shareholder returns.

In fiscal 2024, we achieved our highest dividend payment ever for shareholder returns, with a payout ratio of 32.8%. Our Group's policy is to maintain a payout ratio of approximately 30% during the period of the Medium-Term Management Plan (Fiscal 2024-2026), while prioritizing the enhancement of our financial base over the medium to long term. Once we meet our financial targets, we will evaluate the possibility of increasing shareholder returns, taking into account the business environment at that time.

We estimate that our weighted average cost of capital (WACC) is approximately 5%. While ROIC and ROE maintain a steady level, our price-book (P/B) ratio remains below 1. The low P/B ratio is assumed to reflect the instability of the earnings base and concerns about the financial vulnerability linked to past performance, as well as concerns about future uncertainty in various business environments, including ESG considerations, such as our response to carbon neutrality. While this is connected to the characteristics of the industry, we will increase corporate value and lower the cost of shareholders' equity by steadily implementing our Medium-Term Management Plan.

Although we have revised our financial indicator targets and postponed investments in response to changes in the business environment, we have maintained a certain level of performance. Looking ahead to future growth investments, we will continue to further strengthen our financial base through the implementation of segment-

specific portfolio management and other measures.

\* Hot briquetted iron is a compacted, briquetted form of direct reduced iron (DRI). Since hot DRI (HDRI) is not suitable for long-distance transportation, it is pressed into solid briquettes upon being discharged from the reduction furnace.

### Harnessing the Spirit of KOBELCO-X to Drive Transformation and Innovative Changes

The Medium-Term Management Plan has set out the transformation into an appealing company, which reflects our commitment to providing value to all of our stakeholders, including shareholders, investors, customers, business partners, and employees. With the goal of becoming a business entity that drives innovation into the future by fiscal 2030, we are now at the stage of building a solid foundation for future growth and yielding positive results. The driving force behind this is KOBELCO-X, a Groupwide initiative that encompasses seven transformation initiatives. These are rooted in the unique characteristics of the Kobelco Group and embody a spirit that has long been instilled in our employees.

Under KOBELCO-X, ambidexterity (AX) and green transformation (GX) are set as management objectives, along with other transformation initiatives to achieve them, including business transformation (BX), customer experience transformation (CX<sup>2</sup>), digital transformation (DX), employee experience (EX), and factory transformation (FX). In particular, DX serves as a catalyst that will accelerate and advance other transformation areas. By linking DX to AX and GX, we aim to provide solutions to the needs of society and sustainably increase our corporate value.

## Message from the President and CEO

When I joined the company in the late 1980s, employees had to share landlines. Today, everyone has a smartphone, allowing us to instantly access the information we need and connect to anybody at all times. These advances in communication and transportation have dramatically changed our workstyles, the decisions we make, and our business processes. I believe that transformation of business operations, driven by digital technology, has led to improved productivity and competitiveness in our workplaces.

DX is not simply about improving business efficiency; it serves as a tool for transformation as well as a foundation for management and workplaces to create new value. I will stay adaptable to societal changes, place digital transformation at the core of my management, and leverage it to achieve sustainable growth.

To further enhance our DX drive, we are focusing on three key areas of environment, human resources, and culture and implementing various initiatives. These include promoting the use of generative AI in business operations and professional areas to develop a DX-supportive environment, providing DX training for all employees, including officers, to develop DX human resources, and holding internal dialogue events and digital tool trials to raise DX awareness.

Kobe Steel has been recognized for these initiatives and selected for the first time as a “Noteworthy DX Company 2025,” which is jointly organized by the Ministry of Economy and other organizations. I believe that this recognition is the result of our steady and straightforward

efforts to do what needs to be done. Going forward, we will strive for an even higher standard and aim to be selected as a “DX Stock” for the first time.

From the perspective of non-financial capital, employee experience (EX), which encompasses human resources strategy and employee experience improvement, is also an extremely important area. At Kobe Steel, the cross-functional Human Resources Strategy Subcommittee leads the implementation of a variety of human resources initiatives based on three approaches: “Enhance organizational diversity,” “Encourage the growth and initiative of every employee,” and “Develop a work environment where employees can play active roles.”

In fiscal 2025, which marks our 120th anniversary, we are carrying out various commemorative activities under the 120th Anniversary Project, including the production of an original animation and an exhibition at Expo 2025 Osaka, Kansai, Japan. The aim is to foster an organizational culture in which the Group’s employees can work proactively with pride, confidence, passion and hope. These efforts also aim to invigorate communication among employees and foster a sense of solidarity throughout the Group.

We are actively investing in human capital through improving the work environment in various aspects. This includes reviewing wages and benefits, increasing the number of annual paid leave days, and improving dormitories and company housing. When I first joined the company, the comfortable environment and comprehensive employee benefits we enjoy today were not a given, and I



personally faced the challenges associated with the workplace environment. This experience has made me acutely aware of the importance of creating an environment where employees can work with peace of mind and grow. I have consistently focused on this area to date. As times change, so do work styles and the work environment required. We will continue to work to create a company where each employee can realize their own growth.

## Message from the President and CEO

### Embracing Challenges and Supporting Companywide Ambitious Endeavors—Fostering Group Solidarity Through Dialogue

Since our founding, we have ingrained a spirit of embracing new challenges at the heart of our corporate culture. To support these ambitious endeavors across the Company, we are working to strengthen the organizational structure of the head office. For example, the Technology Strategy & Planning Department has developed technical strategies for medium- to long-term Company-wide issues, such as achieving carbon neutrality by 2050 and addressing the risk of future labor shortages, including implementing labor-saving measures in plants. Additionally, we have reorganized the Business Development Department to further focus on promoting new businesses and expanding business opportunities.

Our Group has three core businesses of materials, machinery, and electric power. Each division has its own culture and atmosphere; however, they all share the common goal of increasing profits across the Group. To achieve this goal, every employee collaborates across divisional boundaries. I believe this collaborative spirit is our unique strength.

To further enhance this sense of solidarity, the Core Values of KOBELCO—Next 100 Project actively creates opportunities for employees to learn about each other's work and ideas and foster deeper communication, such as dialogues with executives, the Kobelco Core Values Awards, etc. These efforts also contributed to instilling

the Group Corporate Philosophy, which was established in 2020.

To better leverage information and seize business opportunities in a rapidly changing business environment, we have built a Sales Force Automation (SFA) system as a Companywide platform for sharing customer information. By listening to our customers and gathering insights from sales and various other departments, including development and production technology, we aim to create new value and enhance customer trust.

Over the past year, we have been pursuing various initiatives aligned with the Medium-Term Management Plan. These efforts have led to the steady early development of promising new businesses and technologies. The next step is to nurture these seeds to achieve the desired results.

### Creating the Kobelco Group's Future with Integrity and Ambition

One of my mottos is *"kyoshin tankai."* This encourages us to listen to the diverse voices of people, regardless of their position or age, without any preconceived notions. It also emphasizes the importance of maintaining a sincere attitude and being straightforward and honest with others. I have held this creed dear since I was young, and it remains unchanged even now that I am president and CEO.

Another favorite saying is *"yama yori ookina shishi wa denu"* (things cannot be larger than the things that contain them)." This proverb, based on the Buddhist teaching that

there are no difficulties that are insurmountable. It teaches us the importance of staying calm under fire, charting a course for success, and working toward a solution. With this perspective in mind, I wholeheartedly commit to each and every challenge in my management duties with sincerity.

The business environment surrounding the Group has changed significantly since I became president and CEO one year ago. While some business areas, such as the materials businesses, remain in a tough situation, we are making steady progress under the Medium-Term Management Plan. This includes improvements in profitability and contributions to earnings, particularly from the machinery and electric power businesses, as well as a transformation of our overall business structure. Going forward, we will continue to optimize our business portfolio by leveraging the unique strengths of the Group to consistently increase our earning power and growth potential.

The rapid changes in today's world present both challenges and opportunities for significant transformation. We will continue to dedicate ourselves sincerely to the tasks at hand, tackle challenges as Team KOBELCO, and transform ourselves at a rapid pace. These efforts will enable us create an even more appealing Kobelco Group for the future.

# Group Corporate Philosophy

## Group Corporate Philosophy Created by Group Employees Working Together

The Kobelco Group Corporate Philosophy was established in 2020.

Following the quality-related misconduct that was made public in 2017, we launched a project to formulate our corporate philosophy by revisiting who we are and what we aspire to achieve, in order to transform our once closed-off corporate culture.

In its formulation process, we placed importance on taking a bottom-up approach.

Through Dialogue Platforms and other forms of discussions at each workplace, we created opportunities for not only management and selected members but also for all members of the Group to give considerable thought about our mission. Integrating the thoughts of all, the Group Corporate Philosophy was completed over a period of about one year.

The Group Corporate Philosophy comprises four elements: KOBELCO's View of the Future and KOBELCO's Mission, along with the Core Values of KOBELCO and the Six Pledges of KOBELCO, which present our code of conduct and values to be shared.

KOBELCO's View of the Future incorporates the spirit that has been passed down since its founding: Making the world today and in the future a better place by providing products that can be used safely and reliably for a long time while offering new value to society.

KOBELCO's Mission represents its vision of providing solutions to the needs of society in ways only possible by KOBELCO, integrating diverse businesses, technologies, and qualities of its people that it has developed through the effort to meet societal demands.

The Group strives to realize a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as stated in its Group Corporate Philosophy formulated by Group employees.

## KOBELCO's View of the Future

Our view of a society and future to be attained as we carry out KOBELCO's Mission

**We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.**

## KOBELCO's Mission

Our mission and the social significance of the KOBELCO Group that we must fulfill

**Our mission is to provide solutions to the needs of society, by making the best use of the talents of our employees and our technologies.**

## Core Values of KOBELCO

The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group

- 1. We provide technologies, products and services that win the trust and confidence of our customers we serve and the society in which we live.**
- 2. We value, and support the growth of, each employee on an individual basis, while creating a cooperative and harmonious environment.**
- 3. Through continuous and innovative changes, we create new values for the society of which we are a member.**

## Six Pledges of KOBELCO

Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter

- |   |  |
|---|--|
| <b>1. Uphold the Highest Sense of Ethics and Professionalism</b>  | <b>4. Live in Harmony with the Local Community</b> |
| <b>2. Contribute to the Society by Providing Superior Products and Services <a href="#">Quality Charter</a></b> | <b>5. Contribute to a Sustainable Environment</b>  |
| <b>3. Establish a Comfortable but Challenging Work Environment</b>  | <b>6. Respect Each Stakeholder</b>                 |

# Promoting the Implementation of the Group Corporate Philosophy

## Core Values of KOBELCO—Next 100 Project

The Kobelco Group is working to ensure that all Group employees continue to implement the Group Corporate Philosophy through the Core Values of KOBELCO—Next 100 Project. This project was launched in 2017 to promote the Group Corporate Philosophy by encouraging all employees to recognize and empathize with it, propelling them to the next level of active participation and practice, aiming that such actions of each individual would grow into our corporate culture and take firm root in the organization. As part of the 120th anniversary project in September 2025, we are boosting efforts to promote understanding of our Group and its efforts to live in harmony with the local community.

### Promoting the shift from recognition to empathy

#### Dialogues between senior executives and employees

The president and CEO and other senior executives speak directly to employees, expressing their firm commitment to the transformation underway. Dialogue events are held through either face-to-face meetings at business sites or virtual all-hands meetings.

#### Kobelco Core Values Place and Kobelco Core Values Day

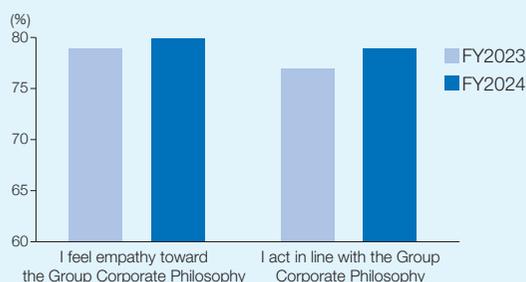
- **Kobelco Core Values Place:** Established in 2019 within the Kobelco HRD Center in Kobe as a facility to share the lessons learned from the quality-related misconduct and pass them onto future generations. Online and satellite facilities are also utilized to encourage visits by all Group employees.
- **Kobelco Core Values Day:** We have designated March 6th, the day the final report was announced, as the day we pledged to prevent the recurrence of the quality-related misconduct. Every year, various events are held.

#### Employee awareness survey results as metrics of employee involvement in the Group Corporate Philosophy

We use annual employee awareness surveys to measure employee involvement in the Group Corporate Philosophy. The scores for each question improved from the previous survey, with nearly 80% of employees responding that they feel empathy toward the Group Corporate Philosophy.

#### Questions on the Group Corporate Philosophy

The bar graph indicates the percentages of employees who answered "I agree" or "I agree more than disagree" on the five-point scale.



### Promoting the shift from participation to practice

#### Declaration of pledges by senior executives and employees

This initiative encourages every individual to declare their pledges. Beginning in fiscal 2022, the declaration of pledges by all executives has been made available in video throughout the Group.

#### Dialogue Platforms

Dialogue Platforms have been held every year since fiscal 2018 with the participation of all individuals engaged in the Group's business operations for the following purposes: (1) Instilling the Group Corporate Philosophy, (2) Preventing the quality misconduct from being forgotten, and (3) Promoting two-way communication in the organization. We conduct annual group training for line managers who facilitate the Dialogue Platforms, with around 600 participants in fiscal 2024.



#### Kobelco Core Values Awards

The Kobelco Core Values Awards were launched in fiscal 2019 as a new commendation system for recognizing activities that exemplify the Group Corporate Philosophy and contribute to building a positive corporate culture.

In fiscal 2024, which marked the sixth year, 108 entries were submitted from Japan and abroad, with 17 selected for awards, including the Grand Prix and Semi Grand Prix.



The cover of this year's integrated report is based on an original animation created to celebrate our 120th anniversary. Pages 15, 29, 53, 79, and 101 show the winners of the fiscal 2024 Kobelco Core Values Awards. For more information about our 120th anniversary project, visit the special website via the link below or use the QR code. The animation is also available here. <https://www.kobelco.co.jp/english/120th/>



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This Integrated Report describes our Group's ESG initiatives in section 03, Promotion of Sustainability Management. However, it does not cover all of our Group's ESG-related data. For further details, please refer to the ESG Data Book and our corporate website.

▶ ESG Data Book 2025

▶ Kobe Steel Corporate Website

E (Environmental) p.10–48  
S (Social) p.49–74  
G (Governance) p.75–101

Sustainability  
<https://www.kobelco.co.jp/english/sustainability/>



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# Editorial Policy

## Kobelco Group Integrated Report 2025

The Kobelco Group is committed to dialogue with all of its stakeholders. As part of its commitment, the Group has been publishing integrated reports since fiscal 2018. The aim is to provide a comprehensive understanding of the economic and social value created by the Group through reporting on its management strategies, as well as its business, social, and environmental activities.

The purpose of this Integrated Report is twofold. The first is to clearly show what the Group strives for through the value creation process by unraveling the Group's corporate story with the keyword of "comprehensive strengths," along with information on business capital and other forms of capital, which are the source of our Group's comprehensive strengths that have been cultivated over its 120-year history. The second is to foster understanding about the Group's businesses and initiatives by presenting the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) announced in May 2024.

We hope that this report will help our stakeholders understand our efforts to achieve sustainable growth through the promotion of sustainability management.

Period covered	Covers fiscal 2024 (from April 1, 2024 to March 31, 2025). Please note that this Integrated Report may refer to fiscal years before and after the period when necessary.
Guidelines referenced	<ul style="list-style-type: none"> <li>• Sustainability Reporting Standards of the Global Reporting Initiative (GRI)</li> <li>• ISO 26000 (Guidance on social responsibility)</li> <li>• International Integrated Reporting Framework (IFRS Foundation)</li> <li>• Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI)</li> </ul>
Initiatives we value	<ul style="list-style-type: none"> <li>• United Nations Global Compact</li> <li>• Sustainable Development Goals (SDGs)</li> <li>• Recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)</li> </ul>
Production process	<ol style="list-style-type: none"> <li>1. After publishing Kobelco Group Integrated Report 2024, we requested analysts, institutional investors, Group employees, and other internal and external stakeholders to provide their frank opinions and comments on the report. We also applied for awards, which are presented by outside organizations, for relative assessment of the report.</li> <li>2. In light of these assessments for the previous report, the Integrated Report Editorial Subcommittee under the Sustainability Management Committee wrote a draft of this report in cooperation with the head office departments and business divisions.</li> <li>3. The production of Kobelco Group Integrated Report 2025 proceeded based on discussions with the management team through the Sustainability Management Committee, etc.</li> </ol>

## Kobelco Group's Information Scheme

The Group disseminates diverse information using various tools in order to communicate with stakeholders.

In addition to the information contained in this report, we provide a variety of information in the ESG Data Book and on our corporate website.

We will continue to actively disclose information so that stakeholders can gain a better understanding of the Kobelco Group.

▶ For details about each tool, please see our corporate website.

ESG Data Book <a href="https://www.kobelco.co.jp/english/sustainability/esg.html">https://www.kobelco.co.jp/english/sustainability/esg.html</a>	
Sustainability <a href="https://www.kobelco.co.jp/english/sustainability/">https://www.kobelco.co.jp/english/sustainability/</a>	
Investor Relations <a href="https://www.kobelco.co.jp/english/ir/">https://www.kobelco.co.jp/english/ir/</a>	

Information tools		Type of information provided (A blue dot (●) means relevant information provided.)	
		Financial information	Non-financial information
Integrated Report	The integrated report contains the Kobelco Group's management strategies, business activities, and ESG-related information to provide a comprehensive understanding of the economic and social value created by the Group.	●	●
ESG Data Book	The ESG data book contains detailed ESG-related information.		●
Securities Report	The securities report contains not only financial information disclosed in accordance with the Financial Instruments and Exchange Act, such as company overview, business situation, and financial statements, but also non-financial information including corporate governance structure.	●	●
Financial Results	Financial results are provided quarterly.	●	
Business Report Consolidated Financial Statements Non-Consolidated Financial Statements	Pursuant to the Companies Act, these documents contain financial information and the status of business operations (non-financial information).	●	●
Corporate Governance Report	The corporate governance report contains information on Kobe Steel's corporate governance pursuant to the listing regulations of stock exchanges.		●
Kobe Steel corporate website	Our Company's official website provides information that is not covered by the above documents, including particular information pertaining to ESG matters. For further comprehensive ESG-related information, please refer to the Sustainability page on our corporate website.	●	●

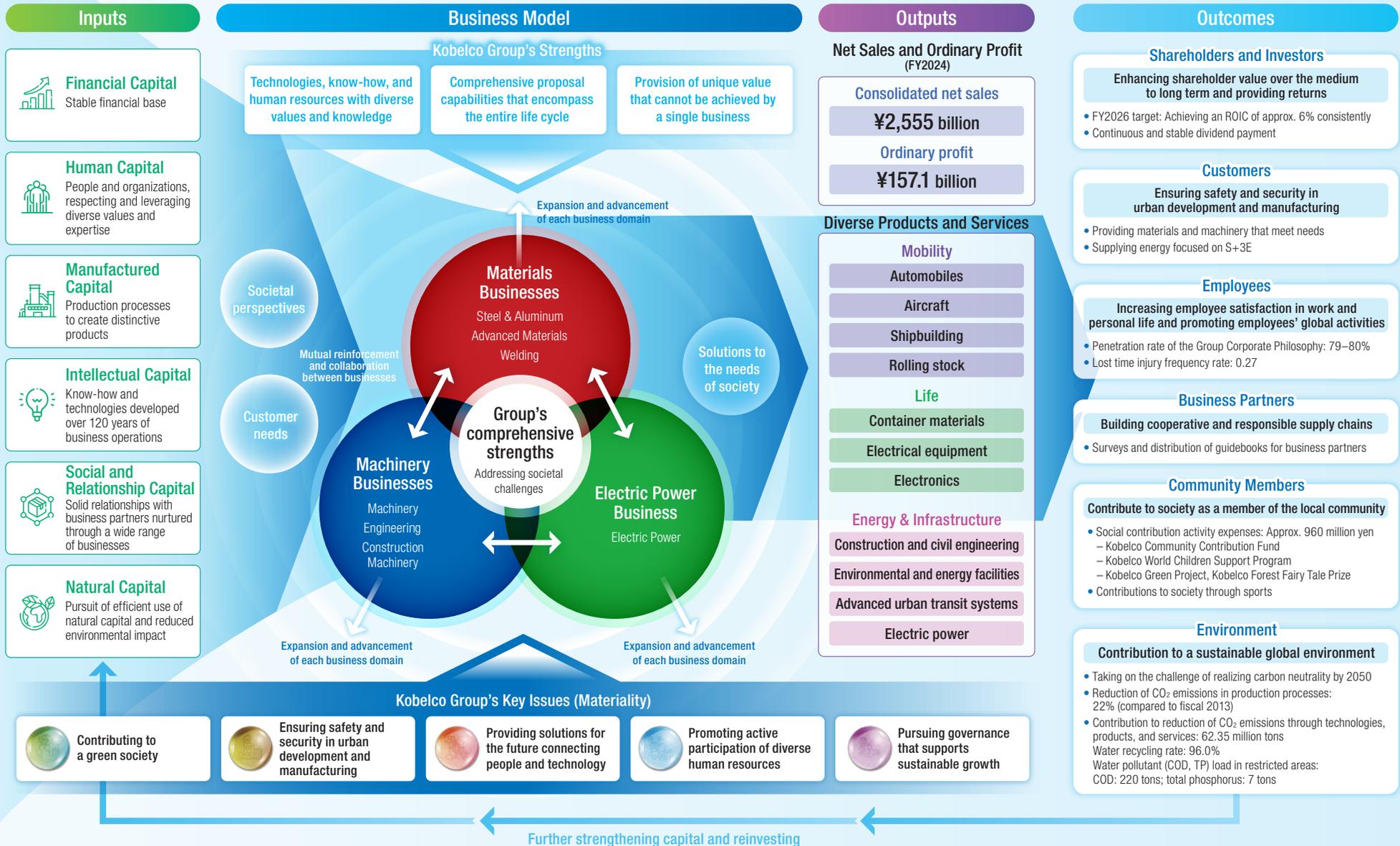


# 01

## Kobelco Group's Value Creation

# Value Creation Process

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.



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# History of the Kobelco Group

Kobe Steel's origin dates back to September 1, 1905, when the general partnership trading company Suzuki & Co. (Suzuki Shoten) acquired a steel business in Wakinohama, Kobe, called Kobayashi Steel Works (Kobayashi Seikoshō) and changed its name to Kobe Steel (Kobe Seikoshō). Over the 120 years since its founding, we have consistently strived to overcome numerous challenges while remaining committed to providing solutions to the diverse needs of society.

1905-

## Venturing into various business sectors to foster Japan's industrial independence

Suzuki Shoten, the predecessor of Kobe Steel, worked to establish domestic production of industrial products that Japan depended on importing, with the corporate philosophy of "enhancing national interests." Kobe Steel, with the mission of contributing to the independence of Japanese industry in the heavy industry sector, introduced many of Japan's first domestically produced products not only in steel—its founding business—but also in the machinery, non-ferrous metals, engineering, and construction machinery businesses, while expanding its business reach in these areas.

Kobe Steel faced significant challenges, including the threat of closure during its early days, the recession that followed World War I, and the bankruptcy of Suzuki Shoten. Despite these adversities, the Company persisted and continued to explore new business opportunities. During this period since its founding, the Company formed the foundations for its diverse business operations today.

### Groupwide

1905 Founded



Company building in the early days

### Materials Businesses

1905 Begins steel casting and forging business

1916 Begins steel products business

1917 Begins copper business

1937 Begins aluminum business

1940 Begins welding business  
Japan's first welding electrode production

1955 Begins titanium metal business  
Japan's first titanium industrial production

1959 Establishes integrated steel production



First blast furnace in Nadahama

1968 Establishes first overseas manufacturing base in Thailand (Manufacturing and sales base for covered welding electrodes)

1970 Establishes integrated steel production at Kakogawa Works

1979 Establishes KOBELCO as international unified trademark

1990 Establishes manufacturing and sales base for automotive hot-dip galvanized steel sheet in the U.S.

### Machinery Businesses

1914 Begins machinery business  
Japan's first development of high-pressure air compressor



High-pressure air compressor

1926 Begins engineering business  
Japan's first cement plant completed

1930 Begins construction machinery business  
Japan's first electric shovel completed



Electric shovel

1945-

## Post-war reconstruction and global expansion

Just three months after World War II ended, the Company resumed production of wire rods, contributing to Japan's early recovery.

During the post-war reconstruction period, we became the first company to initiate research and development of titanium in Japan in 1949, and we began industrial production in 1955. Along with this new venture business, the Company expanded its business footprint in both the materials and machinery businesses, establishing integrated steel production with the completion of its first blast furnace in Nadahama (the current Kobe Wire Rod & Bar Plant), completing Kakogawa Works, and starting the advanced urban transit system business. The Company also achieved significant milestones in its global expansion during this period. These include starting the plant export business, establishing its first overseas manufacturing base, and entering the DRI/new ironmaking plant business, following the acquisition of Midrex Technologies, Inc. in the United States.

1962 Begins overseas plant business  
Japan's then-largest plant export (East Pakistan)



Fertilizer plant in East Pakistan

1975 Starts advanced urban transit system business  
Begins operation of automated guideway transit (AGT) system "KRT" at the Okinawa Ocean Exposition

1983 Acquires U.S. company Midrex Technologies, Inc.  
Begins DRI/new ironmaking plant business

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1995-

## Post-earthquake reconstruction and entry into the electric power business

In the Great Hanshin-Awaji Earthquake of 1995, our Company suffered significant damage, particularly to the blast furnace at Kobe Works (the current Kobe Wire Rod & Bar Plant). Initially, the blast furnace was expected to take six months to repair; however, it was restored in just two and a half months, becoming a symbol of Kobe City's recovery from the disastrous earthquake.

The year after the earthquake, the Company began a new venture in the wholesale power supply business, utilizing its know-how gained from in-house power generation in the steel business. In 2002, the Company started commercial operations of the Kobe Power Plant No. 1 unit. The Kobe Power Plant continues to contribute to improving the electricity self-sufficiency rate of Kobe City and the Hanshin region. With the launch of the wholesale power supply business, the Company has established a framework that allows for providing solutions to a diverse range of customers through its three core businesses: materials, machinery and electric power.

In addition, the Company set up overseas manufacturing and sales bases for automotive applications in the United States and China, building a system to better address customer needs.

### Groupwide

1995 The Great Hanshin-Awaji Earthquake (incurred damages of approximately 100 billion yen)



After the earthquake

### Materials Businesses

2003 Establishes manufacturing and sales base in the U.S. for aluminum forged parts for automotive suspensions

2004 Establishes automotive special steel wire rod processing base in China

2014 Establishes manufacturing and sales base for aluminum automotive panel materials in China

2014 Establishes manufacturing and sales base for automotive cold-rolled, high-tensile strength steel in China

2016 Establishes manufacturing and sales base for aluminum extrusions and fabricated products in the U.S.

### Machinery Businesses

2006 Establishes manufacturing and sales base for non-standard compressors in the U.S.

### Electric Power Business

1996 Decides to enter wholesale power supply business

2002 Starts commercial operations of Kobe Power Plant No. 1 unit  
Starts wholesale power supply business

2004 Starts commercial operations of Kobe Power Plant No. 2 unit



Kobe Power Plant No. 1 and No. 2 units

2017-

## Enhancing sustainability management and transforming into an appealing company for the next 100 years

We caused a lot of problems for many people due to the quality-related misconduct that was made public in 2017. To prevent recurrence, the Company has implemented various measures and is currently carrying out Kobelco TQM activities aimed at achieving quality that satisfies our customers. As the sustainability movement expands worldwide, the Company has further enhanced its sustainability management with a focus on the next 100 years by formulating a new Group Corporate Philosophy, identifying materiality (medium- to long-term key issues), etc.

The Company also worked to develop an optimal business portfolio by taking proactive approaches targeting growth markets, including the acquisition of Quintus Technologies in the machinery businesses and the successful startup of all six power plants in the electric power business.

Leveraging the collective strength of its diverse businesses, technologies, and human resources developed over its 120-year history, all Group employees are working together as Team Kobelco to achieve the transformation into an appealing company, as set out in the Kobelco Group Medium-Term Management Plan (Fiscal 2024-2026).

2017 Launches Core Values of KOBELCO—Next 100 Project

2017 Announces quality-related misconduct  
→ Implementation of measures to prevent recurrence and Kobelco TQM activities

2020 Establishes Group Corporate Philosophy

2021 Identifies materiality

2017 Consolidates upstream processes at Kakogawa Works

2017 Acquires Quintus Technologies of Sweden (World's leading isostatic press manufacturer)



Quintus Technologies' isostatic pressing equipment

2021 Kobelco Eco-Solutions Co., Ltd. becomes wholly owned subsidiary

2022 Begins capital and business alliance with Miura Co., Ltd.

2019 Starts commercial operations of Moka Power Plant No. 1 unit

2020 Starts commercial operations of Moka Power Plant No. 2 unit



Moka Power Plant No. 1 and No. 2 units

2022 Starts commercial operations of Kobe Power Plant No. 3 unit

2023 Starts commercial operations of Kobe Power Plant No. 4 unit

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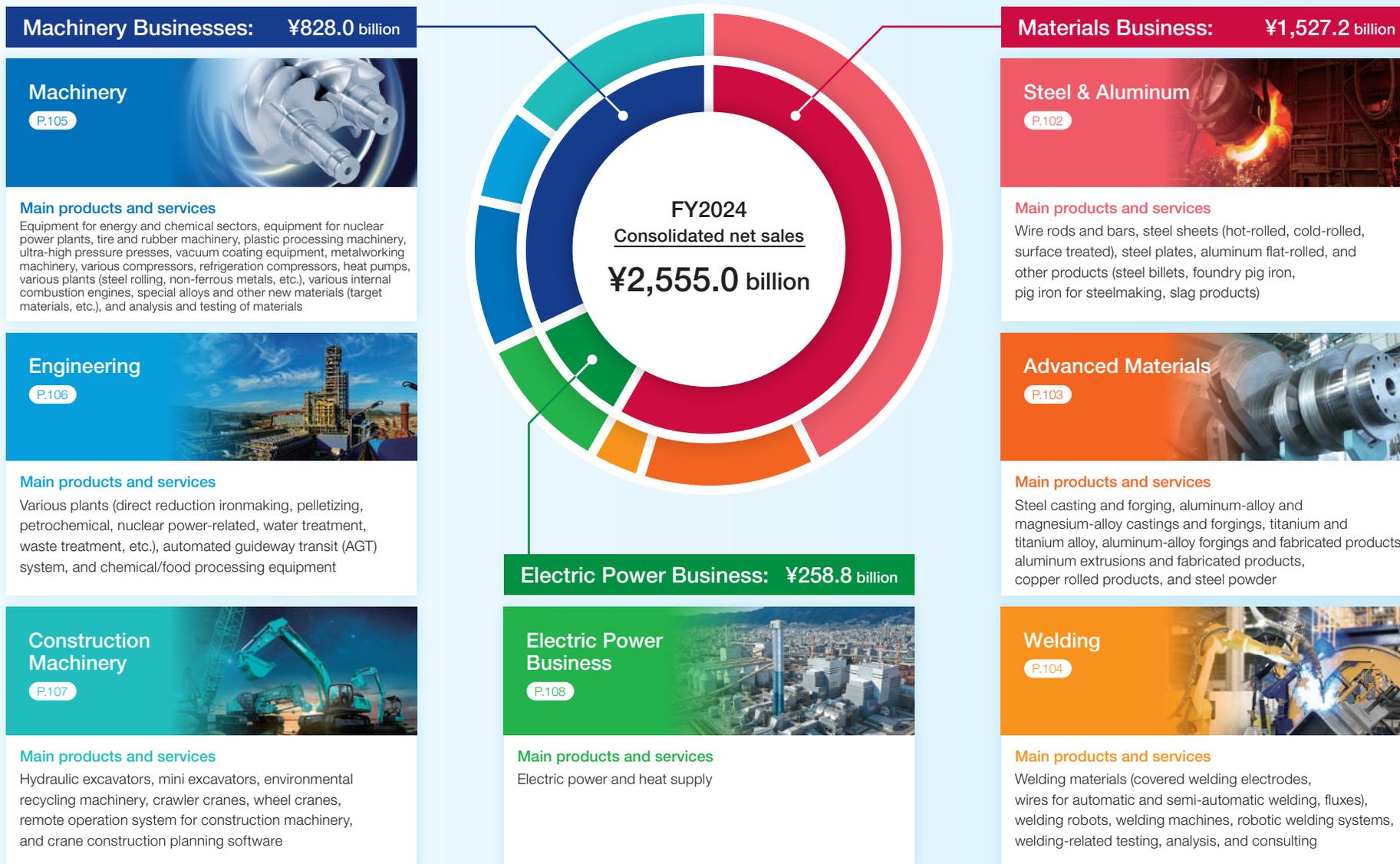
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**Machinery Businesses: ¥828.0 billion**

**Machinery**  
P.105

**Main products and services**  
Equipment for energy and chemical sectors, equipment for nuclear power plants, tire and rubber machinery, plastic processing machinery, ultra-high pressure presses, vacuum coating equipment, metalworking machinery, various compressors, refrigeration compressors, heat pumps, various plants (steel rolling, non-ferrous metals, etc.), various internal combustion engines, special alloys and other new materials (target materials, etc.), and analysis and testing of materials

**Engineering**  
P.106

**Main products and services**  
Various plants (direct reduction ironmaking, pelletizing, petrochemical, nuclear power-related, water treatment, waste treatment, etc.), automated guideway transit (AGT) system, and chemical/food processing equipment

**Construction Machinery**  
P.107

**Main products and services**  
Hydraulic excavators, mini excavators, environmental recycling machinery, crawler cranes, wheel cranes, remote operation system for construction machinery, and crane construction planning software

**Electric Power Business: ¥258.8 billion**

**Electric Power Business**  
P.108

**Main products and services**  
Electric power and heat supply

**Materials Business: ¥1,527.2 billion**

**Steel & Aluminum**  
P.102

**Main products and services**  
Wire rods and bars, steel sheets (hot-rolled, cold-rolled, surface treated), steel plates, aluminum flat-rolled, and other products (steel billets, foundry pig iron, pig iron for steelmaking, slag products)

**Advanced Materials**  
P.103

**Main products and services**  
Steel casting and forging, aluminum-alloy and magnesium-alloy castings and forgings, titanium and titanium alloy, aluminum-alloy forgings and fabricated products, aluminum extrusions and fabricated products, copper rolled products, and steel powder

**Welding**  
P.104

**Main products and services**  
Welding materials (covered welding electrodes, wires for automatic and semi-automatic welding, fluxes), welding robots, welding machines, robotic welding systems, welding-related testing, analysis, and consulting

Note: Consolidated sales for fiscal 2024 include 8.9 billion yen from other businesses.

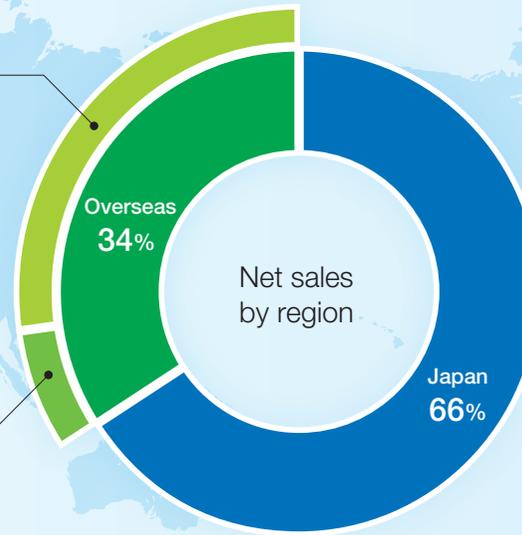
# Overview of the Kobelco Group

## Finance

Capital (consolidated) <b>¥250.9 billion</b>	Consolidated net sales <b>¥2,555.0 billion</b>	Total assets <b>¥2,891.0 billion</b>
Capital investment (payment basis) <b>¥113.2 billion</b>	Property, plant and equipment <b>¥1,047.1 billion</b>	Social contribution activity expenses <b>Approx. ¥960 million</b>

Other regions  
27%

U.S.  
7%



## Human Resources

Diverse human resources with extensive knowledge and skills in a variety of industries play active roles in our Group.

Number of employees (consolidated) <b>39,294</b>	Global operations <b>23 countries</b>	Group companies <b>243</b>
Percentage of employees returning from childcare leave <b>100%</b>	Percentage of female managers <b>3.6%</b>	

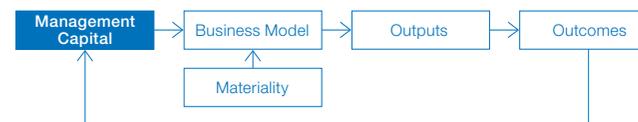


## R & D

New value is created by bringing together diverse knowledge and expertise through internal and external collaborations.

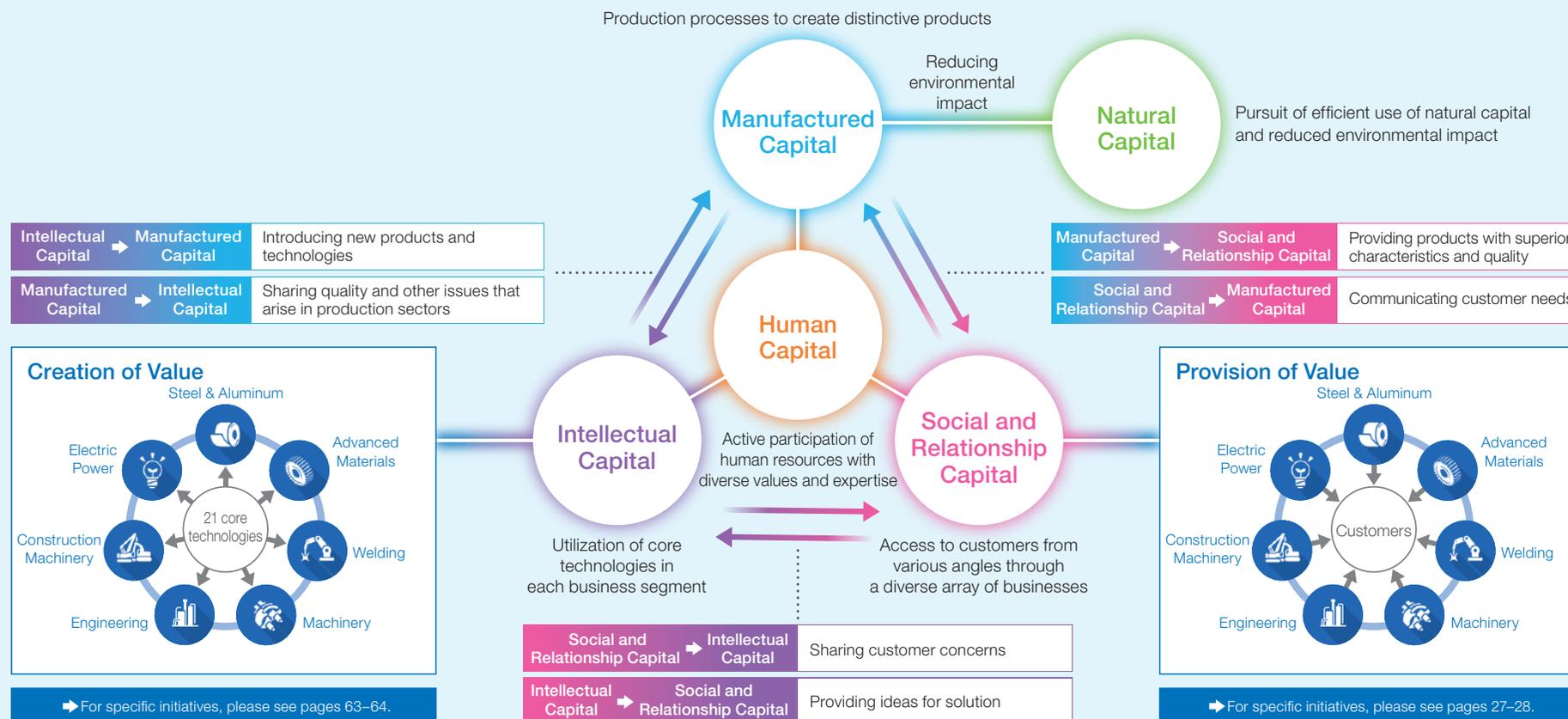
Research and development expenses <b>¥43.5 billion</b>	Number of intellectual property rights owned <b>7,191</b>	<b>21 core technologies</b>
Reduction of CO <sub>2</sub> emissions in production processes <b>22% reduction</b> <small>(compared to fiscal 2013)</small>	Contributing to reduction of CO <sub>2</sub> emissions through technologies, products, and services <b>62.35 million tons</b>	Water recycling rate <b>96.0%</b>

# Our Management Capital



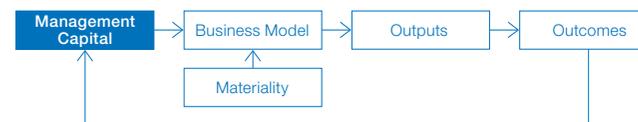
Kobelco Group's business foundation is reinforced by its human resources with diverse values and knowledge. We offer distinctive value that is unattainable by a single business by sharing the know-how and expertise acquired by individuals working in different areas of the Group's businesses, as well as the information obtained from market players and customers, and utilize them across the Group.

In recent years, we are required to offer comprehensive solutions that consider the entire life cycle of products to address climate change and other societal demands by making more effective use of our Group's management capital. In order to provide our customers with the value that only a company operating in a diverse range of businesses can offer through the creation of a conglomerate premium, we will continue efforts to strengthen our management capital.



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## Our Management Capital



	Inputs	Outputs	Capital enhancement and other measures
 <b>Financial Capital</b>	<ul style="list-style-type: none"> <li>Shareholders' equity: ¥1,001.7 billion</li> <li>Total assets: ¥2,891.0 billion</li> <li>Net asset ratio: 42.8%</li> <li>Interest-bearing debt: ¥886.3 billion (Including lease)</li> <li>D/E ratio: 0.76 times</li> </ul>	<ul style="list-style-type: none"> <li>Net sales: ¥2,555.0 billion</li> <li>Ordinary profit: ¥157.1 billion</li> <li>ROIC: 6.9%</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of earnings structure</li> <li>Reduction of low profit assets</li> <li>Improvement of capital structure</li> </ul>
 <b>Human Capital</b>	<ul style="list-style-type: none"> <li>Number of employees (consolidated): 39,294</li> <li>Number of non-Japanese employees: 109</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of female managers: 3.6%</li> <li>Percentage of employees returning from childcare leave: 100.0%</li> <li>Lost time injury frequency rate: 0.27</li> <li>Average hours of training per employee: 44.2</li> </ul>	<ul style="list-style-type: none"> <li>Recruitment of diverse human resources</li> <li>Development of D&amp;I</li> <li>Job assignment that inspires growth and ambition</li> <li>Compensation based on ability and role</li> <li>Human resources development</li> <li>Promotion of work style reform</li> <li>Raising awareness of human rights</li> <li>Development of safe and healthy workplaces</li> </ul>
 <b>Manufactured Capital</b>	<ul style="list-style-type: none"> <li>Capital investment (payment basis): ¥113.2 billion</li> <li>Property, plant and equipment: ¥1,034.4 billion</li> <li>Depreciation: ¥122.4 billion</li> </ul>	<ul style="list-style-type: none"> <li>Crude steel production: 5.96 million Mt (incl. Takasago Works)</li> <li>Percentage of business sites certified under the Quality Guidelines: 84%</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of global production system</li> <li>Transition to smart factories with introduction of digital technology</li> <li>White logistics movement</li> <li>Provision of low-CO<sub>2</sub> and other socially beneficial products</li> </ul>
 <b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>21 core technologies</li> <li>Research and development expenses: ¥43.5 billion</li> </ul> <p style="text-align: right;"><a href="#">▶ For details, please see page 63.</a></p>	<ul style="list-style-type: none"> <li>Intellectual property rights owned: 7,191</li> <li>Number of new business ideas created: 7</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new value by combining core technologies</li> <li>Enhancement of intellectual property activities</li> <li>Early development and commercialization of carbon-neutral technologies and products</li> <li>Creation of innovation through industry-academia collaboration</li> </ul>
 <b>Social and Relationship Capital</b>	<ul style="list-style-type: none"> <li>Global operations: 23 countries</li> <li>Group companies: 243</li> </ul>	<ul style="list-style-type: none"> <li>Individual dialogue with domestic and international institutional investors and analysts: 187 companies</li> <li>Social contribution activity expenses: Approx. 960 million yen</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of dialogue with stakeholders</li> <li>Provision of new value to customers</li> <li>Building of responsible supply chains</li> <li>Contributions to local communities</li> </ul>
 <b>Natural Capital</b>	<ul style="list-style-type: none"> <li>Energy consumption: 180 PJ</li> <li>Water usage: 1,372 million m<sup>3</sup> (including domestic Group companies with significant water use)</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions in production processes: 22% reduction (compared to fiscal 2013)</li> <li>Contribution to reduction of CO<sub>2</sub> emissions through technologies, products, and services: 62.35 million tons</li> <li>Water recycling rate: 96.0%</li> <li>Total pollutant load in regulated area: COD: 220 tons, Total phosphorus (TP): 7 tons</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions in production processes</li> <li>Expanded use of low-CO<sub>2</sub> products</li> <li>Promoting resource recycling                             <ul style="list-style-type: none"> <li>Water recycling rate</li> <li>Reduction of total pollutant load (COD and TP) in regulated area</li> </ul> </li> </ul>

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Management Strategy for Value Creation

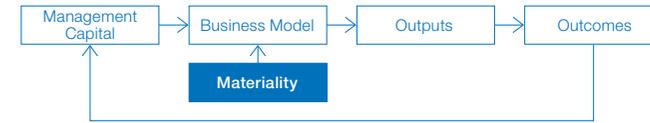
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# Priority Issues for Increasing Corporate Value (Identification of Materiality)



The Kobelco Group will strive to achieve sustainable growth by tackling the five items of materiality. For each item, we have set specific indicators and targets to achieve, and we are monitoring their progress. The Board of Directors and the Executive Council monitor the progress relative to the indicators and targets and discuss necessary measures, such as reviewing and bolstering activities.

Please see page 55 for specific indicators, targets, and progress regarding materiality.

## Process of Identifying Materiality



- 1. Frameworks, guidelines, etc., used as references**
- Ten Principles of the UN Global Compact
  - Sustainable Development Goals (SDGs)
  - OECD Guidelines for Multinational Enterprises
  - UN Guiding Principles on Business and Human Rights
  - GRI Standards
  - SASB Standards
  - ISO 26000

Societal challenges identified based on their importance to the Group, the magnitude of social needs, and their importance to our stakeholders

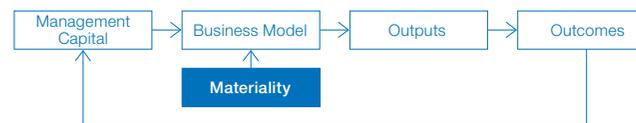
- Value creation area**
- 1 Inadequate urban infrastructure
  - 2 Developing intelligent cities
  - 3 Urban flood control
  - 4 Urban public health
  - 5 Response to climate change
  - 6 Securing water resources
  - 7 Response to marine pollution
  - 8 Advancement of robotics
  - 9 Autonomous driving technology
  - 10 3D printing technology
  - 11 IoT, cloud, DX
- Business foundation area**
- 1 Response to climate change
  - 2 Human rights
  - 3 Labor
  - 4 Diversity
  - 5 Safety and health
  - 6 Compliance
  - 7 Quality
  - 8 Risk management<sup>2</sup>

Identified materiality	Targets of relevant SDGs	Relevant management capital						Specific actions implemented under business strategy
		Financial capital	Human capital	Manufactured capital	Intellectual capital	Social and relationship capital	Natural capital	
Contributing to a green society <sup>3</sup>	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER	●		●	●	●	●	<ul style="list-style-type: none"> <li>• Response to climate change</li> <li>• Response to resource recycling</li> </ul>
Ensuring safety and security in urban development and manufacturing	7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES	●		●	●	●	●	<ul style="list-style-type: none"> <li>• Supplying energy focused on S+3E<sup>4</sup></li> <li>• Providing materials and machinery that meet needs</li> </ul>
Providing solutions for the future connecting people and technology	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE			●	●	●		<ul style="list-style-type: none"> <li>• Manufacturing and operational transformation through digitalization (DX)</li> <li>• Integration and innovation of diverse intellectual assets</li> </ul>
Promoting active participation of diverse human resources	3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES		●					<ul style="list-style-type: none"> <li>• Enhancing organizational diversity</li> <li>• Creating a work environment where employees can play active roles</li> <li>• Encouraging the growth and initiative of every employee</li> </ul>
Pursuing governance that supports sustainable growth	8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	●					●	<ul style="list-style-type: none"> <li>• Compliance and risk management</li> <li>• Human rights</li> <li>• Safety and health</li> <li>• Quality assurance</li> <li>• Total Quality Management (TQM)</li> </ul>

2. Includes top risks related to environmental laws and regulations and disaster prevention  
 3. A green society is not limited to the narrow meaning of a society that merely uses natural energy, but is defined as a society that addresses climate change and resource recycling.  
 4. S+3E: Safety + Energy Security, Economic Efficiency, Environment

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# Assessment of Changes in the Business Environment

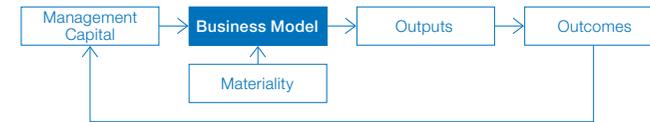


As part of the effort to address materiality issues, the Kobelco Group needs to accurately understand changes in the business environment and incorporate them into its management strategies. By grasping various changes and accurately identifying the risks and opportunities involved in the implementation of business activities, we steadily take necessary actions and work to address materiality. Our business strategies have been formulated considering the impact of changes in the business environment on our materiality issues, which have been identified under the Medium-Term Management Plan (Fiscal 2024–2026) as listed below.

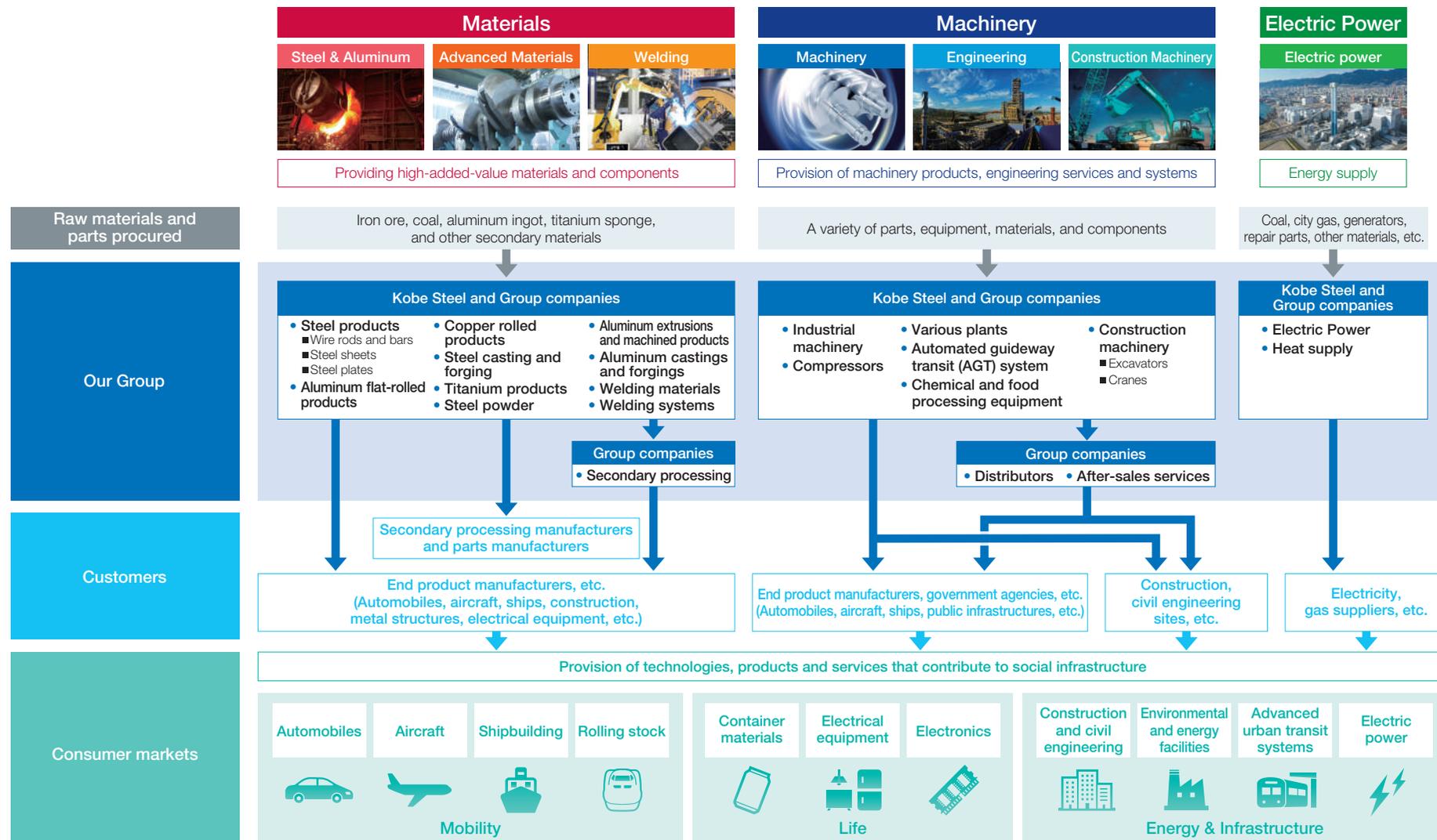
Changes in the business environment	Risks	Opportunities	Necessary actions
Domestic/worldwide demographic changes, Increasing urbanization	<ul style="list-style-type: none"> <li>Decline in domestic demand due to the declining population in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Increasing demand due to population growth in emerging countries (infrastructure development driven by urbanization, and growing demand for automobiles and other consumer goods)</li> </ul>	<ul style="list-style-type: none"> <li><b>Responding to changes in demand in each region</b> Seizing business opportunities through automation and digitalization in response to labor shortages, while also promoting business operations that consider regional growth differences and demand trends in areas such as energy, infrastructure, and consumer goods.</li> </ul>
	<ul style="list-style-type: none"> <li>Difficulty maintaining continuous and stable operations due to labor shortages</li> </ul>		<ul style="list-style-type: none"> <li><b>Strengthening human capital management</b> Optimizing internal systems and work environments to stably secure human resources and promoting technological innovations such as automation and manpower-saving systems to address labor shortages.</li> </ul>
	<ul style="list-style-type: none"> <li>Prolonged slump in the materials businesses</li> </ul>		
Growing demand for a sustainable society	<ul style="list-style-type: none"> <li>Increased costs and unstable supply due to the transition to a circular economy ➔ Accelerating inflation increases risks</li> </ul>	<ul style="list-style-type: none"> <li>Emergence of growth opportunities driven by new industries, products and customer needs</li> </ul>	<ul style="list-style-type: none"> <li><b>Strengthening response to carbon neutrality</b> <ul style="list-style-type: none"> <li><b>CO<sub>2</sub> reduction in our own production processes</b> Reducing CO<sub>2</sub> emissions from our own ironmaking process and the electric power business, while monitoring trends in the energy sectors, such as power facilities, hydrogen and other energy supply, etc.</li> <li><b>Contribution to CO<sub>2</sub> reduction through technologies, products, and services</b> Strengthening existing businesses and creating new ones by leveraging business opportunities through technologies, products, and services that contribute to a circular economy and CO<sub>2</sub> reduction.</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>Increasing low-CO<sub>2</sub> demands and reputational risks</li> </ul>		
National security and geopolitical risks	<ul style="list-style-type: none"> <li>Greater volatility in energy prices due to geopolitical risks</li> </ul>	<ul style="list-style-type: none"> <li>Emergence of new demand opportunities due to changes in supply chains and energy demand</li> </ul>	<ul style="list-style-type: none"> <li><b>Providing technologies, products and services that respond to changes in energy demand</b> Expanding the use of technologies, products, and services for the energy industry where demand is increasing due to the energy transition.</li> </ul>
	<ul style="list-style-type: none"> <li>Supply chain disruptions and growing need for local production and consumption</li> </ul>		<ul style="list-style-type: none"> <li><b>Strengthening supply chain management</b> Strengthening risk management and coordination of our supply chains, taking into account national security and geopolitical risks.</li> </ul>
	<ul style="list-style-type: none"> <li>Response to protectionism</li> </ul>		
Advances in technologies	<ul style="list-style-type: none"> <li>Existing technologies becoming obsolete and losing their competitive edge due to the emergence of new technologies and intensifying competition in technological development</li> </ul>	<ul style="list-style-type: none"> <li>Business opportunities spurred by decarbonization and the advancement of digital technologies</li> </ul>	<ul style="list-style-type: none"> <li><b>Securing competitive advantages through DX</b> Gaining momentum of rapid technological advances and utilizing innovative technologies in both offensive and defensive business strategies.</li> </ul>
		<ul style="list-style-type: none"> <li>Competitive advantages gained through DX, achieving greater efficiency and manpower savings</li> </ul>	<ul style="list-style-type: none"> <li>Application for new technologies and products</li> <li>Application for decarbonization</li> <li>Application for strengthening human capital management</li> </ul>



# Business Model and Value Provided

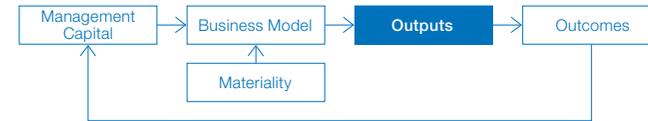


We create a variety of technologies, products, and services, leveraging the Group's comprehensive strengths to continue to provide solutions to the needs of society.



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# Creation of Social Value through Technologies, Products, and Services



Materials ■ Steel & Aluminum ■ Advanced Materials ■ Welding ■ Machinery ■ Machinery ■ Engineering ■ Construction Machinery ■ Electric Power ■ Electric Power

Mobility <sup>1</sup>	Life <sup>2</sup>	Energy & Infrastructure <sup>3</sup>
<div>Provision of high-value-added materials and components</div> <div>Steel products for automotive valve springs</div> <div>High-tensile strength steel sheets</div> <div>Aluminum sheets for automotive panels</div> <div>Aluminum forgings for suspensions</div> <div>Aluminum extrusions and machined products</div> <div>Steel powder</div> <div>Crankshafts</div> <div>Titanium for aircraft engine components</div> <div>Non-copper coated solid wires (SE wires)</div> <div>FAMILIARC™ MIX-1TR</div> <div>AXELARC™</div>	<div>Aluminum bottle can stock</div> <div>Aluminum disk materials</div> <div>Copper alloys for automotive terminals and connectors</div> <div>Semiconductor silicon wafer inspection systems</div>	<div>Eco-View steel plates for longer-lasting paint on bridges</div> <div>KOBEMAG®</div> <div>ARCMAN™ SENSARC™ series</div> <div>REGARC™</div> <div>Robotic Welding System for 9% Ni Steel</div> <div>Energy supply</div> <div>Kobe Power Plant No. 1 and No. 2 units</div> <div>Kobe Power Plant No. 3 and No. 4 units</div> <div>Moka Power Plant No. 1 and No. 2 units</div> <div>Polyethylene mixing and pelletizing systems</div> <div>LNG vaporizer (ORV)</div> <div>Screw-type non-standard compressors</div> <div>Screw-type standard compressor Emeraude</div> <div>Stainless Steel Digester</div> <div>MIDREX® Process</div> <div>Kobelco Pelletizing System</div> <div>Water treatment facilities</div> <div>Grate-Type Incineration</div> <div>Building demolition machines</div> <div>Advanced urban transit systems</div> <div>Crawler cranes</div> <div>Short radius excavators</div> <div>Scrap loaders equipped with eMag system</div>
<div>Provision of facilities, systems and engineering</div> <div>Isostatic pressing equipment</div> <div>Multi dismantling machines</div>		

1. Mobility: Automobiles, aircraft, shipbuilding, and rolling stock; 2. Life: Container materials, electrical equipment, and electronics; 3. Energy & Infrastructure: Construction and civil engineering, environmental and energy facilities, advanced urban transit systems, and electric power

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# Our Value Creation

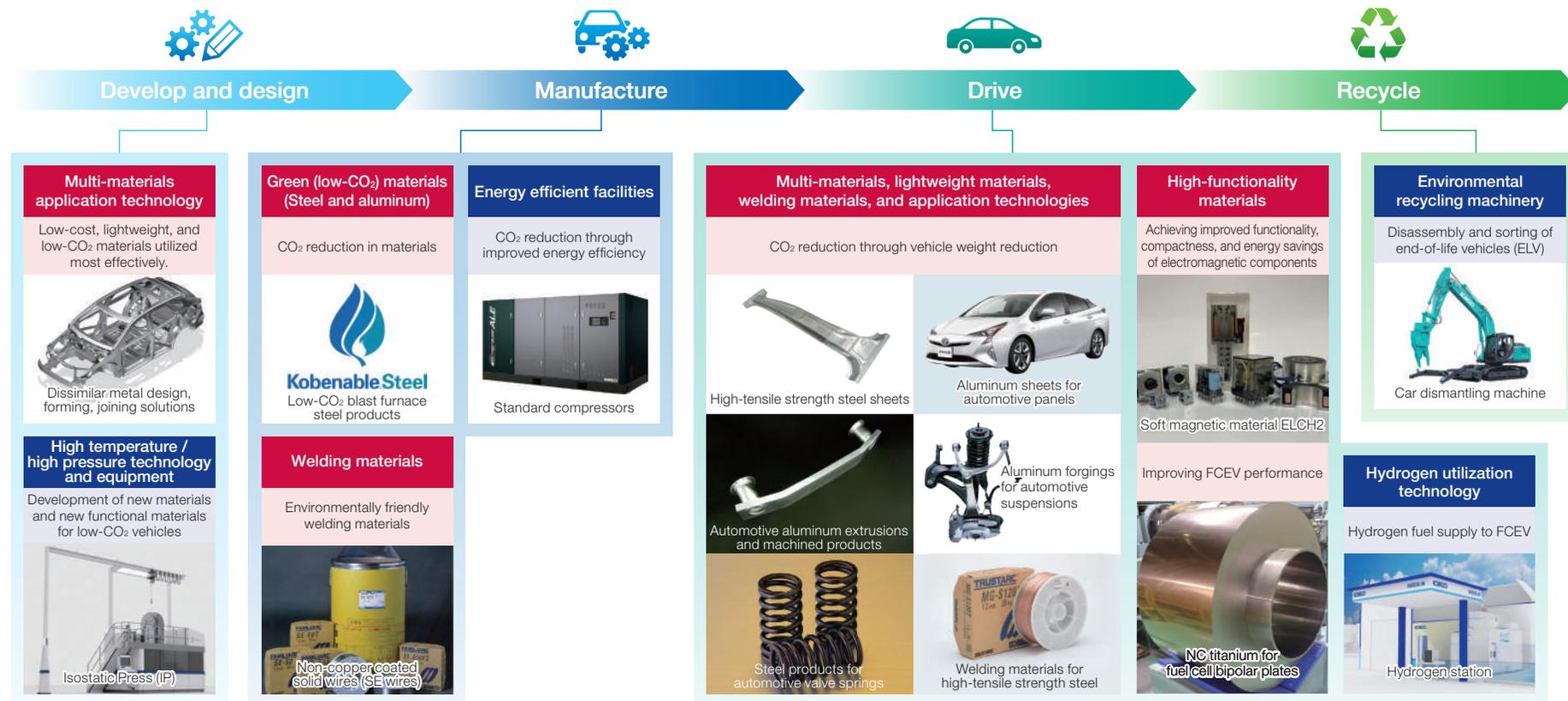
## Providing value throughout the entire product life cycle in the automotive industry

Taking advantage of operating a diverse array of businesses, the Kobelco Group provides various technologies, products, and services throughout the entire life cycle of customers' products.

We contribute to safe and secure urban development and manufacturing by not only selling our products in relevant business areas, but also by making optimal and comprehensive proposals that cover various phases of the product life cycle within the scope of our business.

The example below shows an example of our value creation in the automotive sector. We provide a variety of technologies, products and services at each stage of the automotive life cycle, from development and design to recycling.

### Kobelco Group's Contribution to CO<sub>2</sub> Reduction in the Automotive Life Cycle



■ Materials ■ Machinery

# Our Value Creation

## Providing value to the semiconductor industry

The Kobelco Group also provides a wide range of technologies, products, and services for the semiconductor industry through its materials and machinery businesses. By integrating our diverse technologies developed over the years, we provide solutions and value for our customers in the semiconductor sector.





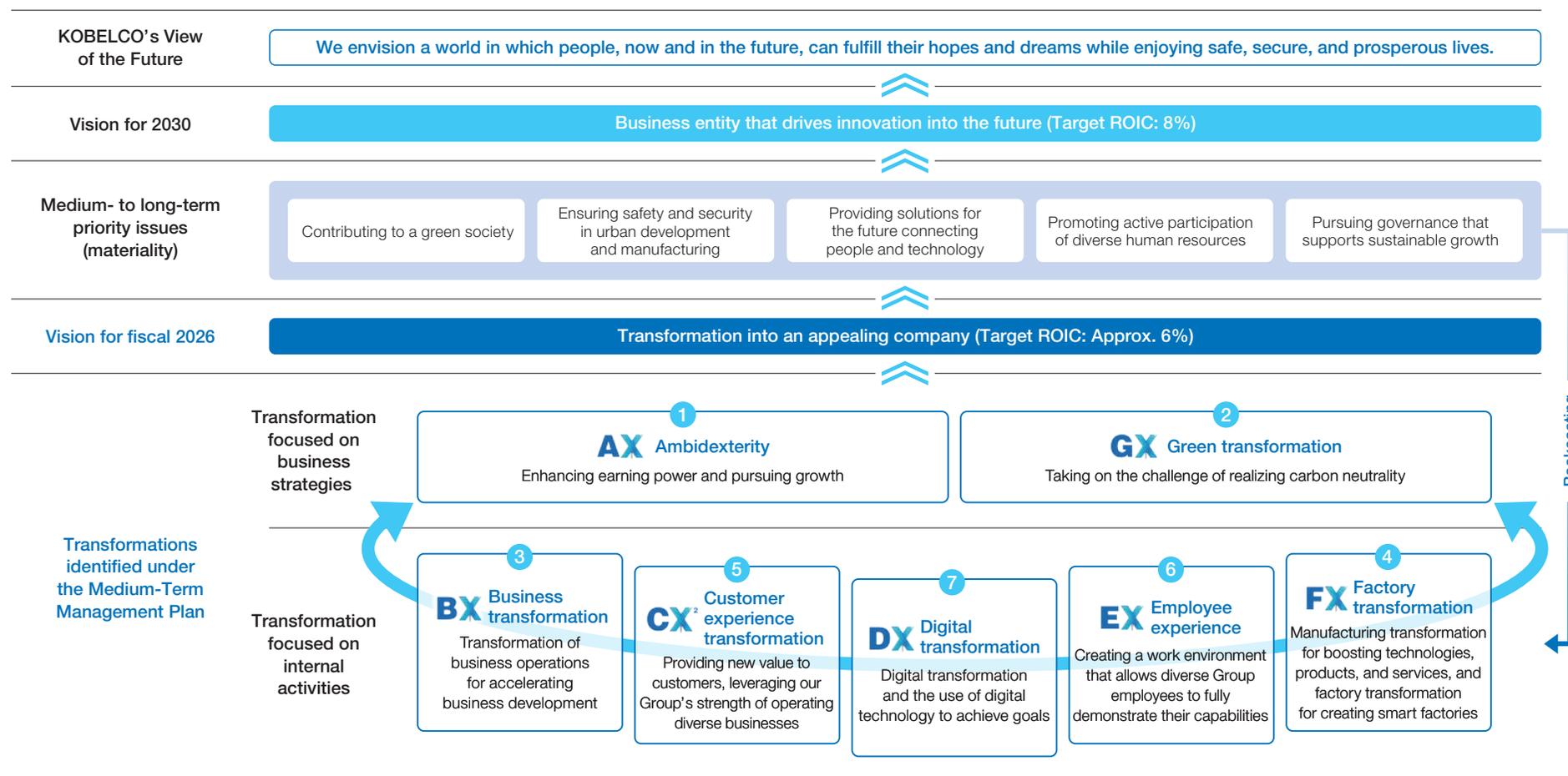
# 02

Management Strategy  
for Value Creation

# Transformation for the Future We Envision

## Our Approach to Medium- to Long-Term Priority Issues (Materiality)

In order to achieve our fiscal 2030 vision of becoming a business entity that drives innovation into the future, we have set a goal of transforming into an appealing company under the Medium-Term Management Plan that began in fiscal 2024. Toward this end, we have identified seven transformation initiatives focused on Kobelco Group's business strategies as well as its internal activities.



# Medium-Term Management Plan (Fiscal 2024–2026)

## – Transforming into an Appealing Company

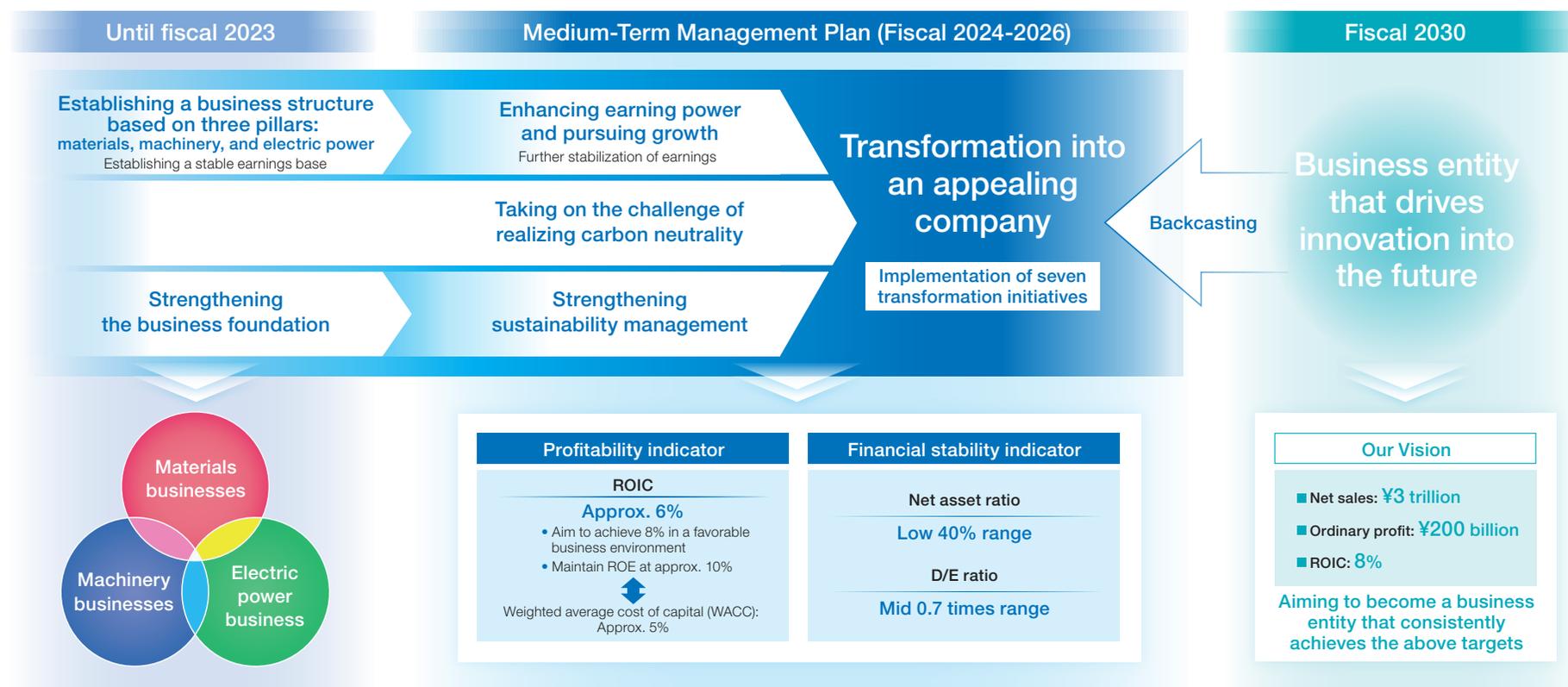
Under the previous Medium-Term Management Plan, we have established a business enterprise with a solid business base in three core business areas. Now, we are geared up for transforming this into an appealing company toward our fiscal 2030 vision of becoming a business entity that drives innovation into the future.

The three-year period of the Medium-Term Management Plan (Fiscal 2024–2026) is positioned as a period in which we will sow the seeds for growth, and reap the results of growth measures that we began under the previous Medium-Term Management Plan, while strengthening our foundation.

Based on the review of the previous Medium-Term Management Plan and our recognition of the medium- to long-term trends in the business environment, the current Medium-Term Management Plan (Fiscal 2024–2026) has set priority

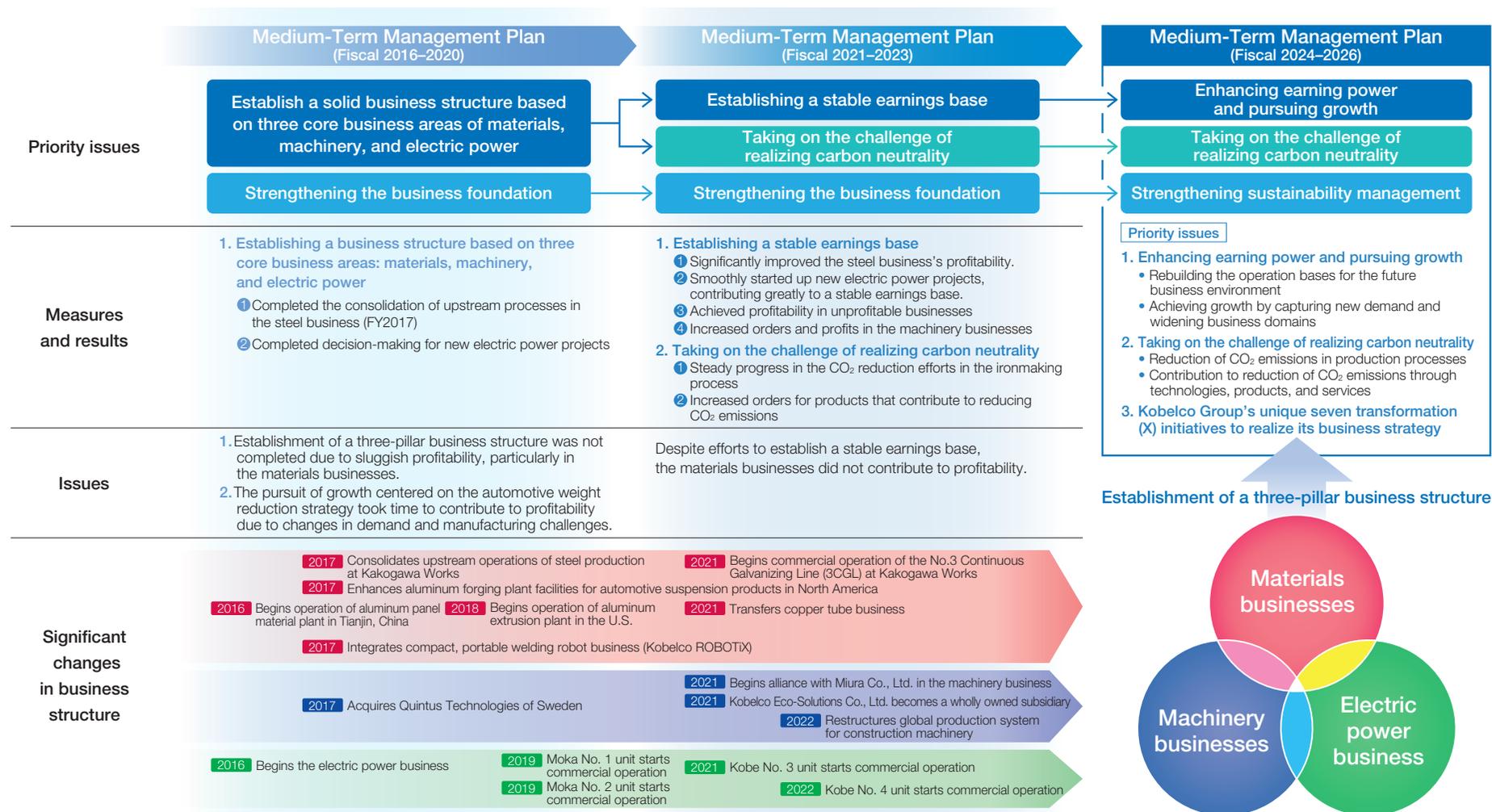
issues: (1) Enhancing earning power and pursuing growth, (2) Taking on the challenge of realizing carbon neutrality, and (3) Strengthening sustainability management.

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



# Review of the Medium-Term Management Plans Over the Last Decade

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



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

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# Seven Transformation Initiatives to Achieve the Medium-Term Management Plan –KOBELCO-X

In order to achieve the transformation into an appealing company, the Kobelco Group must embark on a companywide transformation. The Group has defined seven transformation initiatives, collectively called KOBELCO-X, to boost internal efforts to fulfill its priority challenges.

By promoting KOBELCO-X, we will transform into an appealing company and realize our 2030 vision of becoming a business entity that drives innovation into the future.

## The Framework of KOBELCO-X

The seven transformation (X) initiatives are broadly categorized into two groups based on their content. First is AX and GX, which correspond to the priority issues set out in the Medium-Term Management Plan, forming the two pillars of the Group’s business strategy. Second is the remaining five Xs, which are initiatives linked to the sustainability management to address the priority issues. Along with various organizational efforts as a company, each employee joins forces to achieve the companywide transformation.

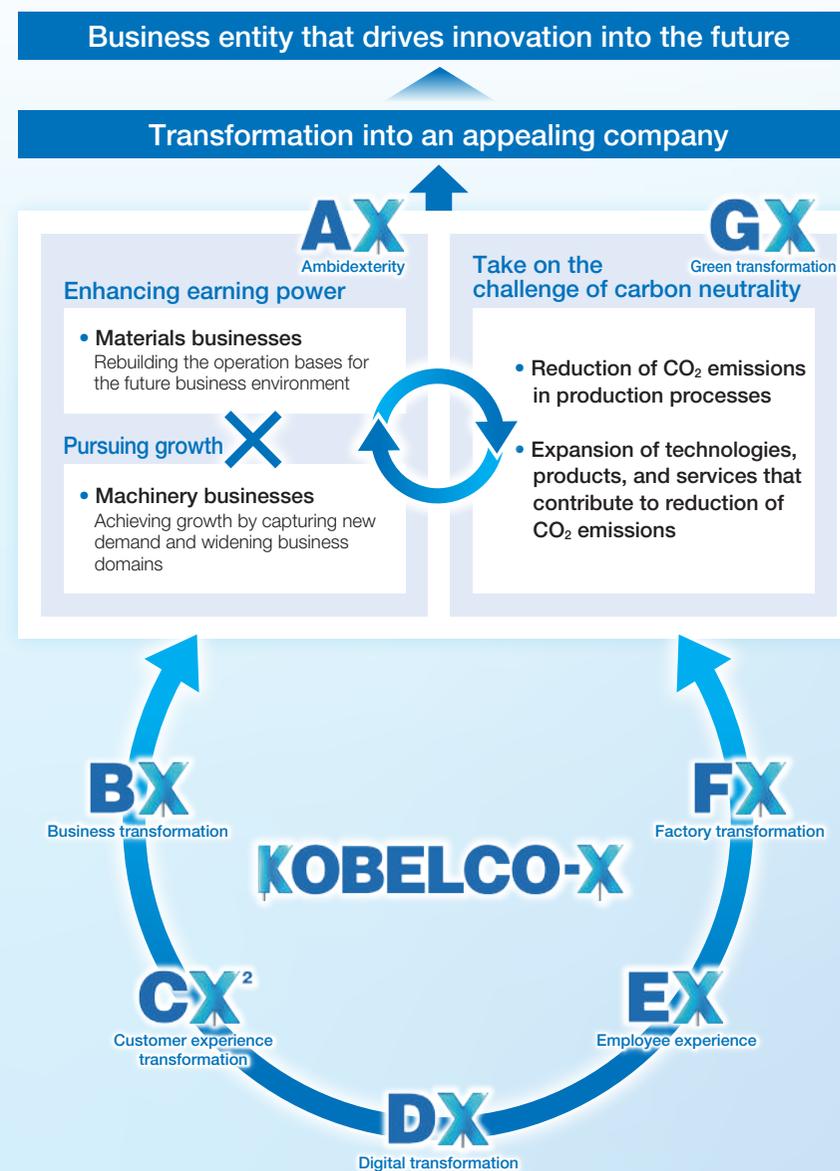
- ① Two Xs (AX and GX), focused on priority issues, are essential elements for formulating and promoting business strategies
- ② Four Xs (BX, CX<sup>2</sup>, EX, FX), the driving force for realizing business strategies, and DX to support them

Each X initiative is interrelated and designed to maximize synergy by fostering links among them. We will create new value not only by promoting collaborations across business domains, but also by transforming ourselves into an appealing company through the integration of various initiatives Groupwide.

### Concept behind

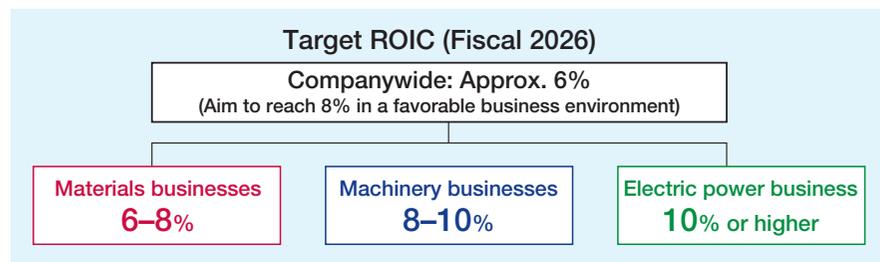


- 1. Transformation**
  - Each employee will engage in transformation initiatives through their respective duties.
- 2. “Intersection” of various activities**
  - Seven transformation initiatives are not individual efforts but have many intersecting points with one another.
  - Advance our transformation through collaboration
- 3. “Integration” unique to KOBELCO**
  - Achieve transformation by integrating Kobelco Group’s diverse assets across diverse businesses.



# AX Ambidexterity: Enhancing Earning Power and Pursuing Growth

## Business Portfolio Map

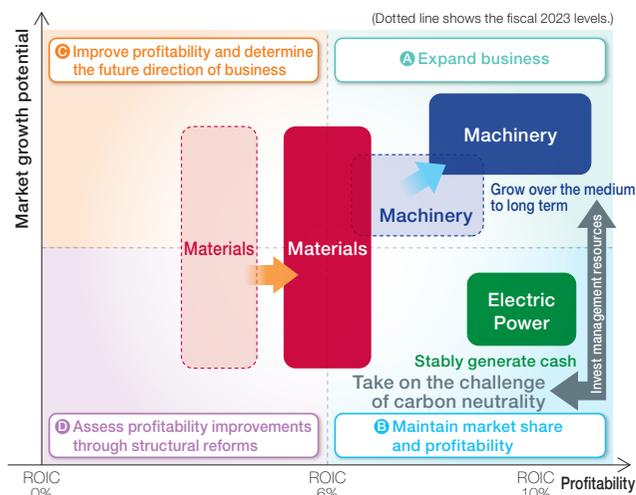


One of the two priority issues under the current Medium-Term Management Plan (Fiscal 2024–2026) is to enhance earning power while pursuing growth. In terms of KOBELCO-X, this corresponds to AX (Ambidexterity), which focuses on both enhancing existing businesses and exploring new business opportunities.

The Kobelco Group has a diverse array of business models in each of the three business areas: materials, machinery, and electric power. We are implementing transformation initiatives to attain our target ROIC and business portfolio set for each business area.

### The Focus of Each Business Area

- Materials businesses: Promote sales expansion of products that meet the needs of society with a focus on enhancing earning power**  
 Reorganize the business foundation in anticipation of future changes in the business environment and work to expand sales of products that meet the needs of society, such as Kobenable® Steel and Kobenable® Aluminum.
- Machinery businesses: Pursue growth by seizing business opportunities in the changing business environment**  
 Pursue growth by capturing new demand trends such as energy transition and widening business domains, while optimizing global production and sales structures to support this.
- Electric power business: Continue contribution to stable earnings**  
 Aim to achieve a target ROIC of 10% or higher to ensure consistent earnings while maintaining the stable operation of the Kobe and Moka Power Plants.



	Materials businesses	Machinery businesses
<b>Policy</b>	Enhance <b>earning power</b> and improve profitability globally.	<b>Pursuing growth</b> by seizing business opportunities in the changing business environment
<b>Enhancing earning power</b>	<b>① Rebuilding the operation base for the future business environment</b> <ul style="list-style-type: none"> <li>Restructuring the aluminum rolled products and aluminum advanced materials businesses</li> <li>Maintaining global competitiveness (steel and welding)</li> </ul>	<b>① Optimizing global production and sales structures</b> <ul style="list-style-type: none"> <li>Strengthening production, sales, and service structures for target areas where we take an offensive strategy while studying optimal structures for areas where we take a defensive strategy</li> </ul>
<b>Pursuing growth</b>	<b>② Enhancing ROIC Management</b> <ul style="list-style-type: none"> <li>Enhancing ROIC management and KPI management to build the foundation for further profitability improvement</li> </ul>	<b>② Enhancing ROIC Management</b> <ul style="list-style-type: none"> <li>Enhancing ROIC management and KPI management to build the foundation for further profitability improvement</li> </ul>
	<b>③ Expanding sales of environmental and other products that meet the needs of society</b> <ul style="list-style-type: none"> <li>Expanding sales of Kobenable® Steel, green aluminum, etc.</li> </ul>	<b>③ Achieving growth by capturing new demand and widening business domains</b> <ul style="list-style-type: none"> <li>Acquiring new business opportunities, such as energy transition</li> <li>Developing customer experience-oriented business and solution business</li> </ul>
	<b>④ Efforts to create new businesses</b> <ul style="list-style-type: none"> <li>Creating new business opportunities and making the most of our technological assets with a view to the next Medium-Term Management Plan (starting in fiscal 2027)</li> </ul>	<b>④ Efforts to create new businesses</b> <ul style="list-style-type: none"> <li>Creating new business opportunities and making the most of our technological assets with a view to the next Medium-Term Management Plan (starting in fiscal 2027)</li> </ul>

# AX Ambidexterity: Enhancing Earning Power and Pursuing Growth

## Progress until Fiscal 2024 (Materials Business)

- Enhancing earning power:** We are making generally steady progress on the initiatives planned under the Medium-Term Management Plan (Fiscal 2024-2026), despite changes in the business environment that affect our operations. We also have made good progress in the restructuring of the aluminum advanced materials business, with Kobelco Aluminum Automotive Products, LLC (KAAP), which manufactures aluminum forged suspensions, turning a profit in the second half of fiscal 2024. We will continue working to improve profitability. We will also steadily move forward with the projects that we have decided to implement so that they can contribute to future profitability.
- Pursuing growth:** We are working to expand sales of environmental and other products that meet the needs of society. Following the launch of the low-CO<sub>2</sub> blast furnace steel product Kobenable<sup>®</sup> Steel, we have launched the low-CO<sub>2</sub> aluminum product Kobenable<sup>®</sup> Aluminum.

**Materials businesses**

**Enhancing earning power**

Rebuilding the operation base for the future business environment

- 1 Aluminum flat-rolled products: Restructuring the automotive panel business**
  - Established a joint venture with Baowu Aluminum Technology Co., Ltd., focusing on switching base materials and expanding sales.
- 2 Aluminum advanced materials: Restructuring the North American operations**
  - Kobelco Aluminum Automotive Products, LLC (KAAP)'s aluminum suspension business achieved profitability in the second half of fiscal 2024.
  - Kobelco Aluminum Products & Extrusions Inc. (KPEX)'s aluminum extrusion business remained in the red in fiscal 2024 due to a worsening product mix, despite progress in price improvement.
    - ➔ KAAP continues stable production and price improvement, whereas KPEX focuses on increasing profitability through downsizing.
- 3 Maintaining global competitiveness**
  - The steel segment has decided to invest in KOBEMAG<sup>®</sup> to improve the product mix and strengthen the earnings base in Japan.
  - The welding segment received new orders for welding systems overseas, accelerating solutions business.

**Pursuing growth**

Expanding sales of environmental and other products that meet the needs of society

- 1 Expanding sales of Kobenable<sup>®</sup> Steel**
  - An increasing number of companies are adopting Kobenable<sup>®</sup> Steel, which satisfies customers' requirements.
- 2 Commercializing Kobenable<sup>®</sup> Aluminum**
  - Kobe Steel announced the brand launch of low-CO<sub>2</sub> aluminum product Kobenable<sup>®</sup> Aluminum in November 2024. Aluminum extrusions, suspensions, and machined products were added to the product lineup in June 2025, in addition to aluminum flat-rolled products.

**Establishment of joint venture for automotive aluminum panels in China**



On January 9, 2025, Kobe Steel established a joint venture with Baowu Aluminum Technology Co., Ltd., with the aim of expanding the automotive aluminum panel business and responding to automakers' CO<sub>2</sub> reduction needs in China.

With demand for aluminum panels expected to grow in China, we will continue to contribute to making automobiles lighter and realizing a decarbonized society.

**In-house production of KOBEMAG<sup>®</sup> at Kakogawa Works**



Kobe Steel decided to make capital investment to establish an integrated in-house production system for KOBEMAG<sup>®</sup>, which came onto the market in fiscal 2017. The start of integrated in-house production is scheduled for fiscal 2029.

KOBEMAG<sup>®</sup> is a steel sheet product with excellent corrosion resistance, scratch resistance, and formability, as well as a beautiful surface finish. With a wide range of applications, KOBEMAG<sup>®</sup> is expected to continue to be in constant demand for a long term.

**ARCMAN<sup>™</sup> PORTABLE for structural steel expands into the North American market**



Kobe Steel is working to increase orders for welding systems in response to the growing demand for automating welding work in North America. This effort successfully resulted in orders for multiple ARCMAN<sup>™</sup> PORTABLE units and specialized welding materials. The welding segment will continue to accelerate market expansion in North America.

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# AX Ambidexterity: Enhancing Earning Power and Pursuing Growth

## Progress until Fiscal 2024 (Machinery Businesses)

- Enhancing earning power:** In the machinery businesses, we are moving ahead with the optimization of our global production and sales structures. With the increased capacity of Kobelco Industrial Machinery India (KIMI), we will further leverage the network of overseas bases and Group companies, while strengthening the parts and maintenance business through the expansion of the Houston service plant of Kobelco Compressors America (KCA), the North American base for Kobe Steel's non-standard compressors business.
- Pursuing growth:** Demand in the energy transition sector remains high for both the machinery and engineering businesses. Although it is becoming difficult to predict future demand due to delays in customer decision-making for investments in carbon neutrality, we will steadily capture demand based on the projection that the carbon neutrality trend will be maintained in the long term.

**Machinery businesses**

**Enhancing earning power**

Optimizing global production and sales structures

- Expanding the machinery businesses globally**
  - We decided to expand KIMI's production capacity, which allows for the enhancement of production capacity of existing industrial machinery as well as the commencement of compressor production.
  - In order to strengthen the parts and maintenance business, we decided to establish a new service base in the Middle East and expand the North American base, increasing the ratio of the parts and maintenance business to nearly 40%.

**Pursuing growth**

Achieving growth by capturing new demand and widening business domains

- Acquiring new business opportunities, such as energy transition**
  - The machinery segment is expected to achieve a record high profit due to high demand in the energy sector
  - The engineering segment is also steadily capturing carbon neutrality demand and achieving high profits
- Developing customer experience-oriented business and solution business**
  - The construction machinery segment continues efforts to increase recognition of the remote operation system for construction machinery K-DIVE® and other products and establish the business.
- Efforts to create new businesses**
  - Targeting the four fields of energy, mobility, infrastructure, and semiconductors, efforts are underway to create and commercialize new businesses through exploration of new business opportunities that utilize Kobe Steel's proprietary technologies.

**Overseas bases of the machinery businesses**

**Kobelco Industrial Machinery India to expand production capacity**

- Enhancement of production capacity for industrial machinery
- Non-standard compressor production start
- Establishment of a new engineering base

Considering further expansion in the future

- Production
- Sales and services
- Kobelco Compressors

New
Expanded

Secure stable earnings

Acquire growing markets

Respond to country-specific risks

**Sustainable growth of the machinery businesses**

1. Kobelco Wuxi Compressors Co., Ltd. 2. Kobelco Stewart Bolling, Inc.

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

Taking on the challenge of realizing carbon neutrality is another priority issue, which is positioned as green transformation (GX) under KOBELCO-X. The Kobelco Group is working to achieve its targets for the reduction of CO<sub>2</sub> emissions in its own production processes and for the contribution to reduction of CO<sub>2</sub> emissions through its technologies, products, and services.

	2030 Target	2050 Vision
<b>Reduction of CO<sub>2</sub> emissions</b> in production processes	<b>30–40%</b> (compared to fiscal 2013) <sup>1</sup>	Taking on the challenge of realizing <b>carbon neutrality</b>
<b>Contribution to reduction of CO<sub>2</sub> emissions</b> through technologies, products, and services <sup>2</sup>	<b>78 million tons</b> (Net sales: ¥550 billion)	<b>100 million tons or more</b>

<sup>1</sup> Most of the reduction targets are associated with iron and steelmaking processes.  
<sup>2</sup> Our Group contributes to the reduction of CO<sub>2</sub> emissions in various areas of society through its distinctive technologies, products, and services.

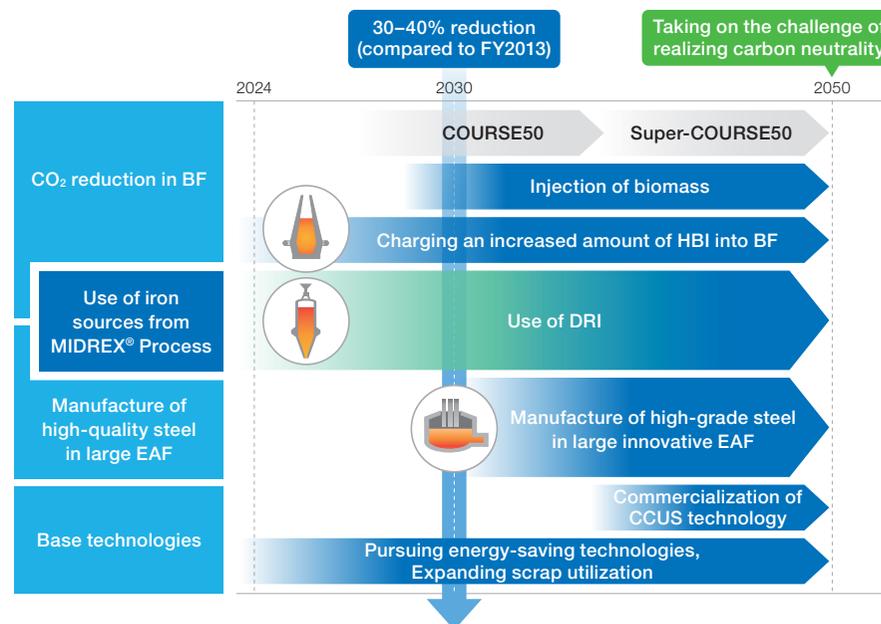
## ■ Reducing CO<sub>2</sub> Emissions in the Ironmaking Process (Roadmap and Progress to Date)

To achieve our 2030 target, we have taken a multi-track approach, including charging an increased amount of hot briquetted iron (HBI) into the blast furnace (BF) and implementing various energy-saving measures. Along with this, we will continue the study of the large-scale innovative electric arc furnace (EAF) capable of producing high-grade steel to enable early decision-making on future steelmaking facilities.

In light of the current circumstances, such as accelerating inflation and other factors, careful consideration is required when making investment decisions. While our roadmap for reducing CO<sub>2</sub> emissions in the ironmaking process remains unchanged, we will continue to explore optimal reduction measures, considering changes in the business environment.

We are studying a combination of multiple reduction measures to achieve the 2030 target. We will select appropriate reduction measures based on market trends prior to making investment decisions. In addition, it is imperative to establish a market for green steel on the demand side in order to attain the target. With an increasing number of customers adopting our low-CO<sub>2</sub> blast furnace steel Kobenable® Steel, we will work to expand sales to further boost demand.

## ■ Roadmap for Reducing CO<sub>2</sub> Emissions in the Ironmaking Process



### Study to achieve 2030 target

CO <sub>2</sub> reduction measures & elements		Reduction effects
Implemented	Upstream process consolidation, energy savings, etc.	Approx. 15%
Production volume	Compared to FY2013 (depending on the business environment)	Approx. 5%
+		
Multi-track approach	Increased use of steel scrap	Selection of appropriate reduction measures based on market trends Expected scale of investments ¥10–20 billion
	Charging an increased amount of HBI into BF	
	Use of biomass in BF	
	Use of renewable energy	
	Other additional energy savings, etc.	

Note: The reduction target is the combined total of Scope 1 and Scope 2 emissions. The target encompasses Kobe Steel and its major subsidiaries, which together account for approximately 95% of the Group's CO<sub>2</sub> emissions.

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

To explore the use of biomass in the blast furnace as a way to reduce CO<sub>2</sub> emissions, Kobe Steel and Mitsubishi UBE Cement Corporation (MUCC) have begun a joint feasibility study for the manufacture and sale of black pellets. We will continue to explore the use of black pellets as one of the effective means to reduce CO<sub>2</sub> emissions in the ironmaking process.

### Joint Feasibility Study for the Manufacture and Sale of Black Pellets\*

Kobe Steel has agreed with Mitsubishi UBE Cement Corporation (MUCC) to proceed with a joint venture feasibility study for the manufacture and sale of black pellets, which are attracting attention as a low-CO<sub>2</sub> raw material and fuel. This aims to contribute to our customers' decarbonization efforts in Japan, as well as decarbonization in our own production processes.

We plan to establish a joint venture company in 2026 based on the results of the preliminary study.






Application to steel production process



Kakogawa Works

- Blast furnace
- In-house power generation boiler

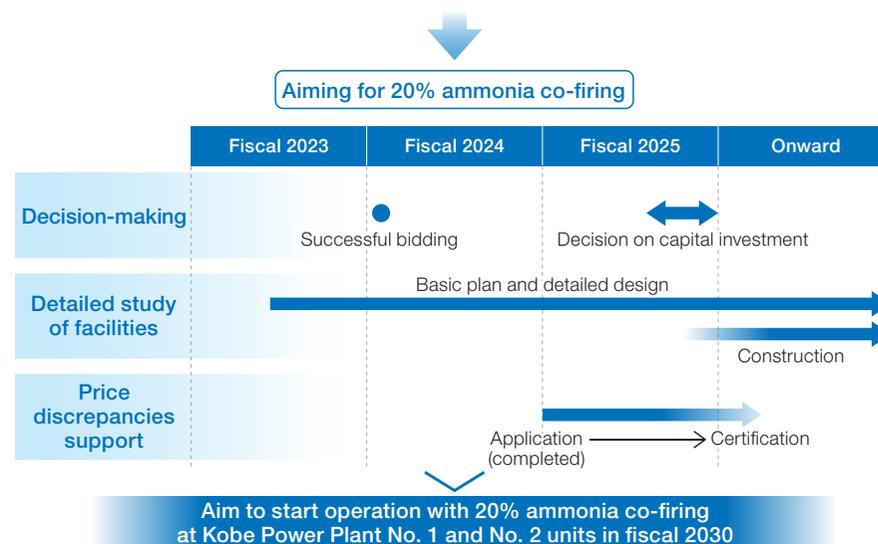
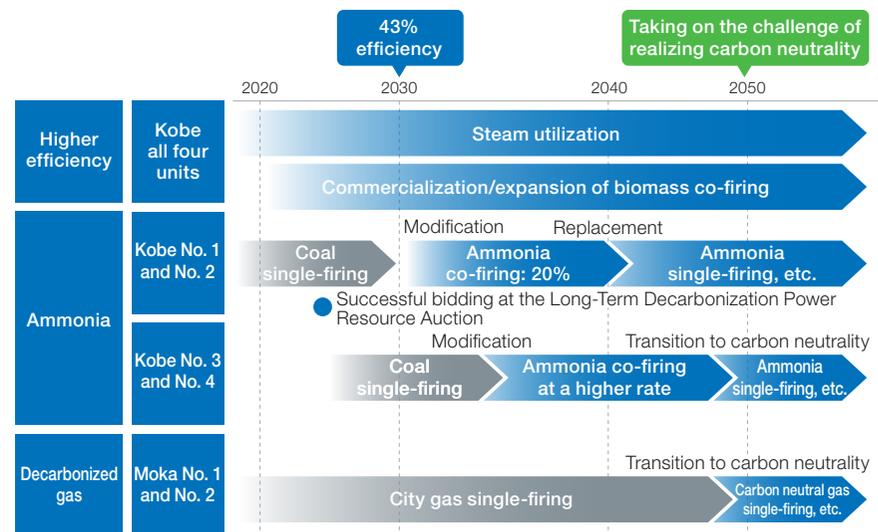
\* Black pellets, created through thermal treatment (torrefaction) of wood pellets under specific conditions, are a fuel that has the calorific value comparable to coal. Wood pellets, commonly known as white pellets, are popular biomass fuel used around the world.

## Reducing CO<sub>2</sub> Emissions in the Electric Power Business (Roadmap and Progress to Date)

The Kobe Power Plant is assessing the feasibility of: 1) improving regional energy efficiency by utilizing steam from the power plant; 2) co-firing biomass fuels (sewage sludge and food waste); and 3) switching from ammonia co-firing to single-firing. Meanwhile, the Moka Power Plant is exploring the way to maximize the use of carbon neutral city gas, while ensuring the stable operation of low-CO<sub>2</sub> power generation facilities using highly efficient gas turbine combined cycle (GTCC).

With the successful bidding at the Long-Term Decarbonization Power Resource Auction in April 2024, we are examining capital investment for 20% ammonia co-firing. We will continue our research, aiming to start operation with 20% ammonia co-firing at the Kobe Power Plant No. 1 and No. 2 units in fiscal 2030.

## Roadmap for Reducing CO<sub>2</sub> Emissions in the Electric Power Business



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For details, please see Response to Climate Change on pages 14–26 of ESG Data Book 2025.

## Basic Concept

Taking on the challenge of realizing carbon neutrality by 2050 is one of the key issues under the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026). We are working to achieve a 30–40% reduction of CO<sub>2</sub> emissions by 2030 (compared to fiscal 2013).

Going forward, the Kobelco Group will continue to pursue reduction of CO<sub>2</sub> emissions in order to contribute to the realization of a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as envisioned in KOBELCO's View of the Future.

## Governance and Risk Management

We have established the GX Strategy Committee (chaired by a director, executive officer) that specializes in dealing with issues related to the risks and opportunities associated with climate change, as an auxiliary body to the Executive Council. The committee, tasked with conducting strategic studies of climate change, examines and implements Companywide activities to address the risks and opportunities of climate change. Addressing climate-related issues requires knowledge from a wide range of perspectives, including business, management, legal, and technological development.

Therefore, the GX Strategy Committee is composed of directors and executive officers from the Head Office, as well as executive officers from business divisions, including the head of the Steel & Aluminum Business and the head of the Electric Power Business.

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

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



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

**GX Strategy Committee Chair: Director, Executive Officer Kazuhiko Kimoto**

## Strategy

The Kobelco Group analyzes the medium- to long-term risks and opportunities associated with climate change considering various guidelines, including the social scenarios presented by the International Energy Agency (IEA); the long-term visions formulated and announced by the Japan Iron and Steel Federation (JISF), the Japan Aluminium Association, and other industry organizations; and the energy policies of Japan. Based on the analysis results, we evaluate the appropriateness of our Group's activities.

## Climate-Related Risks

As exemplified by the introduction of carbon pricing schemes, environmental regulations on climate change are becoming stricter and may have significant impact on our Group's business performance and financial position. In addition, given the increasing severity of damage from floods and typhoons, it is anticipated that the increase of natural disasters due to climate change may cause declines in production volumes and disruptions of supply chains.

## Climate-Related Opportunities

There is an increasing demand for low-CO<sub>2</sub> products and services, as global awareness of climate change-related issues continues to rise. In this trend, demand for our Group's low-CO<sub>2</sub> options, such as automotive weight-reduction materials/parts and the MIDREX® Process, is expected to increase over the medium to long term.

## Climate-Related Risks and Opportunities over the Short to Medium and Long Term

	Risks		Opportunities	
	Short to medium term (until FY2030)	Long term (until FY2050)	Short to medium term (until FY2030)	Long term (until FY2050)
<b>Policy and legal systems</b>	Higher costs due to regulatory tightening		Increased demand for technologies, products, and services that contribute to CO <sub>2</sub> reduction (automotive weight reduction, MIDREX® Process, etc.)	
<b>Market and technology transitions</b>	Rising capital investments, R&D expenses, and operating costs associated with low-carbon technologies		Differentiation from other companies by establishing a reputation as a front-runner in combating climate change	
<b>Reputation</b>	Deterioration of corporate reputation due to insufficient or delayed information disclosure		Increase in demand for products due to increased public and capital investments for disaster prevention	
<b>Physical risks (disasters, etc.)</b>	Reduction of production volumes and disruptions of supply chains due to increases in floods, typhoons, and other natural disasters	Rising sea levels and storm surges, leading to damage with higher restoration expenses and lower production rates at coastal factories		

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# Climate-Related Disclosures Based on TCFD Recommendations

## Response to Risks and Opportunities in Research and Development

### Reduction of CO<sub>2</sub> emissions in production processes

Kobe Steel is collaborating with other steelmakers in the development projects that are promoted by New Energy and Industrial Technology Development Organization (NEDO) in a bid to further reduce CO<sub>2</sub> emissions in the ironmaking process and to realize practical application of these developments. One of these projects is the Hydrogen Utilization Project in Iron and Steelmaking Processes, which was selected as a project under the Green Innovation Fund established by METI. We are promoting efforts aimed at realizing carbon neutrality by 2050.

### Contribution to Reduction of CO<sub>2</sub> Emissions through Technologies, Products, and Services

Our current lineup of products that help reduce CO<sub>2</sub> emissions includes automotive weight-reduction materials/parts and heat pumps. We will continue developing technologies to further contribute to CO<sub>2</sub> reduction with these solutions. We are also striving to develop new technologies, products, and services that help reduce CO<sub>2</sub> emissions, including the development aimed at maintaining and strengthening the competitiveness of MIDREX-H<sub>2</sub><sup>TM</sup> (100% hydrogen-based direct reduction) and the demonstration test of hydrogen utilization systems.

## Scenario Analysis

We carried out short- to medium-term (2030) and long-term (2050) scenario analyses in order to identify future climate-related risks and opportunities for the planning and formulation of strategies. Our scenario analyses are based on the IEA's 2-degree scenario (SDS: Sustainable Development Scenario) and 1.5-degree scenario (Net Zero by 2050) as well as the 4-degree scenario presented by the Intergovernmental Panel on Climate Change (IPCC) in its Sixth Assessment Report. For our analyses and evaluations, we also refer to long-term visions published by industry organizations to which we belong, such as the JISF and the Japan Aluminium Association. For the electric power business, which is closely related to Japan's energy policy, we conduct scenario analysis based on the energy policy of the national government. We also regularly review our analysis and evaluation of risks and opportunities based on changes in the business environment.

increasing. For this reason, we anticipate that our stakeholders, including national and local governments, investors, and customers, will pay greater attention to our efforts to reduce CO<sub>2</sub> emissions from our own facilities and expand the sale of our low-CO<sub>2</sub> options.

### Impact on Business

Since more than 90% of the Group's CO<sub>2</sub> emissions originate from the steelmaking process, medium- to long-term trends in the steel industry will have the greatest impact on the Group's business. According to the JISF Long-Term Vision for Climate Change Mitigation—A Challenge towards Zero-Carbon Steel, there is a certain correlation between economic growth and the amount of steel stock per capita, and the total amount of steel stock increases as the population increases. Therefore, the demand for steel is expected to continue to increase along with the world's economic growth and population growth. Steel production can be broadly divided into two categories: (1) production with natural resources, such as iron ore that is mainly used in combination with blast furnaces (BF) and direct reduced iron (DRI), and (2) production with reused scrap, which is often used in electric arc furnaces (EAF). According to JISF predictions, the reuse of scrap is expected to increase significantly due to the increase in the total amount of steel stock.

### Risks and Opportunities

One of our Group's core businesses is the manufacture and sale of steel products, which falls under the industry category of energy-intensive basic materials. Our Group's CO<sub>2</sub> emissions from energy use in fiscal 2024 totaled 15.0 million tons (total of Scope 1 and Scope 2), which ranks high even in Japan's manufacturing industry. Accordingly, we recognize that the trends of future national climate change policies, laws, and regulations, including carbon pricing, are transition risks that may have a significant impact on our business operations.

As for physical risks, the Japan Meteorological Agency and various research institutes have reported that, as global warming progresses, the amount of precipitation tends to rise due to the increase of water vapor in the atmosphere, and damage caused by heavy rain and typhoons tends to become more severe. The risk of production halts and supply chain disruptions stemming from severe typhoons and heavy rains in recent years is also becoming more and more evident. Our Company recognizes that further intensification of typhoons, floods, and other natural disasters caused by climate change poses a risk that could have a significant impact on its operations and lead to suspension of production activities.

On the other hand, demand for steel cannot be met with reused scrap alone. Accordingly, production using natural resources (iron ore) will continue to require the same level of production as at present. Amid growing interest in the response to climate change and the disclosure of relevant information, the importance of CO<sub>2</sub> reduction efforts in the steel industry is expected to continue

In terms of Companywide risk management, our Group has defined "climate-related regulations" and "natural disaster preparation and recovery" as Top Risks that are expected to have a particularly severe impact when an event occurs, and is working to strengthen its risk management. On the other hand, business opportunities may arise, as demand for low-CO<sub>2</sub> products and services increase along with growing international interest in climate-related issues. This is expected to lead to an increase in demand for our Group's products that contribute to the reduction of CO<sub>2</sub> emissions, such as automotive weight-reduction materials/parts and the MIDREX<sup>®</sup> Process, over the medium to long term.

## Climate-Related Disclosures Based on TCFD Recommendations

### Scenario Analysis Results

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

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# Climate-Related Disclosures Based on TCFD Recommendations

## Metric A Reduction of CO<sub>2</sub> Emissions in Production Processes

### Target

Our Group is taking on the challenge of realizing carbon neutrality by 2050, with a medium-term target for 2030.

**2050 Vision**

**Taking on the challenge of realizing carbon neutrality**

**2030 Target**

**30% to 40% reduction (compared to fiscal 2013)<sup>1, 2</sup>**  
in the reduction of CO<sub>2</sub> emissions from our Group's production processes

**Fiscal 2024 Result**

**22% reduction (compared to fiscal 2013)<sup>1, 2</sup>**

1. The reduction target is the combined total of Scope 1 and Scope 2 emissions.  
 2. The target encompasses Kobe Steel and its major subsidiaries, which together account for approximately 95% of the Group's CO<sub>2</sub> emissions, based on fiscal 2024 results.  
 CO<sub>2</sub> emissions in the covered range: 18.4 million tons in fiscal 2013 and 14.3 million tons in fiscal 2024

### Trends in CO<sub>2</sub> Emissions

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

Our Group has also maintained a consistent approach in advancing various energy conservation and CO<sub>2</sub> reduction measures through proactive capital investments. For example, we installed highly efficient gas turbine power generation facilities that use gas from blast furnaces at Kakogawa Works over the period of fiscal 2009–2014, resulting in a substantial reduction of CO<sub>2</sub> emissions. CO<sub>2</sub> emissions in fiscal 2024 remained at a similar level to fiscal 2023, resulting in a 22% reduction compared to fiscal 2013.

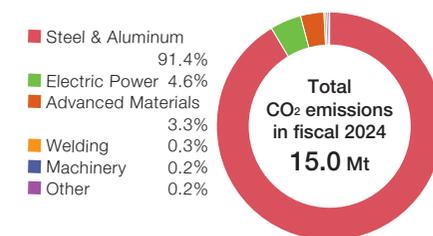
In the ironmaking process, we have completed a technical test and verified that CO<sub>2</sub> emissions in the blast furnace process can be reduced by approximately 25% by charging a large quantity of DRI in the form of HBI, manufactured with the MIDREX® Process, into the blast furnace. To achieve our 2030 target, we will work to reduce CO<sub>2</sub> emissions through the HBI charging technology, as well as the use of biomass and renewable energy. In addition, we will accelerate the study of optimal production systems including the use of EAFs as we move toward our 2050 vision to achieve carbon neutrality.

### Energy-Derived CO<sub>2</sub> Emissions

In fiscal 2024, the Group's energy-derived CO<sub>2</sub> emissions totaled 15.0 million tons. Of this amount, about 91% was emitted from the steel & aluminum business, about 5% from the electric power businesses, and about 3% from the advanced materials business.

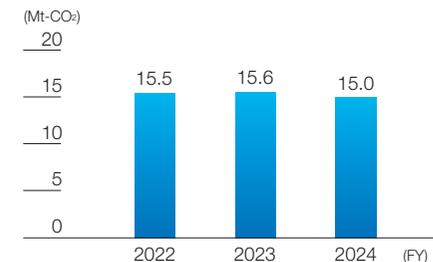
### Energy-Derived CO<sub>2</sub> Emissions

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



### Energy-Derived CO<sub>2</sub> Emissions by Year

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



3. Energy-derived CO<sub>2</sub> emissions do not include CO<sub>2</sub> emissions associated with the generation of electricity sold externally by the three subsidiaries of the Electric Power Business and the steelworks of Kobe Steel (14.0 million t-CO<sub>2</sub>).

# Climate-Related Disclosures Based on TCFD Recommendations

## Metric B Contribution to Reduction of CO<sub>2</sub> Emissions through Technologies, Products, and Services

### Target

Our Group contributes to the reduction of CO<sub>2</sub> emissions in various areas of society through its distinctive technologies, products, and services. We have set our 2030 target and 2050 vision in terms of contribution to reduction of CO<sub>2</sub> emissions, as well as a 2030 target for net sales of related products.

Regarding the contribution to reduction of CO<sub>2</sub> emissions through technologies, products, and services, the Group has an internal accreditation system in place. For the formulas used in accreditations, we receive advice from Kiyotaka Tahara, the Director of the Research Laboratory for IDEA at the Research Institute of Science for Safety and Sustainability, Department of Energy and Environment, the National Institute of Advanced Industrial Science and Technologies (AIST).

**Calculation method for the MIDREX® process's contribution to reduction of emissions:** The calculation was made by comparing the CO<sub>2</sub> emissions from the steel products manufactured with the MIDREX® process in the Middle East, where the process is most widely used, with the CO<sub>2</sub> emissions from the steel products manufactured in Asia and exported to the Middle East.

#### 2050 Vision

Contribution to CO<sub>2</sub> reduction: **100 million tons or more**

#### 2030 Target

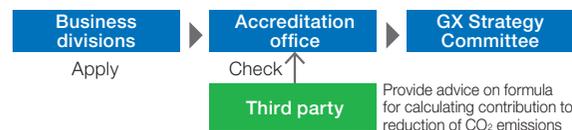
Contribution to CO<sub>2</sub> reduction: **78.0 million tons\***  
Net sales of related products: **550 billion yen**

#### Fiscal 2024 Result

Contribution to CO<sub>2</sub> reduction: **62.35 million tons**  
Net sales of related products: **394.5 billion yen**

\* The 2030 target for contribution to CO<sub>2</sub> reduction has been revised upward from 61.0 million tons.

### Accreditation Flow



### Contribution to Reduction of CO<sub>2</sub> Emissions

The Group's contribution to reduction of CO<sub>2</sub> emissions through its technologies, products, and services in fiscal 2024 was 62.35 million tons, as approved by the GX Strategy Committee. Net sales of related products was 394.5 billion yen.

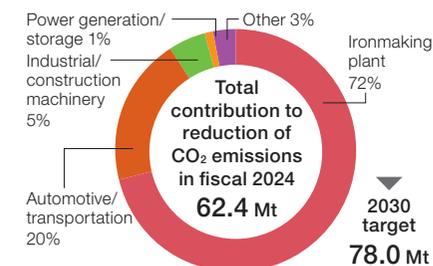
Technologies, products, and services	Contribution to reduction (10,000 tons/year)	CO <sub>2</sub> reduction concept	
<b>Ironmaking plant</b>	MIDREX® Process	4,490	Direct reduction ironmaking process with low CO <sub>2</sub> emissions
<b>Automotive/transportation</b>	Ultra-high-tensile strength steel for automobiles, welding consumables for ultra-high-tensile strength steel	1,066	Improvements in fuel economy by using high-strength, lightweight materials for automobiles and transportation equipment
	Wire rods for suspension springs	31	
	Wire rods for automotive valve springs	91	
	High-tensile strength steel for ships	22	
	Aluminum materials for automobiles	34	
	Aluminum materials for rolling stock	8	
<b>Industrial/construction machinery</b>	Heat pumps, standard compressors, SteamStar, Eco-Centri	252	Energy conservation by achieving higher efficiency and utilizing unused energy
	Fuel-efficient construction machinery	55	Improvements in fuel economy by using fuel-efficient construction machinery
<b>Power generation/storage</b>	Wood biomass power generation, waste-to-energy (WtE)	24	Reducing fossil resource use through the use of resources that contribute to carbon neutrality
<b>Other</b>	Blast furnace cement, wire rods and steel bars with no need for heat treatment process	162	Energy-reduction effect in customers' manufacturing process through the use of recycled raw materials and products with no need for heat treatment process

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

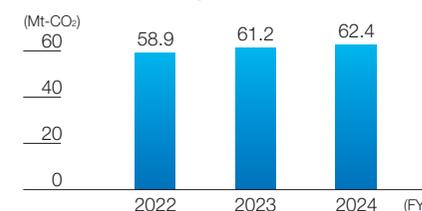
### Other Main Technologies, Products, and Services That Contribute to CO<sub>2</sub> Reductions

Technologies, products, and services	CO <sub>2</sub> reduction concept	
<b>Automotive/transportation</b>	Fuel-cell bipolar plates materials, titanium for aircraft components	Improvement of fuel economy by reducing weight of automobiles and transportation equipment, effects of replacing gasoline-powered automobiles with next-generation vehicles
<b>Hydrogen utilization</b>	High-purity Hydrogen Oxygen Generator (HHOG)	Effects of reducing fossil resource use through hydrogen utilization
<b>Power generation</b>	Conversion of sludge to fuel and its utilization at coal-fired thermal power plants (planned)	Reducing fossil resource use through the use of resources that contribute to carbon neutrality

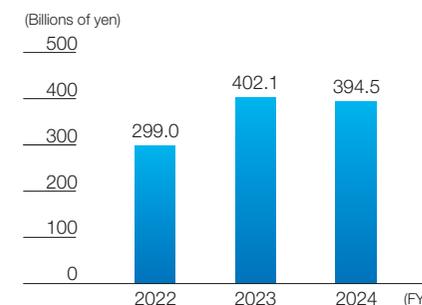
### Total Contribution to Reduction of CO<sub>2</sub> Emissions



### Contribution to Reduction of CO<sub>2</sub> Emissions by Year



### Net Sales of Related Products



# Five Transformation Initiatives to Achieve AX and GX

In order to achieve AX and GX, two priority issues set out in the Medium-Term Management Plan (Fiscal 2024-2026), we need to transform various elements of our internal business activities. These elements have been defined as BX, CX<sup>2</sup>, DX, EX, and FX—the five transformations (Xs) under KOBELCO-X, all of which are propelled by the Group’s management capital.

These transformations will not only contribute to AX and GX, but also significantly increase our Group’s corporate value, with each element achieving lower cost of capital, higher growth rates, and greater profitability. By promoting transformation efforts through KOBELCO-X, our Group will strive to enhance its corporate value.



Relevant items are marked with a blue dot (●).

Category	Description of initiatives	Relation with management capital						Relation with corporate value improvement		
		Financial capital	Human capital	Manufactured capital	Intellectual capital	Social and relationship capital	Natural capital	Reduce the cost of capital	Improve the growth rate	Improve profitability
<b>BX</b> Business transformation <a href="#">Page 67</a>	<ul style="list-style-type: none"> <li>Business transformation (BX) leads to all other transformations. It aims to not only improve operational efficiency but also transform various aspects of business activities by thoroughly examining conventional business processes (ways of performing work).</li> </ul>		●						●	●
<b>CX<sup>2</sup></b> Customer experience transformation <a href="#">Page 68</a>	<ul style="list-style-type: none"> <li>CX<sup>2</sup> considers all customers as "Kobelco Group's customers" and promotes efforts that utilize the entire Group's resources. It aims to transform customer experience by strengthening (1) our marketing capabilities, (2) our ability to propose solutions, and (3) information sharing between business divisions, in order to provide optimal proposals and new value.</li> </ul>	●			●	●			●	●
<b>DX</b> Digital transformation <a href="#">Page 65</a>	<ul style="list-style-type: none"> <li>DX is a powerful tool for achieving other transformations. Advances in digital technology are enabling us to undertake transformations that were previously impossible. By developing human resources who can effectively utilize digital technology (DX personnel), it aims to advance digital transformation that contributes to the realization of other transformations.</li> </ul>	●	●	●	●	●		●	●	●
<b>EX</b> Employee experience <a href="#">Page 69</a>	<ul style="list-style-type: none"> <li>Improving the experience of each employee is essential for the Groupwide transformation. EX aims to create an employee-friendly and highly productive work environment by fostering the creation of a physically and psychologically safe and healthy workplace, while promoting work style reform, D&amp;I development, and human resources development.</li> </ul>		●						●	●
<b>FX</b> Factory transformation <a href="#">Page 75</a>	<ul style="list-style-type: none"> <li>Factory transformation could have a significant impact on the business activities of our Group with its primary function as a manufacturer. FX contributes to CX<sup>2</sup> through enabling quality improvement, yield and productivity improvement, and stable mass production of new products and new technologies, while also contributing to EX through improvement of work environment, workload and safety.</li> </ul>	●		●	●		●	●		●



**Kazuhiko Kimoto**  
Director, Executive Officer

## Message from the CFO

**We will make greater strides by leveraging Kobelco Group's steadily improving financial position and its distinctiveness of operating diverse businesses.**

### Using ROIC as a management indicator to guide employee activities, ensuring the success of the first year of the Medium-Term Management Plan

One year has passed since my appointment as CFO, overseeing the finance operations of the Kobelco Group. Many aspects of finance operations are difficult to observe from other departments, which has made me keenly aware of the necessity to effectively communicate the role of finance both internally and externally on a daily basis.

Last year, we announced the Medium-Term Management Plan (Fiscal 2024–2026). Since then, the business environment has changed significantly, and the situation remains unstable. Nevertheless, we achieved record-high profits in fiscal 2024, thanks to the efforts of every employee and the support of all stakeholders.

In fiscal 2024, demand in the materials businesses did not recover as expected, and the challenging business conditions continued. However, the machinery businesses, which include machinery and engineering, managed to achieve a high level of profits. The electric power business

## Message from the CFO

also made a steady contribution to earnings. As a result, the Group achieved record-high profits, demonstrating the uniqueness of the Kobelco Group, which operates three core businesses of materials, machinery, and electric power.

We have also been working to strengthen our financial position in preparation for future investments in carbon neutrality and business growth. We are taking steps to steadily improve our financial position, including selling off assets to increase capital efficiency. In fiscal 2024, our net asset ratio and debt-to-equity (D/E) ratio were 42.8% and 0.76, respectively. We expect further improvements in these financial stability indicators in fiscal 2025. Although we have made progress in improving our financial metrics, it is essential to further strengthen our financial base to effectively address the future challenges of carbon neutrality and to make investments for realizing sustainable growth, regardless of the operating environment.

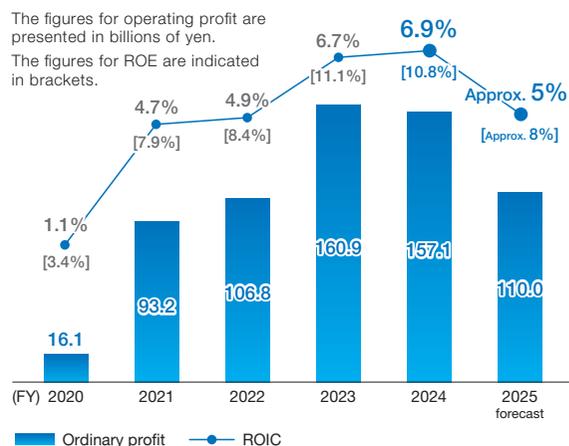
In terms of the profitability indicator, we have set our target for ROIC at approximately 6% (8% in a favorable business environment) in the current Medium-Term Management Plan. In fiscal 2024, we achieved an ROIC of 6.9%. Although reaching 8% will be challenging, the accomplishment of 6.9% has fostered a positive atmosphere within the company, sparking discussions on the necessary steps to meet the ROIC target.

We anticipate an ROIC of approximately 5% for fiscal 2025, but we will persist in our efforts to strengthen our earning power and achieve growth in pursuit of our numerical targets.

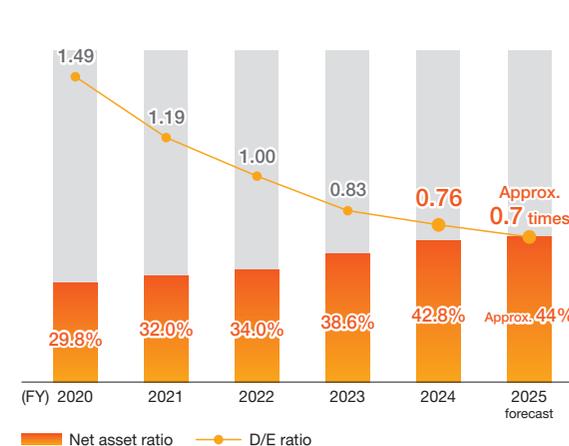
Our Group has adopted ROIC as a profitability indicator since the previous Medium-Term Management Plan, and an increasing number of employees understand the importance of using ROIC as a key indicator to measure the performance of our activities across the Group. To enhance our KPI management, we are introducing ROIC into our operational guidelines at the sales, manufacturing, and other functional unit levels so that each employee can take ownership of their own actions.

However, we still have a long way to go before establishing ROIC as a standard practice throughout the organization. To increase its awareness, we have selected model business divisions and are working to thoroughly implement ROIC management as a standard practice. For example, sales departments often focus on actions aimed at increasing sales and sales volume; however, lowering prices to achieve this may lead to a decrease in profitability, making the effort counterproductive. To ensure that this understanding is shared among all employees, we are assisting them in redefining their priorities with a focus on ROIC. These efforts will require time, but through

### Ordinary Profit and ROIC



### Net Asset Ratio and D/E Ratio



## Message from the CFO

consistent efforts, I believe that ROIC will take root as a standard for business activities across the Group.

### Assessing the timing of investments according to the business environment, while maintaining a long-term perspective on the P/B ratio and cost of capital

Having completed the first year of the current Medium-Term Management Plan, we have decided to revise our investment projections downward from 950 billion yen to approximately 750 billion yen. This adjustment stems from our decision to postpone



decisions on specific investments, including those concerning carbon neutrality, until fiscal 2027 or later, aiming to pursue economic rationality in light of the increasing uncertainty in the business environment. We have decided to reduce our investments in carbon neutrality, for which we originally planned to make decisions by fiscal 2026, from 300 to 150 billion yen. Since we have sufficient time to examine the investments, considering the timing of our transition from blast furnaces (BFs) to electric arc furnaces (EAFs), we will determine the best timing for decisions while taking into account the state of the green steel market, the required equipment specifications, and other relevant factors.

A certain level of growth investment is essential for increasing profitability. We aim to implement these measures appropriately when the time is right, while ensuring that our investments do not undermine the foundations of the Company. With the business environment remaining uncertain, we cannot foresee when opportunities will arise. Therefore, we are working to build a strong financial base to avoid a situation where we are unable to invest in growth opportunities due to financial constraints when the time comes.

Regarding shareholder returns, we will maintain a dividend payout ratio of approximately 30% for the time being as we prioritize strengthening our financial base. By sustainably increasing our

corporate value through growth investments, we aim to serve the interests of our shareholders. Once we have established a financial base that allows to do so, we will review our shareholder return policy.

In recent years, the Tokyo Stock Exchange has strongly urged listed companies to manage their businesses with a focus on their cost of capital and stock price. Our Group has also been working to improve its price-to-book (P/B) ratio. Meanwhile, the steel industry is facing structural issues, such as shrinking domestic demand and growing crude steel production in China. Leveraging our strength beyond the steel sector, we have developed the “Kobelco model,” which encompasses steel and other materials, as well as machinery and electric power. We strive to gain recognition by demonstrating the advantages of this model to the capital markets. To achieve this, we need to strengthen the profitability of each business, sustain and stabilize that profitability, and pursue and achieve growth.

In addition, I believe it is important to foster understanding of our efforts and progress through dialogue with the capital markets. We have been actively working on this for years. Since the previous president and CEO’s tenure, we have expanded opportunities for dialogue, which include briefings on each business’s initiatives and our focus areas, as well as plant tours. Through these information disclosure opportunities, we ensure transparency in

## Message from the CFO

our operations. Our efforts have garnered praise from investors and analysts, and we plan to continue this dialogue proactively in the future.

### Aiming for even greater heights by strengthening sustainability management, with a focus on Kobelco Group's competitive advantage in operating diverse businesses

We have identified “strengthening sustainability management” as one of our priority issues under the current medium-term management plan. Enhancing non-financial capital is also essential for the sustainable growth of our Group. We will invest adequately in non-financial capital, including human capital, to reinforce our business foundation and foster the creation of future corporate value. Strengthening sustainability management necessitates not only capital investment but also a comprehensive transformation across the Company to implement it effectively. The Medium-Term Management Plan outlines various transformation initiatives aimed at increasing our corporate value, collectively referred to as KOBELCO-X. These transformations (Xs) are not entirely new to us; rather, they are the collection of ideas and practices that we have inherited since our founding. We have visualized them as a common language with the aim of stimulating transformations through the

sharing of experiences and information across business divisions. Over the past year, we have held dialogue across organizational boundaries, such as among supervisors and their team members, among business divisions, and between the head office and production sites. These sessions have increased awareness of the need for transformation. The sharing of best practices has also fostered new insights throughout the Group.

Our Group has three core businesses: materials, machinery, and electric power. While we are known as a conglomerate, the synergies generated by our diverse business operations represent our greatest advantage and distinguish the Kobelco Group from its competitors. No other corporate entity has unique capabilities like ours to harness the synergistic



effects arising from the relationships among business divisions within the group. In today's world, societal challenges are becoming increasingly complex and difficult for a single company to address independently. Our Group's ability to tackle these issues from various business areas is a distinctive strength. I believe KOBELCO-X will boost such initiatives and enhance the sustainability management of our Group.

There was a time when the steel business was the primary driver of our Company, while the machinery businesses struggled to produce sufficient profits. Now, we have moved past those times and reach where we are today. To gain recognition in the capital markets as a company with unique and diverse growth potential, we focus first on the priority issues set out in our Medium-Term Management Plan and aim to deliver tangible results by achieving numerical targets.

In fiscal 2024, Yoshihiko Katsukawa's first year as President and CEO, the Group achieved the record-high profits in its history. This year, his second year in office, marks the milestone of Kobe Steel's 120th anniversary. I believe this is the right moment to take on ambitious challenges. Through our business activities, we will continue to foster understanding among our stakeholders, both within and outside the Company, to create long-standing value and contribute to a better society.

# Enhancement of Corporate Value

The Kobelco Group's corporate value comes from the diverse technologies, products, and services developed over its 120-year history, as well as the human resources and intellectual property that have supported and advanced them, and the trust-based relationships built with our stakeholders. While recognizing that all initiatives contribute to enhancing corporate value, we will advance the transformation into an appealing company with a focus on improving profitability and growth rates, as well as reducing the cost of capital, with the aim of improving our corporate value over the medium to long term.

## Financial Targets and Fiscal 2024 Results

In fiscal 2024, we made steady progress toward the financial indicator targets set forth in the Medium-Term Management Plan (Fiscal 2024–2026), achieving a certain level of success. We believe that our various initiatives aimed at enhancing corporate value contributed to this achievement. Although the business environment remains challenging and uncertain, we will continue to respond flexibly and promptly to changes, while striving to further increase our corporate value in both financial and non-financial aspects.

Financial Indicator Targets and Fiscal 2024 Results	
Profitability indicator	<b>ROIC</b> Approx. 6% <span style="color: blue;">▶</span> Actual 6.9%
	<b>Net asset ratio</b> Low 40% range <span style="color: green;">▶</span> Actual 42.8%
Financial stability indicators	<b>D/E ratio</b> Mid 0.7 times range <span style="color: green;">▶</span> Actual 0.76 times

## Initiatives Aimed at Enhancing Corporate Value

In the subsequent pages, we will explain our efforts to address the priority issues set out in the Medium-Term Management Plan from the three perspectives, as outlined below.

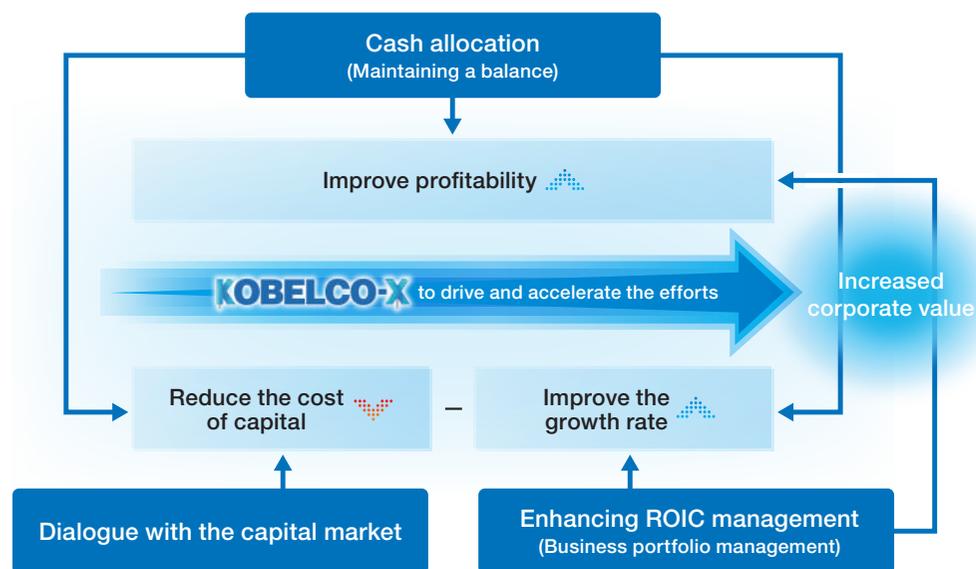
### Priority Issues

- Enhancing earning power & pursuing growth
- Taking on the challenge of realizing carbon neutrality
- Strengthening sustainability management

### Three Perspectives

- 1 Enhancing ROIC management
- 2 Cash allocation
- 3 Dialogue with the capital market

## Mechanism for Increasing Corporate Value



# Enhancement of Corporate Value

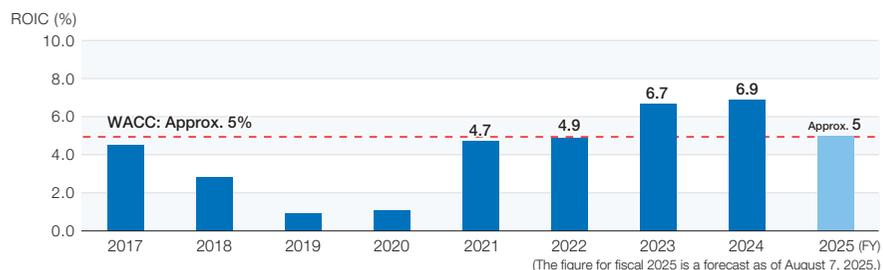
## Enhancing ROIC Management

ROIC management, which was introduced during the previous Medium-Term Management Plan (Fiscal 2021–2023), is becoming more widespread across the Group each year. We will further enhance the effectiveness of ROIC management through the following two approaches with the aim of improving profitability and growth rates.

- 1 Companywide: Business portfolio management (optimal allocation of management resources)
- 2 Business divisions/units: Strengthening KPI management to achieve ROIC targets

## Securing Returns that Exceed the Cost of Capital

In fiscal 2024, we achieved an ROIC of 6.9%, exceeding the weighted average cost of capital (WACC), which was approximately 5%. In fiscal 2025, we anticipate that ROIC will decline to roughly the same level as WACC due to the increasingly challenging business environment; however, we will continue to commit to increasing our corporate value over the medium to long term while responding flexibly to changes in the business environment.



We use ROIC as an indicator for the profitability of invested capital. We set ROIC targets for respective segments and monitor and manage performance with a focus on both earning power and invested capital through the Business Portfolio Management Committee.

We use WACC as a metric for the cost of capital against ROIC. The cost of shareholders' equity is calculated based on the capital asset pricing model (CAPM), and the WACC is calculated by taking a weighted average of the cost of debt.

## Cash Allocation

To achieve sustainable growth in corporate value, we believe it is important to strike a balance among business investments, strengthening our financial base, and shareholder returns.

### 1 Business investments—Making steady investments to improve profitability and growth rate—

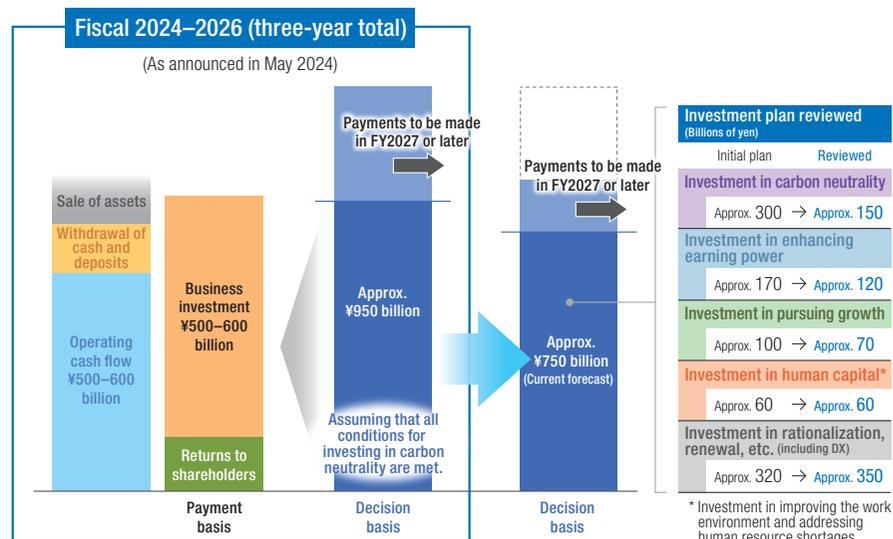
Due to growing uncertainty stemming from shifts in carbon neutrality trends and the rise of protectionism, we have postponed some of the approximately ¥950 billion investments planned in the Medium-Term Management Plan to pursue economic rationality. We will closely monitor changes in the business environment and examine these investments in a flexible and prompt manner.

### 2 Strengthening our financial base—Establishing a financial base that allows us to invest confidently under any circumstances—

In addition to maintaining solid performance, we are steadily improving our financial base by selling assets and optimizing working capital to enhance capital efficiency.

### 3 Shareholder returns—Aiming for continuous and stable dividends based on our dividend policy (dividend payout ratio of approximately 30%)—

We have achieved the highest ever annual dividend of 100 yen per share for fiscal 2024. While there are calls from the capital markets for increased shareholder returns, we will continue to carefully evaluate this based on the progress of 1 and 2 above, as well as the overall business environment.



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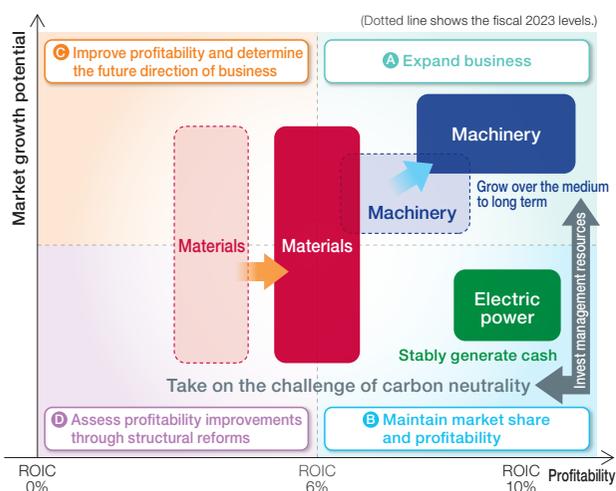
## Enhancement of Corporate Value

### Enhancing ROIC Management Business Portfolio Management

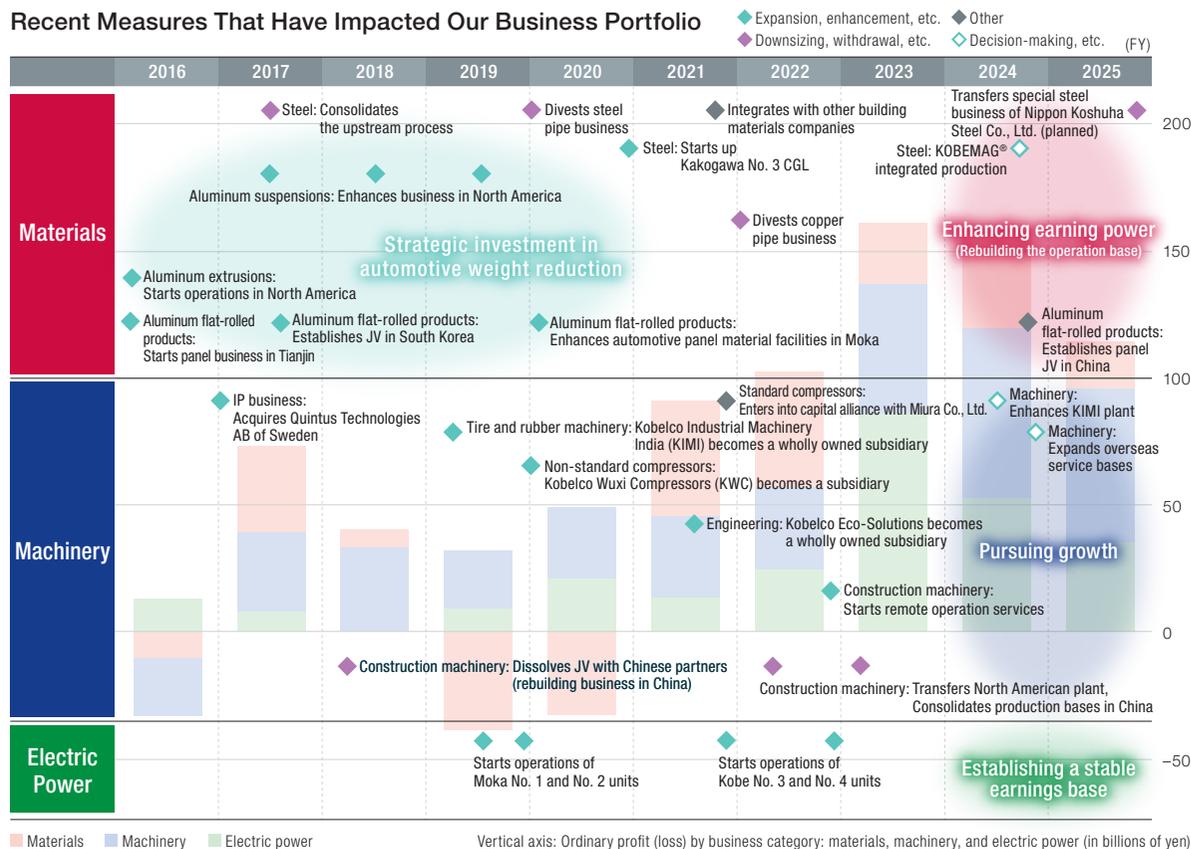
In our current Medium-Term Management Plan, we have set out a specific focus for each of three business categories: “enhancing earning power” for the materials businesses, “pursuing growth” for the machinery businesses, and “establishing a stable earnings base” for the electric power business. The Business Portfolio Management Committee leads the formulation of strategies and monitoring of business units.

We have implemented a variety of measures that have impacted our business portfolio over the past decade as shown on the right. We will continue to explore ways to optimize our business portfolio with a focus on both profitability (ROIC) and market growth potential, while closely monitoring changes in the business environment.

#### Future Business Model (As of May 2025)



### Recent Measures That Have Impacted Our Business Portfolio



### Business Portfolio Management

#### Structure

The Business Portfolio Management Committee, an auxiliary body to the Executive Council, plays a central role in formulating our Group’s business portfolio strategies. It addresses medium- to long-term changes in the business environment and optimizes the allocation of management resources.

#### Operation

In our business portfolio management, we classify our business units into four quadrants based on profitability (ROIC) and market growth potential. This approach allows us to examine measures suited to each quadrant and implement them while allocating management resources according to the appropriate strategy.

## Enhancement of Corporate Value

### Dialogue with the Capital Market

#### Discrepancy with Market Evaluation— Market Concerns

Despite the recent improvement in profitability (ROE), our P/B ratio remains below 1. This situation arises from the discrepancy between the cost of shareholders' equity recognized by the capital market and that recognized by the Company. The main factors behind this discrepancy are the following two points:

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

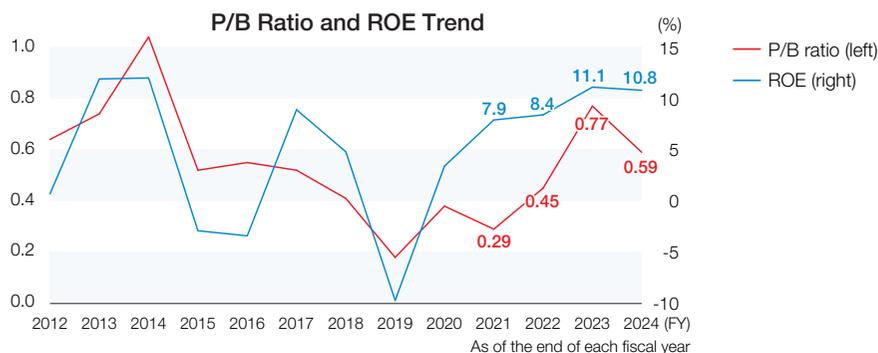
#### Efforts to Resolve the Discrepancy

##### 1 Improving Profitability and the Growth Rate

We will continue to enhance earning power and pursue growth, which are the priority issues in the Medium-Term Management Plan, while striving to become a business entity that consistently achieves an ROIC of 8%.

##### 2 Reducing the Cost of Capital

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



#### Dialogue with the Capital Market—Proactive Dialogue and Enhanced Information Disclosure

We believe that timely and appropriate information disclosure to our shareholders and investors, along with constructive dialogue, will help reduce information asymmetry in relation to the capital market and foster trust in our management, contributing to lowering our cost of capital. Under the policy of disseminating information strategically and systematically, we ensure the active participation of our executives in dialogues with the capital market. We regularly share feedback from these dialogues with our management team, including members of the Board of Directors, to reflect the feedback from market players in our management decisions.

Kobe Steel was ranked third in the steel and non-ferrous metal category of the 2024 Award for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan. This achievement follows the previous year's top evaluation, which resulted in our first-place ranking.

#### Evaluation of Our Distinctive Business Structure

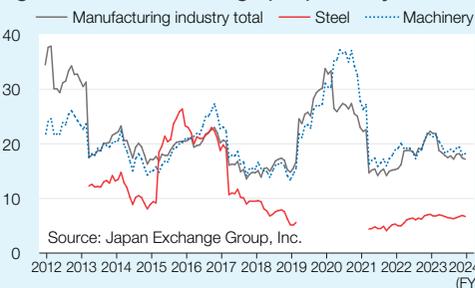
Our Group's distinctive feature is its well-balanced business portfolio across three business categories: materials, machinery, and electric power (see Figure 1). On the other hand, its stock market valuation (PER) remains at the same level as that of other steel companies, which have relatively low valuations (see Figure 2).

While striving to eliminate the market concerns listed on the left, we will work to improve the evaluation of our Group's uniqueness through dialogue with capital markets.

Figure 1. Consolidated ordinary profit by business category



Figure 2. Price-to-earnings (P/E) ratio by sector



Note: A negative PER is not indicated in the line graph.



# 03

Promotion of  
Sustainability Management

# Framework for Promoting Sustainability Management

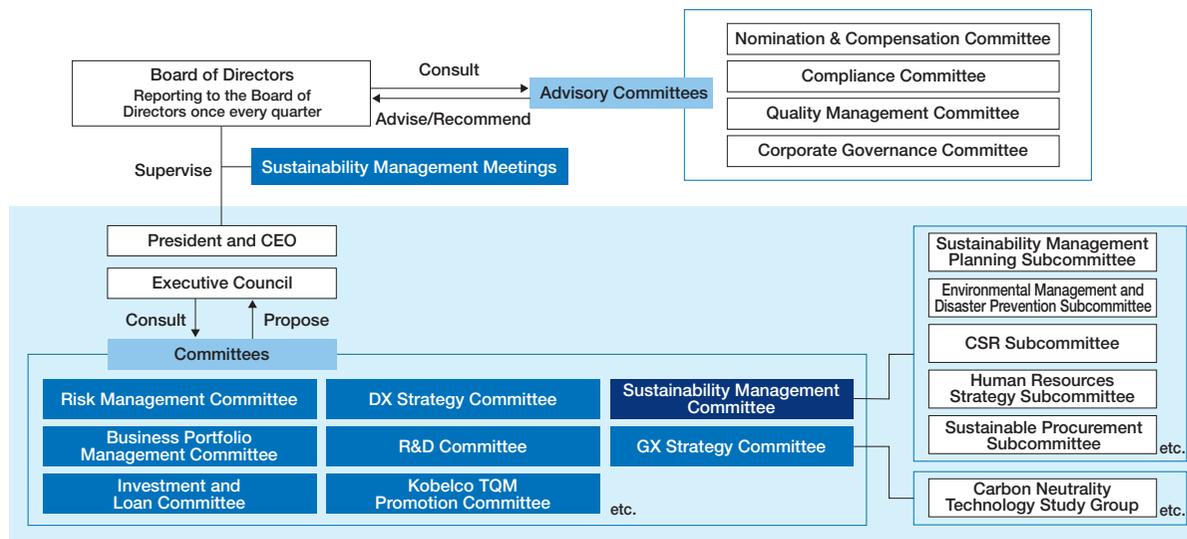
## Promotion of Kobelco Group's Sustainability Management

With a firm resolve to achieve sustainable growth by providing solutions to the needs of society through our business activities, the Kobelco Group is working to further enhance corporate value by fulfilling its corporate social responsibilities and addressing societal challenges through the provision of enhanced technologies, products, and services.

Our Group's sustainability management is promoted by the Sustainability Management Committee and various other committees that serve as auxiliary bodies to the Executive Council. In fiscal 2025, we reviewed the structure of the subcommittees under the Sustainability Management Committee and established a new Sustainability Management Planning Subcommittee to further advance sustainability management. Additionally, we set up a new Sustainable Procurement Subcommittee, which undertakes procurement-related activities that were previously handled by the CSR Subcommittee, to further enhance our supply chain initiatives.

In fiscal 2024, we strengthened the Board of Directors' monitoring function by forming the Sustainability Management Meetings, comprised of all directors, as a forum to share understanding and exchange opinions on our Group's major sustainability activities with executives, including those from business divisions, on a regular basis.

Organization and structure for promoting sustainability management



### Materiality-Oriented Sustainability Management Initiatives

In 2021, our Group identified five items of materiality (key issues) that we address over the medium to long term. We have set indicators and targets for each materiality item in order to take more concrete steps toward achieving what we aim for. The progress is monitored by the Sustainability Management Committee.

The indicators and targets set for materiality, as well as their progress, are reported and discussed at the Sustainability Management Meetings to promote our Group's sustainability management.

### Sustainability Management Committee

Chair (responsible officer): Hajime Nagara, Executive Vice President and Representative Director  
 Reporting to the Board of Directors: Once every quarter  
 Meetings: Once every quarter

Functions:

- Identify sustainability-related issues
- Create the schedule for sustainability promotion activities
- Advise on the Group's Medium-Term Management Plan
- Monitor and advise on sustainability promotion activities
- Announce information on the initiatives that the Company supports and promote relevant activities
- Take the necessary actions for external ESG-related evaluations

# Materiality-Related Non-Financial KPIs

Kobelco Group's Materiality		Indicators and Targets		Actual (FY2023)	Actual (FY2024)
		Indicators	Targets		
<p>Contributing to a green society</p> 	Response to climate change	(1) Reduction of CO <sub>2</sub> emissions in production processes	2030: 30–40% reduction (compared to FY2013) 2050: Taking on the challenge of realizing carbon neutrality	20% reduction	22% reduction
		(2) Contribution to reduction of CO <sub>2</sub> emissions and net sales of related products	Contribution to CO <sub>2</sub> reduction: 78 million tons in 2030 and 100 million tons or more in 2050 Net sales of related products: 550 billion yen in FY2030	61.18 million tons 402.1 billion yen	62.35 million tons 394.5 billion yen
		(3) Reduction of CO <sub>2</sub> emissions in the electric power business	2030: Increasing efficiency of coal-fired power plants to the USC level or higher 2050: Taking on the challenge of realizing carbon neutrality	—	—
	Response to resource recycling	(4) Water recycling rate	Water recycling rate: 95% or higher	95.9%	96.0%
		(5) Water pollutant (COD, TP) load in restricted areas	Water pollutant load • COD: 474 tons/year or less • Total phosphorous: 23 tons/year or less	COD: 227 tons Total phosphorous: 7 tons	COD: 220 tons Total phosphorous: 7 tons
		(6) Disclosure based on the TNFD recommendations	—	—	Scoping and disclosure of L (Locate) and E (Evaluate) of the LEAP approach
<p>Ensuring safety and security in urban development and manufacturing</p> 	Supplying energy focused on S+3E <sup>1</sup>	(7) Continuous stable supply of electricity	Continuous stable supply of electricity	Ongoing	Ongoing
	Providing materials and machinery that meet needs	(8) Percentage of eco-friendly products in steel products	FY2024: 22% FY2026: 22% → FY2030: 25%	19%	23%
		(9) Percentage of low-CO <sub>2</sub> raw materials in aluminum rolled products	FY2024: 86% FY2026: 90% → FY2030: 100%	76%	85%
		(10) Advanced materials: Percentage of environmental products in net sales	FY2024: 29%, FY2025: 29%, FY2026: 32%	30%	31%
		(11) Percentage of orders for environment-related machinery products (decarbonization, LNG, etc.)	FY2024: 23% FY2030: 25%	31%	16% <sup>2</sup>
		(12) Total domestic unit sales of ICT construction machinery	FY2024: 400 units or more FY2026: 1,000 units or more	400 units or more	400 units or more
		(13) Percentage of welding solution products in sales	FY2024: 23% FY2026: 25%	22%	24%
<p>Providing solutions for the future connecting people and technology</p> 	Manufacturing and operational transformation through digitalization (DX)	(14) Employee awareness survey results on DX	FY2024: Begin survey/set targets <sup>3</sup> FY2026: Study based on the set targets	— (Before activities)	68%
	Integration and innovation of diverse intellectual assets	(15) Number of ideas for new businesses	Every year: 10 cases/year	— (Before activities)	7 cases

<sup>1</sup> S+3E = Safety + Energy Security, Economic Efficiency, and Environment

<sup>2</sup> Despite the slowdown in the carbon neutrality trend, we are making steady progress in R&D and verification while closely monitoring market conditions.

<sup>3</sup> The percentage of employees who feel they are ready to promote DX is used as a materiality indicator.

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## Materiality-Related Non-Financial KPIs

Kobelco Group's Materiality		Indicators and Targets		Actual (FY2023)	Actual (FY2024)
		Indicators	Targets		
Promoting active participation of diverse human resources 	Enhancing organizational diversity	(16) Percentage of women in new graduate hires for career-track positions	Every year: Career-track administrative positions: 50% or more Career-track technical positions: 15% or more	Administrative: 44% Technical: 13%	Administrative: 42% Technical: 8%
		(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; Turnover rate within five years: 15% or less	Percentage of women in new hires: 9% Turnover rate: 26.3%	Percentage of women in new hires: 6% Turnover rate: 26.6%
		(18) Number of female managers	FY2026: 100 female managers	74 people	86 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%
		(20) Number of annual paid leave days taken	15 days (per year/employee)	18.0 days	16.8 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%
(22) Improving and expanding employee training		FY2026: 40 hours or more average hours of training per employee	33.0 hours	44.2 hours	
Pursuing governance that supports sustainable growth 	Compliance and risk management	(23) Whistleblowing system usability	Positive response rate for related questions in the employee awareness survey FY2026: 85% or higher	76.1%	77.7%
	Human rights	(24) Companies implementing human rights due diligence	Supply chain (SC): Approx. 330 companies <sup>4</sup> Group companies: Domestic 83 companies Overseas 41 companies <sup>4</sup>	SC: completed Domestic: 3 companies Overseas: 18 companies	SC: completed Domestic: 34 companies Overseas: 29 companies
	Safety and health	(25) Lost time injury frequency rate	Every year: 0.10 or less	0.31	0.27
	Quality assurance	(26) Percentage of business sites certified under the Quality Guidelines	FY2025: 100%	67%	84%
	TQM	(27) Kobelco TQM practical management program completion rate	FY2025: 100% of line managers FY2027: 100% of managers and eligible employees of Group companies	—	78% of line managers (non-consolidated) Program for managers starts in FY2025

<sup>4</sup> The number of companies that implement human rights due diligence by fiscal 2026.

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# Roundtable Discussion among the Chair of the Sustainability Management Committee and Independent Directors

## Sustainability Management Today and Tomorrow

—A vision for creating a Kobelco Group that continues to take on new challenges and achieve sustainable growth—

### Kobelco Group's Sustainability Management

**Nagara** The Kobelco Group promotes sustainability management based on the Group Corporate Philosophy by addressing key management issues that are classified into two categories: a business foundation area that underpins business activities, and a value creation area that drives business growth. We regularly assess and improve our practices based on external ESG evaluations and

consistently implement our responsibilities as a company. Our policy is to maintain this approach while ensuring its effectiveness through external reviews.

**Kitagawa** As you mentioned, sustainability management is a prerequisite for a company's continued existence. It is essential for companies to gain acceptance from stakeholders, which include shareholders and investors, customers, business partners, local community members, and employees,

while fostering trust-based relationships with them. We can deem a corporation truly sustainable if it can implement these basic things with sincerity. I was appointed as an independent director during a time when the impact of the quality-related misconduct was still evident. Now the Company has developed a stable earning base in the electric power business and other segments, and management is taking a more aggressive approach. Even if the materials businesses underperform, the Company's



Shinsuke Kitagawa  
Independent Director



Hajime Nagara  
Executive Vice President and  
Representative Director  
Chair of the Sustainability  
Management Committee



Yoshie Tsukamoto  
Independent Director



## Roundtable Discussion among the Chair of the Sustainability Management Committee and Independent Directors

earnings will be supported by the machinery and electric power businesses. This portfolio management is a significant strength of the Group. I believe the Company is now entering a phase of integrating and increasing the potential of each segment, moving past the phase of simply adding up the profits of each segment. Under the Medium-Term Management Plan (Fiscal 2024–2026), we are promoting KOBELCO-X that aims to create synergies across business divisions, with both management and employees aligned in the same direction.

**Tsukamoto** I observe that the Group's sustainability efforts are steadily progressing. Generally, sustainability management consists of three stages: (1) ensuring compliance with laws and regulations; (2) integrating sustainability into business strategies; and (3) achieving differentiation (demonstrating uniqueness). The Group has implemented the stage (1) above and is committed to portfolio management while working to create its own unique value. The Company's commitment to creating new value through the integration of different businesses and technologies is a noteworthy initiative that highlights the uniqueness of the Kobelco Group. An example of this is the hybrid-type hydrogen gas supply system developed through the integration of technologies of the machinery and engineering businesses and Kobelco Eco-Solutions Co., Ltd. I believe that this approach

is creating a fundamental competitive advantage for the Company, not simply addressing ESG issues.

**Nagara** These efforts are expanding beyond the Board of Directors to include the Sustainability Management Meetings established last year, along with other meeting bodies. These meetings serve as a forum for comprehensive discussions on medium-to long-term management issues, fostering active discussions.

**Kitagawa** The Sustainability Management Meetings cover a wide range of topics, including trends in ESG-related disclosure regulations, human capital, and information disclosure policies. Thanks to the materials provided in advance, we can engage in a productive exchange of opinions, allowing us independent directors to enhance our understanding beforehand.

**Tsukamoto** The meetings offer excellent opportunities for learning. As an independent director, I am able to gain a better understanding by engaging in discussions that help integrate my external perspectives with the insights obtained from internal interactions. I believe that these dialogues will lead to corporate growth and business scale-up.



### Manufacturing capabilities, technical expertise, and human resources as non-financial capital strengths

**Nagara** Since I became a director in 2020, the Group has undergone significant changes. What I have come to realize is the difficulty of creating new value through the integration of various businesses and technologies. However, instead of succumbing to these difficulties, both management and employees have embraced a positive mindset focused on overcoming any challenges. The past 120 years have presented continuous challenges for the Group. Our Group has a history of undertaking challenging endeavors to develop Japan's first or even the world's first technologies, experiencing



## Roundtable Discussion among the Chair of the Sustainability Management Committee and Independent Directors

both success and failure along the way. I believe that this represents the true essence of the Group.

**Kitagawa** The Group, as an entity that supports the social infrastructures, has maintained a solid presence while evolving flexibly to meet the changing times. Business development is also progressing steadily and firmly. In terms of carbon neutrality initiatives, the Company has adopted a realistic approach by carefully assessing its capabilities and responsibilities while also considering social trends and its financial condition. This effort is bolstered by the manufacturing capabilities of each business division. For example, the K-DIVE® remote operation system for construction machinery helps address labor shortages by utilizing digital technologies. In the semiconductor sector, a newly established



Companywide semiconductor working group has enabled a strategic provision of a diverse array of technologies, products, and services from both the materials and machinery businesses. I believe that collaboration and fusion of technologies and human resources from various fields could lead to unprecedented innovations. It will be important for the Company to further develop this potential and establish it as a competitive edge.

**Tsukamoto** Although I have only recently been appointed, I firmly believe that, as both of you have mentioned, manufacturing capabilities, technical expertise, and knowledgeable human resources are important non-financial capital that supports the Group. The Company should leverage these strengths to further promote value creation through the integration of various technologies. From a marketing perspective, it is also crucial to effectively communicate the strengths of the Kobelco Group. Rather than simply emphasizing the strengths, I believe that stakeholders would find it more appealing if we could convey the value the Kobelco Group provides and the benefits it offers. By clearly articulating this value, particularly in relation to its manufacturing and technical capabilities, we can make our message even more compelling. The Group envisions “a world in which people, now and in the future, can fulfill their hopes and dreams while

enjoying safe, secure, and prosperous lives,” as stated in the Group Corporate Philosophy. By positioning safety and security as the cornerstone of all the technologies and solutions, the Kobelco brand can provide greater value to customers.

### Further enhancing the transformation spurred by KOBELCO-X

**Nagara** The purpose and significance of KOBELCO-X has been widely instilled in employees, supported by President Katsukawa’s unwavering commitment to promoting this transformation initiative across the Group. To further accelerate momentum, all members including executives, must swiftly enter the next phase of raising awareness, reassessing work styles, and changing behavior. One way to achieve this is through the promotion of digital transformation (DX). The management team has also begun to utilize generative AI. Expanding these efforts to the production sites will lead to further improvements in manufacturing capabilities.

**Kitagawa** As Mr. Nagara mentioned, transformation is steadily progressing through DX and the use of AI. In addition to these, the development of human resources will become increasingly important in the future. As the labor market is becoming more advantageous for job seekers, we face the challenge

## Roundtable Discussion among the Chair of the Sustainability Management Committee and Independent Directors

of securing and developing skilled personnel. The Company needs to implement human resources strategies, including improving compensation and benefits and reviewing existing systems. It is also essential to make strategic and balanced investments in basic research and technological development, focusing on future growth sectors. I believe that promoting these initiatives through collaboration across the entire Group will lay the foundation for sustainable corporate growth.

**Tsukamoto** KOBELCO-X is a wide-ranging Companywide initiative that encompasses business transformation, customer experience transformation, digital transformation, and factory transformation. To move forward with these transformations, it is important to see things from the customer's perspective and share the benefits and outcomes of these initiatives throughout the organization. When each individual clearly understands the value of their contributions, their sense of purpose and fulfillment will naturally grow. I expect that both the internal and external acknowledgment of the results from these initiatives will further accelerate the Group's evolution.

### Remaining a company that continues to be chosen

**Kitagawa** To achieve sustainable growth, the



Company must expand its operations overseas more aggressively by leveraging the strengths of its diverse businesses, rather than tackling challenges on a single business unit basis. While solidifying its domestic position, the Company should also pursue business partnerships and M&A overseas to demonstrate its comprehensive strengths. I believe this will be the key to future success.

**Tsukamoto** To remain a company of choice, a company must effectively communicate its unique appeal and presence both internally and externally. In particular, a company capable of promoting portfolio management can grasp customer issues from various perspectives and provide integrated solutions. This capability is a significant factor that sets the company apart. The Group possesses many

hidden gems. I believe that it is our responsibility, as those involved in management, to polish them and create an environment where they can shine.

**Nagara** Through the promotion of portfolio management, the Company has steadily strengthened its earning power, which has been a long-standing challenge. To sustain and further develop this progress, the Group must leverage its key strength: its globally competitive human resources. As part of this effort, it is essential to create an organizational culture and systems that allow us to provide solutions to the needs of society by making the best use of the talents of our employees and our technologies, as stated in the Group Corporate Philosophy. The momentum among employees is also on the rise. We are confident that the Group is on track to successful transformation and deliver exciting results to all stakeholders.

# 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, 32–40 of ESG Data Book 2025.

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.



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). Even so, the Group is working to reduce water consumption and increase the water recycling rate by improving the efficiency of water use and recycling water in production processes in preparation for any 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 the discharge of

pollutants into public water areas by cleaning up wastewater from the production process with a treatment system suitable for the characteristics of the wastewater.

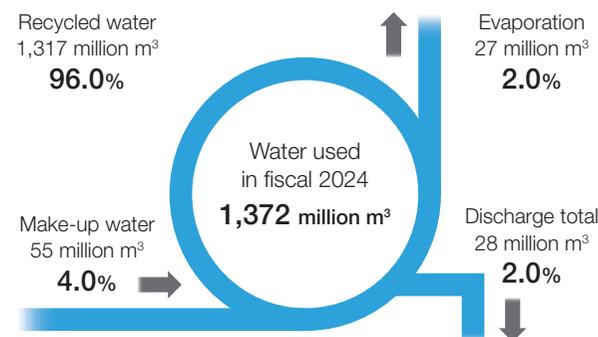
\* Aqeduct is a global water risk mapping platform that identifies and evaluates water risks around the world.

### Targets and Results

As management indicators for our initiatives, we have set targets for the water recycling rate, chemical oxygen demand (COD), and phosphorus pollution load, and we have 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 2022	Fiscal 2023	Fiscal 2024
Water recycling rate	95% or higher	95.8%	95.9%	96.0%
Pollution load	COD	474 tons/year or less	213 tons/year	227 tons/year
	Total phosphorus	23 tons/year or less	4 tons/year	7 tons/year

# Biodiversity

For details, please see Biodiversity on pages 41–46 of ESG Data Book 2025.

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 risks and opportunities related to biodiversity, 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.

\* IBAT (Integrated Biodiversity Assessment Tool) is a tool that can access basic data and the latest information on nature conservation.

## Management of Risks and Impacts

We have envisioned the relationship between the characteristics of the Group's businesses and the future form of society, and organized the main risks and opportunities associated with our dependencies and impacts on nature as shown in the table below.

Risks and Opportunities Stage of Value Chain	Dependencies and impacts	Risks and opportunities	Response measures
Physical risks (acute and chronic) Upstream value chain and direct operations	Climate adjustment, disaster mitigation	Supply chain disruptions due to flooding Flooding and storm surge damage at production sites	<ul style="list-style-type: none"> <li>Securing multiple procurement sources and maintaining sufficient raw materials stocks</li> <li>Implementing physical measures against floods and storm surges, and improving BCP continuously</li> </ul>
Physical risks (acute) Direct operations	Supply of water resources	A decline in operating rates due to difficulties in securing sufficient water for maintaining business continuity at Group companies located in certain overseas regions faced with heightened water stress	Assessing the status of water stress and improving water recycling rates according to the risk level
Transition risks (policies) Direct operations	Waste and recycling	Response to government policies that promote the reuse of recycled resources	Horizontal recycling of raw materials
Transition risks (policies) Upstream value chain	Alteration of terrestrial ecosystems	Supply chain disruptions due to the expansion of protected areas in line with the 30by30 policy, etc.	Diversifying raw material suppliers
Transition risks (markets and technologies) Direct operations and downstream value chain	Impacts of resource use over the life cycle	Changes in product demand due to increased demand from customers for recycled materials	Horizontal recycling of raw materials
Opportunities (markets, products and services) Downstream value chain	Reducing the impact of resource use over the life cycle	Increased demand for products with low GHG emissions and nature-related certifications	Expanding sales of Kobenable® Steel and Kobenable® Aluminum Expanding sales of the MIDREX® Process

## 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 load 474 tons/year, total phosphorous load 23 tons/year
- Water resources: water recycling rate: 95% or higher
- Nature opportunities: Contribution to reduction of CO<sub>2</sub> emissions: 78 million t-CO<sub>2</sub> (fiscal 2030)  
Sales of products that contribute to CO<sub>2</sub> reduction of CO<sub>2</sub> emissions: ¥550 billion (fiscal 2030)

# Technical Development

## Creating New Value by Harnessing Our Broad Range of Expertise

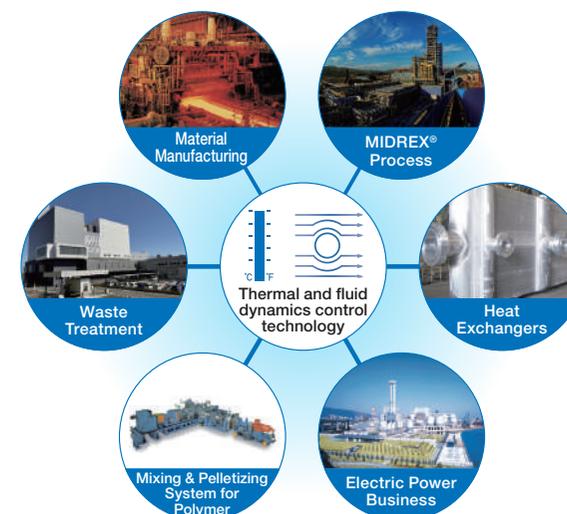
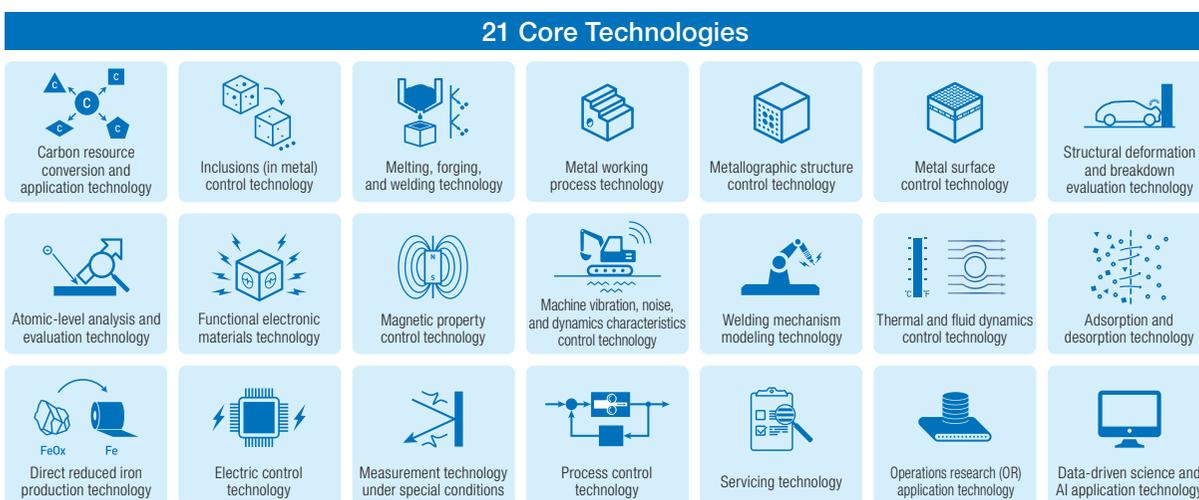
Over the years, the Technical Development Group has cultivated a diverse range of technologies through R&D activities in various business fields, including materials, machinery, and electric power. The technological assets that support the creation of distinctive products and our advanced *monozukuri* (manufacturing) capabilities are represented by the following 21 core technologies. The Kobelco Group is creating new value by strengthening and integrating these technologies.

Our 21 core technologies have been developed as technologies shared across the Company's business segments and constitute an integral part of various products. A key strength of the Group is the intersegmental utilization of technology developed by one business segment, facilitating the development of new technologies and the creation of new value across businesses.

Among these core technologies, thermal and fluid dynamics control technology is indispensable for the stable operation of steel production facilities, as well as plants that use thermal energy for waste treatment, power generation, etc. Recent applications of this technology include the use in our CO<sub>2</sub> reduction solution that reduces CO<sub>2</sub> emissions by charging an increased amount of HBI into the blast furnace. This is also an indispensable technology for improving the performance of machinery products such as compressors, heat pumps, mixers, and heat exchangers in the machinery businesses.

Our 21 core technologies serve as a source for creating new products that address increasingly sophisticated and complicated demands and technical challenges in the materials, machinery, and electric power businesses.

**Koichi Sakamoto**  
 Director, Executive Officer  
 Oversees companywide technical development

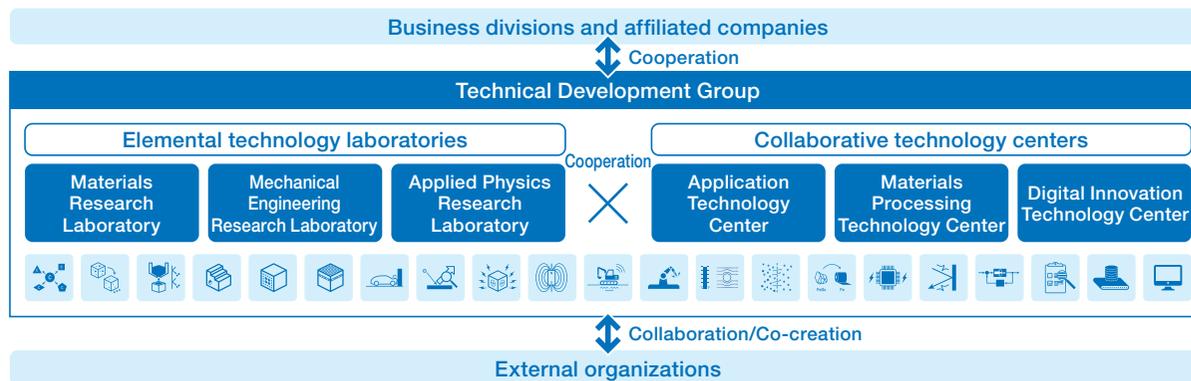
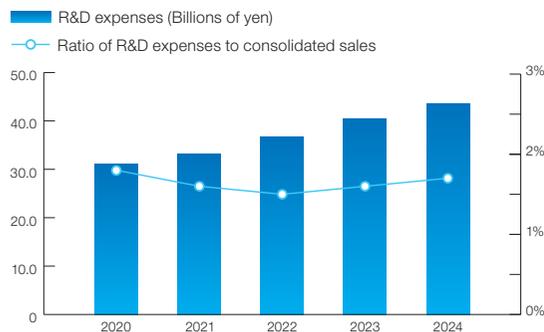


# Technical Development

Developing an extensive range of technologies is needed to tackle the numerous changes taking place in the business environment, such as climate change; it is becoming more important for us to create new value at an unprecedented speed. The Group is working to address these challenges by promoting the integration of its 21 core technologies in collaboration with business divisions, while the Technical Development Group's elemental technology laboratories and collaborative technology centers serve as a hub for research and development. We are already beginning to see results in a wide range of fields, including the reduction of CO<sub>2</sub> emissions in the ironmaking process.

Under the Medium-Term Management Plan, we have set out two priority issues: (1) enhancing earning power and pursuing growth (also called AX) and (2) taking on the challenge of realizing carbon neutrality (also called GX). For research and development, our Group allocates its management resources to the following four areas of focus.

- 1**  
 Strengthening existing businesses
- 2**  
 Exploring business opportunities
- 3**  
 Taking on the challenge of realizing carbon neutrality
- 4**  
 Core technologies and DX



In January 2025, the Kobelco Group's technical showroom KoCoLab completed its large-scale renovation and opened a new Kobelco Introduction Zone that showcases the Group's efforts to address societal challenges, including carbon neutrality and digital transformation (DX). The new zone includes an exhibit where visitors can touch and feel actual products that contribute to CO<sub>2</sub> reduction and manpower-savings, as well as exhibits that spur visitor interest with modern technologies such as simulation and virtual reality (VR) immersive experiences.

Next to the Kobelco Introduction Zone is the Core Technology Zone, which showcases the Group's 21 core technologies. This space highlights the technical strengths of the products that visitors learned about in the Kobelco Introduction Zone, to facilitate a comprehensive understanding of them and the potential benefits of co-creation with the Group.

KoCoLab will continue to evolve as a base for promoting KOBELCO-X, facilitating technological innovation and human interaction.



KoCoLab after renovation and renovation team members



Kobelco Introduction Zone



Core Technology Zone

# 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

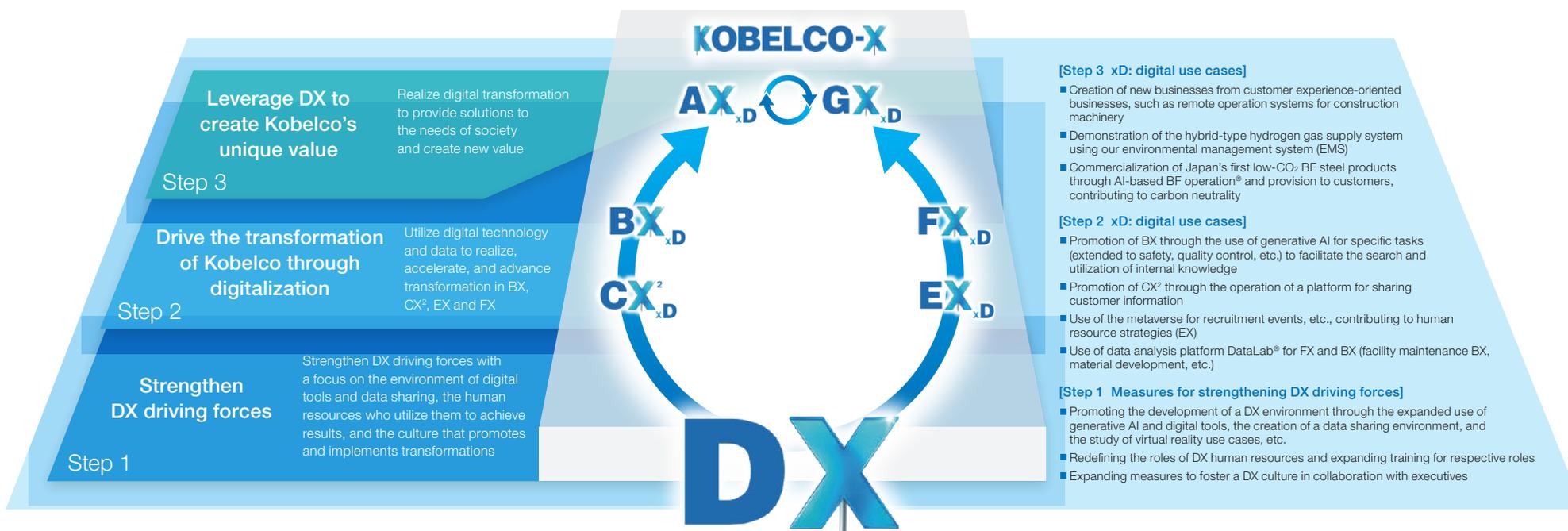
KOBELCO-X provides impetus for our transformation into an appealing company and business entity that drives innovation into the future. In this regard, Groupwide DX efforts are a key initiative.

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 (xD: by digital & data), making it linked to AX and GX through providing solutions to the needs of society and creating new value.

We will strengthen our DX driving forces and promote BX and other transformations in all aspects of business operations with the participation of all

employees by creating an environment that boosts transformation, utilizing digital technologies such as generative AI and a data sharing environment, and by developing human resources and a culture that can harness these tools to achieve results.

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



Promotion of Sustainability Management  
 Management Strategy for Value Creation  
 Business Foundation  
 Operating Results by Segment  
 Data Section

# DX Digital Transformation

## Examples of DX Initiatives

### Step 1 Strengthen DX driving forces

We are promoting measures to strengthen our ability to drive DX forward so that all members including top management, not limited to those in the DX or IT departments, IT evangelists, and data scientists, will engage in DX and enhance the three DX driving forces: the environment, human resources, and culture. In fiscal 2024, we began conducting an employee awareness survey to better understand the status of progress and review the results.

**Environment:** We aim for everyone to have the ability to utilize generative AI in their work, while expanding the use of business intelligence (BI) tools. Following the Companywide rollout of an in-house version of ChatGPT, we started a large-scale Companywide trial of Microsoft 365 Copilot in fiscal 2025, soliciting the participation of all members, including top management. The aim is to achieve even greater results by improving the efficiency and quality of work through combining it with internal data.

**Human Resources:** In order to promote DX with the participation of all members, we have redefined IT evangelists and data scientists as DX driving personnel, and have defined three types of DX human resources, including executives and line managers. We have also

started new human resources development training to ensure that each individual understands their role and promotes digital transformation.

**Culture:** We are fostering a culture in which everyone works together on DX through measures such as regularly posting DX-related articles on the in-house portal site and creating a forum for tool users to share know-how, as well as live-streaming dialogue events between employees and executives for all employees and expanding experience sessions for virtual reality and digital tools.

### Step 2 Expand use of digital technology in BX and other areas

We will also promote BX, which involves the transformation of various business processes, by utilizing digital technology and data. In fiscal 2024, we developed and began operating a generative AI system called Kako Kara Manabu (Learning from the Past). The system allows anyone to easily search and use internal knowledge on safety, helping to enhance the Company's overall safety control capabilities. Along with this, we are expanding the use of generative AI to various business transformations in areas such as quality control and product development.

In addition, there are many BX cases that utilize BI tools. We will promote the sharing of examples of BX/DX to accelerate BX through the utilization of digital technology and data.

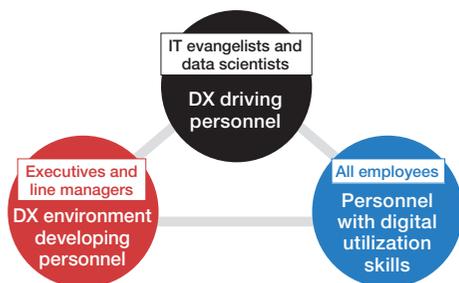
### Step 3 Provide new value toward solutions to the needs of society

Kobelco Group's DX aims to not only improve the value we provide to customers and enhance the earning power of our existing businesses by accelerating BX, CX<sup>2</sup>, EX, and FX, but also 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> BF steel product Kobenable<sup>®</sup> Steel by integrating the steel and engineering businesses' technologies with AI-based BF operation technology. This product has been adopted by a wide range of customers and is contributing to the realization of a carbon neutral society.

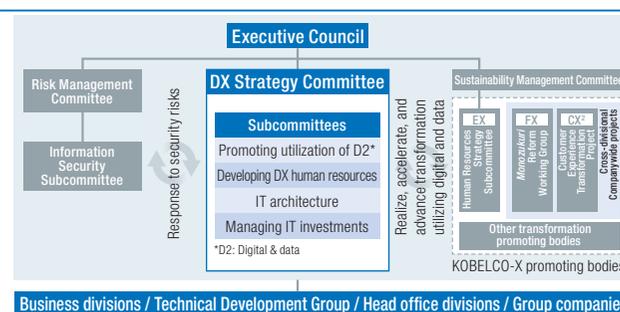
Kobelco Construction Machinery has begun selling K-DIVE<sup>®</sup>, a site improvement solution that combines a remote operation system for construction machinery with a cloud-based system. It provides solutions to a variety of societal challenges, such as ensuring essential safety, improving on-site productivity, and promoting active participation of diverse human resources, and contributes to creating a jobsite that is accessible to everyone, as well as the growth of the construction machinery business through the expansion of the Group's customer experience-oriented business and solutions business.

## Definition of roles of DX human resources



## DX Promotion System

- For the promotion of 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 other transformation promoting bodies.



For more information on cybersecurity, please see pages 100–101 of the ESG Data Book 2025.

# BX Business Transformation

We aim to achieve overwhelming improvements in productivity and dramatic improvements in quality in all business operations by combining “business process transformation” via the use of digital technology and a review of our daily business operations with “behavioral change” through transformation in individual awareness and behavior.



**Shinji Miyaoka**  
Director, Executive Officer

## What is BX in KOBELCO-X?

Business transformation (BX) is an initiative that leads to customer experience transformation (CX<sup>2</sup>), factory transformation (FX), and employee experience transformation (EX).

Of 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. This is because BX targets the transformation of various business processes. EX is primarily about human resources measures to improve employee experience for all employees, while BX refers to transformation of a variety of specific tasks, including safety, environment, quality, research and development, sales, design, production, procurement, accounting, human resources, and legal affairs. In other words, BX is a transformation undertaken by everyone

within the scope of their responsibilities at respective workplaces.

## 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 behavior.

### 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.

### Business process transformation

Transformation of organizational structures, including the introduction of new systems



### Behavioral change

Transformation in individual awareness and behavior

For CX<sup>2</sup>, we have introduced new companywide systems such as a new business card management system and Sales Force Automation (SFA) system, which enabled the centralized, cross-functional management of customer contact data. This is an example of major business process transformation, allowing for the open access to customer contact information from other business divisions. To bring this to the next level and achieve customer experience transformation, we need individual behavioral change; such as checking the database for information on

business cards or meeting records prior to meeting with customers, or coordinating with the persons in charge across business segments. In this manner, individual behavioral change is critical in BX. Rather than sticking to the current business processes, we explore ideal business processes from scratch so that we can attain overwhelmingly improved productivity and dramatically improved quality.

To achieve this, each employee must create many forms of BX based on their work skills and experience, by leveraging ① free thinking that is not bound by status quo bias, ② a flexible mind for transformation at an organizational level, embracing such spirit, ③ digital tools and data (xD) that enable transformation, and ④ a strong will of each individual to change their behavior. We are also working to foster a culture to achieve this through training and interviews as well as providing opportunities to praise and share good practices, among other efforts.

## The Aim of BX

As an initial result, we expect to see an increasing number of BX initiatives coming up from various tasks and workplaces. We also hope that some of them will develop into Companywide initiatives, similar to CX<sup>2</sup> and FX, bringing about new Xs that will lead to significant value creation.

The aim of BX is to improve the efficiency and quality of our business operations through numerous BX initiatives, thereby enhancing the Group's earning power, improving the employee experience, and increasing the value we provide to customers.

# 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 of 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. With a shift of our mindset, we are working to transform our customer services alongside the 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).

## The Impetus Furnished by the Customer Experience Transformation Project

To promote CX<sup>2</sup>, we had to replace 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, in fiscal 2023, we launched the Customer Experience Transformation Project under the Executive Council and began implementing the Sales Force

Automation (SFA) system as a customer information sharing platform.

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 (CX<sup>2</sup>) has appointed the head of each business division as the person in charge for promotion and around 70 people as IT evangelists across the company to support users of the platform.

Within the first year of use, users became accustomed to uploading information to the server, with over 50,000 pieces of information from customer contacts stored and shared throughout the Company. In fiscal 2025, the second year, we are working to promote the utilization of valuable information assets with a particular emphasis on their accessibility and utilization by third parties.

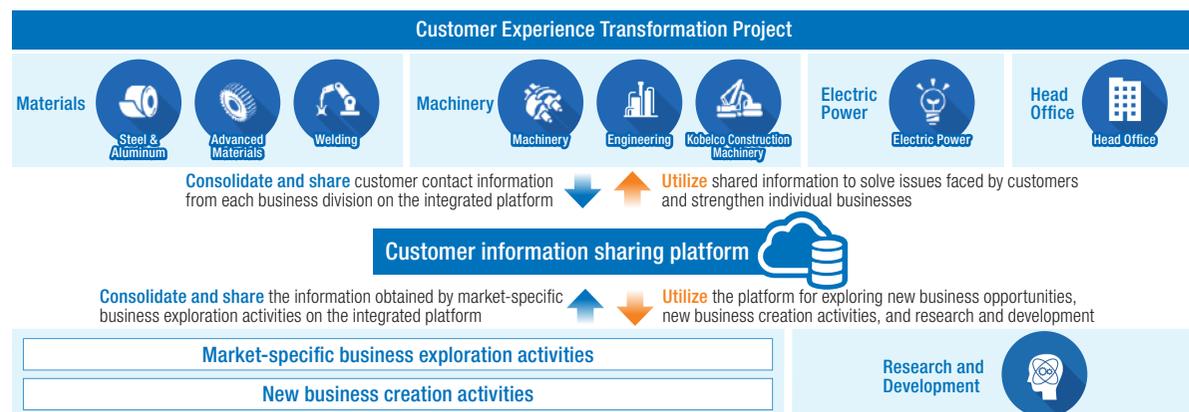
A change in mindset is becoming evident. There is a growing awareness aimed at creating CX<sup>2</sup> initiatives

from multiple perspectives in cross-functional working group activities targeting specific industries (automotive, hydrogen, semiconductors, construction, etc.). They are using the platform for sharing customer information to look for ways to add greater value to proposals.

## AX and the Transformation of Customer Experience Value

While striving to increase the value we provide to customers utilizing customer-specific information, thereby enhancing the earning power of existing businesses, we will also explore opportunities to create new businesses by utilizing information with a focus on specific markets or specific societal challenges such as carbon neutrality, in our pursuit for growth.

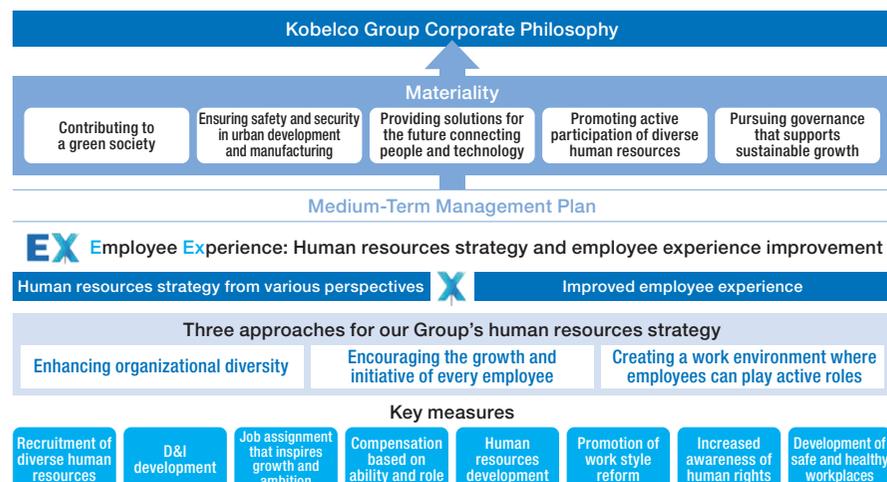
We will continue to realize CX<sup>2</sup>—transformation of customer experience value—through Kobelco Group’s unique problem-solving across business segments.



# EX Human Resources Strategy and Employee Experience Improvement

For details, please see Human Resources and Work-Life Balance on pages 59–70 of ESG Data Book 2025.

The Kobelco Group believes that in order to fulfill its social responsibilities as a corporate group and create new value, it is important to develop human resources who understand and implement the Group Corporate Philosophy. Our Group operates in a wide range of business fields and possesses human resources with diverse backgrounds, values, and skills. Amid changes in society and world trends, our bold efforts to contribute to society and realize a world we envision will be a key to further bolstering our strengths. To make it happen, we will strive to create a work environment in which everyone can perform at their full potential.



## Strategies to Empower Our Group's Human Resources to Fully Realize Their Potential

We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as stated in the Group Corporate Philosophy. To bring about such a world, we have identified promoting active participation of diverse human resources as one of our material issues. Under the Medium-Term Management Plan, we aim to transform into an appealing company through enhancing earning power and pursuing growth, as well as taking on the challenge of realizing carbon neutrality. Based on this management strategy, we have defined three approaches for our human resources strategy—enhance organizational diversity, encourage the growth and initiative of every employee, and, develop a work environment where employees can play active roles. By implementing measures and investing in human capital in line with these approaches, we are working to realize the Group Corporate Philosophy, while developing the human resources who will support our transformation and creating an environment in which they can make the most of their abilities.

## 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 human resources strategy, evaluating measures, and monitoring their implementation. Important human resources strategy measures are subject to reporting and deliberation at the Executive Council, ensuring executives' involvement in governance and decision-making. 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 monitoring of human resources strategies by regularly sharing awareness and holding discussions during these meetings.

## Response to Risks in Promoting Human Resources Strategies

Our Group has identified risks relating to securing human resources as one of the top risks in business operations. In order to secure the talent necessary to maintain and develop our businesses, we are making efforts to improve working conditions, create a better work environment, and develop human resources so that our diverse workforce can maximize their abilities and expertise and work with enthusiasm.

For details on our risk management structure, please see Risk Management on page 98.

## Metrics and Targets for Realizing Materiality

Our Group has set metrics and targets to achieve the material issue of promoting active participation of diverse human resources. Please see Materiality-Related Non-Financial KPIs on page 55.

# EX Human Resources Strategy and Employee Experience Improvement

## Enhancing Organizational Diversity

Our Group pursues work styles that allow each and every member of its diverse workforce to demonstrate their strengths and strives to create a work environment where employees can take on the challenge of creating new value.

### Stimulating Cross-Divisional Communication

#### Kobelco Group D&I Forum

In fiscal 2023, we began holding the Kobelco Group D&I forum to provide employees with the opportunity to learn about, understand, and experience diversity and inclusion (D&I), as well as to encourage them to take action on their own. In fiscal 2024, in order to increase opportunities to experience D&I, we organized a D&I Week during which we hold the D&I forum along with sessions to share case studies from other companies as well as the results of the Diversity Network. The D&I forum presented a keynote speech by an invited expert and a panel discussion with company executives.



#### Diversity Network

Diversity Network (DNW), launched in fiscal 2021, is a grassroots activity led by employee volunteers seeking to address D&I issues in the workplace. Each team works on one theme throughout the year, from understanding the current situation to planning and implementing measures.

### Promoting Women’s Participation in the Workplace

#### Networking Session for Female Employees in Technical Fields at Three Manufacturing Companies Based in Kobe

Since fiscal 2023, Kobe Steel has collaborated with Kawasaki Heavy Industries, Ltd., and Sumitomo Rubber Industries, Ltd., to hold networking sessions for female employees in technical positions with the aim of empowering women in technical fields to enrich their work and life. Each time, over 100 women participated, and we have received positive feedback such as, “I had a valuable experience talking with women who are involved in technical work at other companies,” “I empathized with the stories of women who have overcome the same problems, which motivated me,” and “I discovered that I have career options.” We will continue to support the career development of female employees in various fields, not just technical ones, with the aim of creating a workplace where they can feel the significance of manufacturing companies in Kobe.

### Support for Employees with Disabilities

Kobe Steel hosted a seminar on reasonable accommodation together with other companies to deepen employee understanding of the concept of reasonable accommodation. Many employees participated, including not only employees with disabilities but also their supervisors and co-workers. As a visual accommodation, we encourage the use of universal design fonts in internal documents and

promote the creation of an environment where information is easily accessible to everyone.

### Promoting Understanding of the LGBT Community

We are working to promote deeper understanding of the LGBT community and improve system accessibility, aiming to create an environment where all employees can work with peace of mind. As part of this effort, we have introduced the Kobelco Familyship Program, which treats same-sex partners equally as spouses, and we also provide educational opportunities about the LGBT community. In addition, to express our stance toward the LGBT community as well as provide and encourage LGBT ALLY, we have held events every year starting in fiscal 2022 at Kobe Steelers match venues to hand out pamphlets containing basic information about the LGBT community and rainbow flags to like-minded persons. In recognition of these efforts, we received a Gold Award for the fourth consecutive year in the PRIDE Index and also received Rainbow certification in 2024.



Handing out rainbow flags



# EX Human Resources Strategy and Employee Experience Improvement

## 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.

### Self-Directed, Self-Driven Human Resources Development

In addition to various stratified training programs, including training for new employees, we are promoting self-directed, self-driven learning to support each employee's proactive learning. Specifically, we have introduced video learning materials (Udemy, GLOBIS Unlimited, etc.) with a vast selection of unique programs to support employees in making self-directed learning a habit.

To encourage effective and efficient learning, we have also introduced a learning management system (CAREERSHIP), which integrates the management of employee learning records and learning materials.

### Developing DX Human Resources Groupwide

In light of the importance of DX in KOBELCO-X, we are promoting the development of DX human resources Groupwide.

By providing a forum for DX driving personnel in each department to share examples of initiatives and best practices that can be rolled out to other departments, participants are given the opportunity to gain new perspectives and insights, and also promote interaction across departments.

In addition, we provide e-learning and video programs for all employees to deepen their understanding of the role of DX, the mindset required to promote it, and IT literacy. Through these efforts, we aim to encourage each and every employee to view DX as their own matter, and to foster a sense of initiative in implementing transformation using digital technology and data.

For details on our DX initiatives, please see Digital Transformation on page 65.

### Training Programs for Executives of Overseas Group Companies

To develop and expand our overseas business, it is important to facilitate opportunities for executives of overseas Group companies to have a deeper understanding of the Group Corporate Philosophy and increase their mutual understanding and collaboration as members of the Group. In line with this approach, we have held the Kobelco Global Session (KGS), a training program for overseas executives, on a continuous basis since fiscal 2011. We aim to foster a sense of global leadership through KGS that includes plant tours for participants to learn about Japan's latest technology, leadership training, and interactions with Japanese executives.

We will work to further strengthen global management while sharing our values and promoting mutual cooperation with the human resources who support the Group in various countries and regions.



KGS was attended by 20 executives from nine countries in fiscal 2024.

### Job Assignment That Inspires Growth and Ambition

From the perspective of revitalizing the organization, developing employees, and encouraging autonomous career development, we promote the placement of the right person in the right position beyond the boundaries of business fields and job types.

In addition to Company-led placement, we have established a career self-development system that allows employees to apply to the department of their choice in order to provide opportunities for employees to autonomously develop careers, learn, and grow.

#### Career Self-Development System

1	<b>Application for a specific position</b>	Departments recruit personnel internally.
2	<b>Application for a specific position with Plus One</b>	Departments recruit personnel internally. Employees engage in the work of the recruiting department while belonging to their current department.
3	<b>Self-driven application for a division of choice</b>	Employees apply to move to a desired organization or division of their own initiative.

## EX Human Resources Strategy and Employee Experience Improvement

### Creating a Work Environment Where Employees Can Play Active Roles

Our Group is making continuous efforts to improve productivity and create a healthy and fulfilling workplace environment through measures such as proactively investing in company facilities and equipment and reviewing our employment systems and working styles.

#### Improving the Work Environment

We believe that improving the work environment is a key investment in attracting and retaining talent. We plan to invest approximately 45 billion yen in this area during the period of the current Medium-Term Management Plan. Specifically, we are working to create an environment in which employees can work comfortably. To achieve this, we will be rebuilding and relocating our offices, as well as renovating and improving dormitories, company housing, and facilities at our business sites (restrooms, changing rooms, baths, etc.).

As working from home and online meetings have become common, we are reviewing our office layouts. At the Kobe Head Office, we are working to create highly productive workplaces by removing walls between departments, getting creative with desk arrangements, and setting up solo workspaces, based on the theme of an office where communication occurs naturally.



Kobe Head Office

#### Relocation of the Tokyo Head Office

Kobe Steel will relocate its Tokyo Head Office to the Link Pillar 2 building in Takanawa Gateway City by the end of fiscal 2026. The new head office will be within walking distance of Takanawa Gateway Station, Sengakuji Station and Shinagawa Station—an area with potential for future urban development and additional functionalities. The new head office will be equipped with business continuity plan (BCP) measures that will ensure electricity and heat in the event of a disaster, contributing to improved business continuity. We also aim to improve productivity by transforming the office into one that promotes collaboration between departments and communication among employees.

This is an important step to promote the active participation of diverse human resources and improve employee engagement as part of our investment in human capital. We expect that this relocation leads to the creation of an environment that supports more flexible and diverse work styles, thereby achieving sustainable growth and enhancing corporate value.



Image courtesy of East Japan Railway Company

#### Promoting Flexible Work Styles

Kobe Steel has introduced flexible work systems, including telework, systems to support work-life balance, and a unique leave system (Kobelco Life Support Leave), which is applicable to childcare, family care, medical treatment, and reskilling. These systems help employees work flexibly while balancing their work and personal lives.

For production sites, we are also introducing new shift systems tailored to each workplace. We will continue to implement measures to enable flexible work styles.

#### Addressing Diversifying Work Values

Employees' values about work styles have diversified, and in particular, there has been a change in their attitudes toward relocation. Against this background, we are implementing measures to lessen employees' unwillingness to relocate and the burden it places on them. We are committed to creating an environment in which employees can work with greater peace of mind than ever before.

##### Measures to reduce the frequency of relocation

- Creation of guidelines on requirements for reducing the frequency of relocation
- Long-distance commuting (by Shinkansen and limited express train)

##### Measures to reduce the burden on relocating employees

- Increased financial assistance for relocation (unaccompanied transfer allowance)
- Car lease subsidy system for employees assigned to work away from home
- Broadened scope of permission for telework

# Human Rights

For details, please see Human Rights and Labor on pages 50–51 of ESG Data Book 2025.

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.

## Revision of Basic Policy on Human Rights

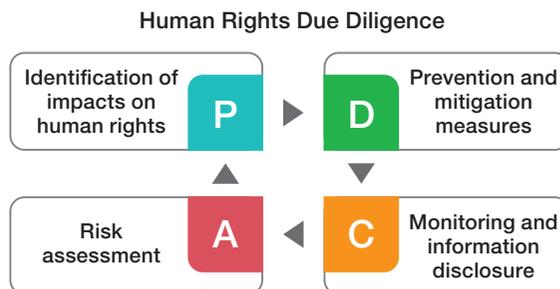
As global awareness of human rights grows, we examined our Basic Policy on Human Rights and updated it into the Kobelco Group Basic Policy on Human Rights in December 2022, in accordance with the United Nations Guiding Principles on Business and Human Rights. Based on this policy, we are stepping up 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 will work to ensure that this policy is supported and implemented by our 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 the 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>

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

# Building Responsible Supply Chains

For details, please see Building Responsible Supply Chains on pages 71–73 of ESG Data Book 2025.

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	Requests to Our Business Partners	Steering System	Action Agenda										
<p>Our Group's procurement divisions implement activities in accordance with the basic procurement policy as provided below.</p> <ol style="list-style-type: none"> <li>1. Compliance with laws, regulations, and other social norms</li> <li>2. Fair and impartial transactions</li> <li>3. Coexistence with the global environment through procurement</li> <li>4. Strengthening of partnerships with business partners</li> <li>5. Control of confidential information</li> </ol>	<p>Our Group requests its business partners to understand and practice the following in order to work together to build responsible supply chains.</p> <table border="1"> <tr> <td>Compliance</td> <td>Human rights and labor</td> </tr> <tr> <td>Safety and health</td> <td>Environment</td> </tr> <tr> <td>Fair trade and ethics</td> <td>Quality and safety</td> </tr> <tr> <td>Information security</td> <td>Business continuity plan</td> </tr> <tr> <td>Social contribution</td> <td></td> </tr> </table>	Compliance	Human rights and labor	Safety and health	Environment	Fair trade and ethics	Quality and safety	Information security	Business continuity plan	Social contribution		<p>Our Companywide policy is proposed by the Sustainability Management Committee to the Executive Council for deliberation to build consensus. The approved policy is carried out by operation managers at procurement divisions under respective business divisions.</p> <p>From the viewpoint of risk management, procurement activities are conducted in cooperation with the Risk Management Committee to strengthen the policy implementation.</p>	<p>The Kobelco Group engages in activities according to the following action agenda and works to build a responsible supply chain.</p> <ol style="list-style-type: none"> <li>1. Notification of Requests to Our Business Partners, including their suppliers</li> <li>2. Solicitation for compliance with Requests to Our Business Partners and support for improvements</li> <li>3. Information disclosure</li> <li>4. Cooperation with business partners</li> <li>5. Cooperation with employees, Group companies, and affiliates</li> </ol>
Compliance	Human rights and labor												
Safety and health	Environment												
Fair trade and ethics	Quality and safety												
Information security	Business continuity plan												
Social contribution													

## Main Initiatives in Fiscal 2024

Theme	Description of Initiatives
Human rights and labor	<ul style="list-style-type: none"> <li>• We conducted the first detailed survey targeting our business partners. For companies that are deemed not to fulfill the criteria, we provided our original guidebook with best practices.</li> </ul>
Conflict minerals	<ul style="list-style-type: none"> <li>• We confirmed that Kobe Steel does not purchase conflict minerals (tin, tantalum, tungsten, and gold) subject to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act from restricted areas.</li> <li>• We confirmed that Kobe Steel and its Group companies do not purchase cobalt or mica, which pose concerns due to the risk of human rights violations, from conflict-affected or high-risk areas.</li> </ul>

## Initiatives for Fiscal 2025 and Beyond

Fiscal 2025	Fiscal 2026
Conduct the second detailed survey on human rights and the third CSR survey targeting our business partners in order to continuously assess their compliance status.	Offer intensive support to business partners identified as requiring further improvement based on the results of the second detailed survey on human rights.

# FX Factory Transformation

The Kobelco Group is working on factory transformation (FX) to increase productivity and advance automation on production floors to address future labor shortages. 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.

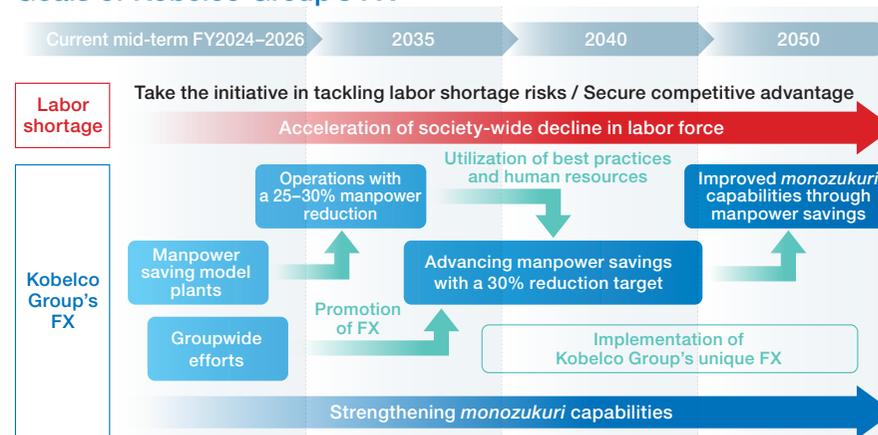
In order to achieve our goals of enhancing earning power and pursue growth, as well as taking on the challenge of realizing carbon neutrality, it is imperative that we strengthen our *monozukuri* (manufacturing) capabilities. The *Monozukuri* Reform Working Group, which was established in fiscal 2024, examined the current status of labor shortages at manufacturing sites and set up a strategy focused on “manpower savings\*”, along with new capital investment criteria for Companywide implementation.

In addition, we have designated three locations—Kakogawa Works’ Steel Plate Plant, Moka Works’ Aluminum Rolled Products Plant, and Chofu Works’ Aluminum Extrusion Plant—as manpower saving model plants and are promoting initiatives such as automation and logistics optimization. For example, at our steel plate plant, we are working to automate operations in a hot environment, which puts an enormous strain on workers, by digitizing experienced workers’ know-how using remote control technology and AI. Furthermore, we are holding production technology exchange forums with the aim of improving our *monozukuri* capabilities and developing human resources in an effort to raise the level of these capabilities Companywide.

In fiscal 2025, we will advance Kobelco Group’s unique FX, which promotes the widespread sharing and application of best factory transformation practices throughout the Group.

\* Manpower savings: An effort to sustain operations with a smaller number of workers

## Goals of Kobelco Group’s FX



## Major Initiatives

### Advancing Kobelco Group’s Unique FX

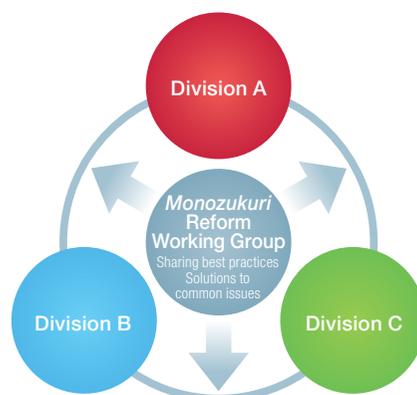
We will improve our *monozukuri* capabilities by promoting the sharing of best factory transformation practices across our Group’s diverse business domains. We will also explore utilizing our technological assets such as K-DIVE® and DataLab® for remote operation and advanced equipment maintenance.

### Promoting Manpower Saving Model Plants

Our Company has set three domestic model plants as its manpower saving front-runners with the goal of making them capable of maintaining production even with a 25–30% manpower reduction by 2030. We will utilize the resources and outcomes obtained from the manpower reduction across the Company to accelerate our efforts.

### Companywide Monozukuri Support

In order to improve the core technologies of *monozukuri* (e.g., rolling, forging, measurement and control, process technology, etc.), we hold production technology exchange forums, including plant tours and networking sessions both inside and outside the Company, and promote activities that contribute to improving manufacturing capabilities and developing human resources.



K-DIVE®, remote operation system for construction machinery



Companywide data analysis platform (DataLab®)



Utilization of technological assets

Kobelco Group's Value Creation  
Management Strategy for Value Creation  
Promotion of Sustainability Management

Business Foundation

Operating Results by Segment

Data Section

# Quality

For details, please see Quality on pages 97–98 of ESG Data Book 2025.

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”

## 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 effectiveness of 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.

\* 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.

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 circle (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.

### 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



# Safety and Health

Please see Safety and Health, Health and Productivity Management on pages 52–56 of ESG Data Book 2025.

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 safely and securely.

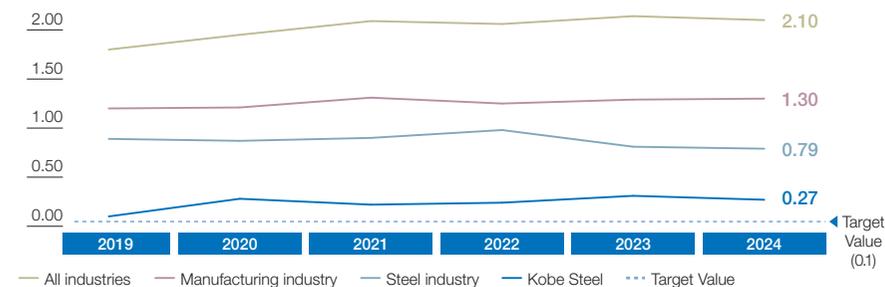
## Safety Code of Conduct Based on the Core Values of KOBELCO

- 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 2025)

- 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 2024, the first year of Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026), we distributed a video message from the president and CEO to convey his commitment to safety and health, as well as to raise awareness for developing safety-oriented human resources and culture. To ensure safety in operation, we began to implement machinery safety measures, which were

planned under the previous Medium-Term Management Plan.

In fiscal 2025, we will fully implement these machine safety measures for production equipment at all business locations. In addition, as part of the DX efforts under KOBELCO-X, we will launch an accident analysis and search system utilizing generative AI, which helps us learn from past accidents and develop a shared risk awareness, in order to further strengthen the creation of mechanisms to prevent similar accidents from occurring again.

## Key Activities in Fiscal 2025

- Developing safety-oriented personnel who can check and ensure safety before starting any work or operational procedures (fostering a safety culture)
- Safety audits and enhanced support
- Promoting machine safety
- Safety and health initiatives combined with 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

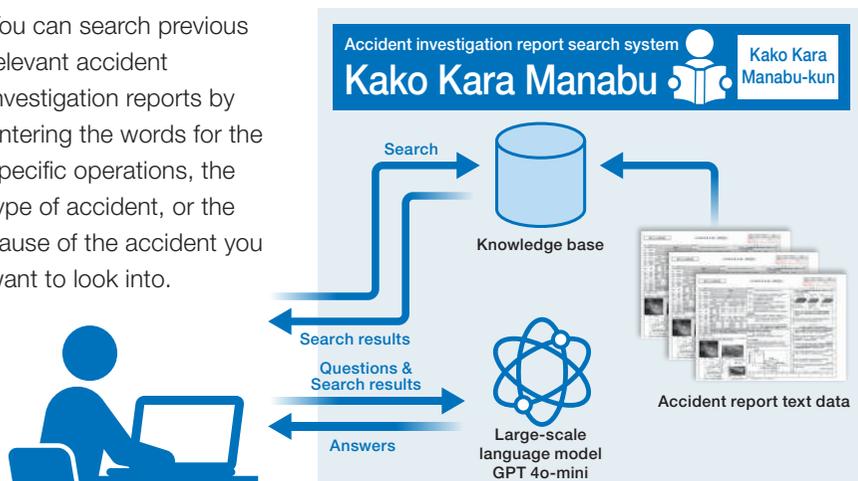
We have developed a system based on generative AI technology that can instantly search and display similar accident cases from the vast amount of accident reports, analysis materials, and countermeasure implementation records accumulated in the past, simply by entering basic information about an accident.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

This 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.

## Safety and Health

### Development of Accident Investigation Report Search System

You can search previous relevant accident investigation reports by entering the words for the specific operations, the type of accident, or the cause of the accident you want to look into.



### 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 our initiatives, we were certified as a 2025 Health and Productivity Management Organization (White 500) for the sixth time, as in 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)

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



# 04

**Business Foundation:**  
Prerequisites for  
Continued Corporate Existence

# Message from the Chair of the Board of Directors

**Dedicated to the transformation into  
an appealing company through efficient operation and  
sound governance of the Board of Directors**

## **Fulfilling the Chair's primary responsibility— Ensuring the Effectiveness of the Board of Directors**

Since 2018, the Kobelco Group has appointed an independent director to serve as the Chair of the Board of Directors. In light of this, even before my appointment as Chair in June 2024, I had been preparing for the possibility of succeeding to this role, while closely observing the performance of previous Chairs to develop my own unique approach.

The Chair represents the governance of the Board of Directors, and its mission is to ensure that the Board functions effectively. This role is crucial as it directly contributes to enhancing corporate value. A year has passed since I assumed the role of Chair. I now approach this significant responsibility with a renewed commitment to enhancing the Board's operations and improving the quality of discussions, with a strong sense of mission and problem awareness.

As Chair, I keep several important considerations in mind in the operation of the Board of Directors. I would

like to take this opportunity to share the perspectives that I particularly adhere to, as well as the strategies I have employed to achieve them.

The first point is setting the agenda for the Board of Directors and the meetings attended by its members. The Company's Board of Directors functions as a monitoring board and delegates a certain degree of authority to the executive team. Based on this, at the beginning of each fiscal year, we carefully discuss the matters to be reported at the Board of Directors meetings and the themes to be monitored in order to determine the agenda. Outside the Board of Directors meetings, we also preliminarily exchange opinions and build consensus on the topics to be discussed at offline meetings attended by all Board members, Sustainability Management Meetings, and Meetings of Independent Directors. This process helps ensure that these meetings function efficiently. Setting the agenda is a very important process, and I believe it is meaningful that an independent director is involved in it as Chair.

The second point is concerning how to elicit diverse opinions. Multifaceted and in-depth discussions are



**Yumiko Ito**  
Independent Director  
Chair of the Board of Directors

## Message from the Chair of the Board of Directors

essential at Board of Directors meetings. Typically, the monitoring board employs a question-and-answer format, where executives respond to questions from independent directors. However, the Company seeks to engage in deeper discussions on topics that are fundamental to the essence of value creation, including management strategy, large-scale investments, and human resources strategy. To achieve this, it is important to go beyond simple question-and-answer sessions and to draw out a wide range of opinions from members with diverse perspectives. For example, executive directors who are not directly responsible for the issue under discussion may offer valuable insights. To ensure we capture these perspectives, we talk to them before board meetings and actively urge them to share their thoughts. My previous experience in executive roles allows me to consciously focus on these aspects. I believe these efforts have fostered more lively discussions and made the Board of Directors meetings even more enriching forums.

The third is the importance of multi-dimensional discussions. Given that the Board of Directors is a forum for making critical decisions, I believe discussions should involve analysis of various layers of factors, transforming perspectives into a two- or three-dimensional view. Even if the discussion veers slightly off the main topic, these exchanges provide an opportunity to foster a multifaceted perspective. We value each director's candid expression of what they consider important, which contributes to a deeper discussion.

The fourth is the efficient operation of the Board of Directors. While in-depth discussions require a certain amount of time, I believe it is the Chair's responsibility to ensure that reports and exchanges of opinions remain concise and avoid redundancy. The Company has long maintained a system in which each business division reports on its operations. By narrowing the focus of reports on matters that are highly relevant to the progress of the Medium-Term Management Plan and the annual budget, the significance and positioning of each business have become clearer. Rather than simply receiving progress reports, we aim to deepen our understanding by focusing our discussions on how the progress relates to sustainable growth and enhancing corporate value, as well as whether better options might be available. We see active exchanges of questions and answers as a positive thing; however, reports should be centered on strategies and management issues, while maintaining clarity and conciseness.

When I was appointed as an independent director in 2019, preliminary briefings on materials for Board of Directors meetings took a considerable amount of time. This prior provision of information was extremely beneficial in helping me understand the Company's overall business. However, through operational improvements, these briefings have become more focused and the overall operations of the Board of Directors has become more sophisticated.

The effectiveness of the Board of Directors is assessed annually by soliciting input from directors



through a questionnaire survey. Following an initial evaluation by the Corporate Governance Committee, the results are discussed and evaluated by the Board of Directors to identify issues.

### Diligent implementation of the PDCA cycle accelerates the evolution of corporate governance

People often discuss corporate governance aimed at enhancing corporate value, using dichotomies such as “proactive or defensive” or “supervision or support.” However, I believe these perspectives are not contradictory; rather, they are both essential for strengthening a company's earning power. In other words, both viewpoints are necessary for sustainable growth and the enhancement of corporate value over the medium to long term. Looking back on my own career as a lawyer, I have occasionally recommended

## Message from the Chair of the Board of Directors

a cautious approach in the face of legal risks. On the other hand, I have actively supported business success by engaging in negotiations and drafting contracts. Based on these experiences, I view corporate governance as a system and mechanism to ensure the enhancement of corporate value.

From this perspective, it is important to formulate a strategy as a first step. Organizational capabilities are also required to effectively implement the strategy. This also encompasses risk management and compliance. In addition, top management's leadership in implementing it is undoubtedly crucial. Only when all of these elements are in place can we achieve governance that contributes to the enhancement of corporate value.

Governance is not a goal that can be attained by meeting a required standard. What truly matters is diligently implementing the PDCA cycle in every process—ranging from the formulation and execution of



strategies, to the enhancement of operational performance, and even to the appointment and dismissal of the president and CEO—while identifying issues and making continuous improvements.

When formulating a strategy, holding multifaceted discussions at the Board of Directors meetings also helps improve the quality of executive discussions. Even at the implementation stage, if a discrepancy arises between the plan and the actual results, we investigate the underlying factors in terms of background and structures to ensure that appropriate countermeasures are taken. I believe that engaging in this series of dialogues is fundamental to establishing sound governance.

### Creating an exciting company through transformation and ambitious initiatives, while leveraging the Kobelco Group's distinctive quality of straightforwardness

In my opinion, Kobelco's uniqueness lies in its straightforwardness. The Company's corporate culture is built on a commitment to facing challenges head-on, working diligently without showing off. This quality of the Company is significant and positively contributes to the development of strategies and the improvement of business execution capabilities, acting as a key driver in elevating the maturity of corporate governance.

The Company has been enhancing its system to ensure effective governance through the cross-segment oversight of the entire Group by the Head Office and the

Executive Council. The accumulation of these efforts has formed the foundation that supports the Company's strong performance and has led to increased trust from stakeholders.

The Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026) has set the goal of “transforming into an appealing company.” To achieve this, the Company is advancing KOBELCO-X initiatives across the organization. Each member of the Group is working on any of the seven transformation initiatives from AX (ambidexterity) to GX (green transformation) as part of their daily operations, with increased awareness of carrying out the transformation. If this mindset and behavior take root throughout the organization, it could enhance existing businesses while also contributing to the creation of new value.

It may appear to be a modest change that is hard to notice from the outside. Nevertheless, I believe that we can create a momentum for making significant changes and tackling the next challenge by addressing each issue one by one and making steady improvements. The greatest appeal of working for the Group is that, amid these transformations, employees can recognize their own growth and find fulfillment and excitement in the process.

We will continue to respond flexibly to changes in the external environment and strive to make the Group an appealing company that grows sustainably together with all stakeholders, including shareholders, investors, customers, business partners, and employees.

# Directors



Photographed with the cooperation of Kobe Portopia Hotel

**1** Yoshihiko Katsukawa

President, CEO and Representative Director  
Nomination & Compensation Committee Member  
Compliance Committee Member  
Corporate Governance Committee Member

**2** Hajime Nagara

Executive Vice President and Representative Director  
Compliance Committee Member  
Corporate Governance Committee Member

**3** Koichi Sakamoto

Director, Executive Officer  
Quality Management Committee Member

**4** Shinji Miyaoka

Director, Executive Officer

**5** Kazuhiko Kimoto

Director, Executive Officer  
Corporate Governance Committee Member

**6** Yumiko Ito

Independent Director  
Chair of the Board of Directors  
Nomination & Compensation Committee Member (Chair)  
Corporate Governance Committee Member

**7** Shinsuke Kitagawa

Independent Director  
Corporate Governance Committee Member (Chair)

**8** Yoshie Tsukamoto

Independent Director  
Corporate Governance Committee Member

**9** Gunyu Matsumoto

Director (Audit & Supervisory Committee Member, full time)

**10** Yuichiro Goto

Director (Audit & Supervisory Committee Member, full time)

**11** Masaaki Kono

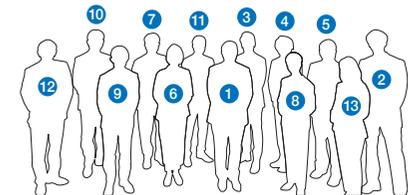
Independent Director (Audit & Supervisory Committee Member)  
Audit & Supervisory Committee Chair  
Nomination & Compensation Committee Member  
Corporate Governance Committee Member

**12** Kunio Miura

Independent Director (Audit & Supervisory Committee Member)  
Compliance Committee Member (Chair)

**13** Nobuko Sekiguchi

Independent Director (Audit & Supervisory Committee Member)



For a career summary of each director, please visit our corporate website. <https://www.kobelco.co.jp/english/about-kobelco/organization.html>

# Corporate Governance

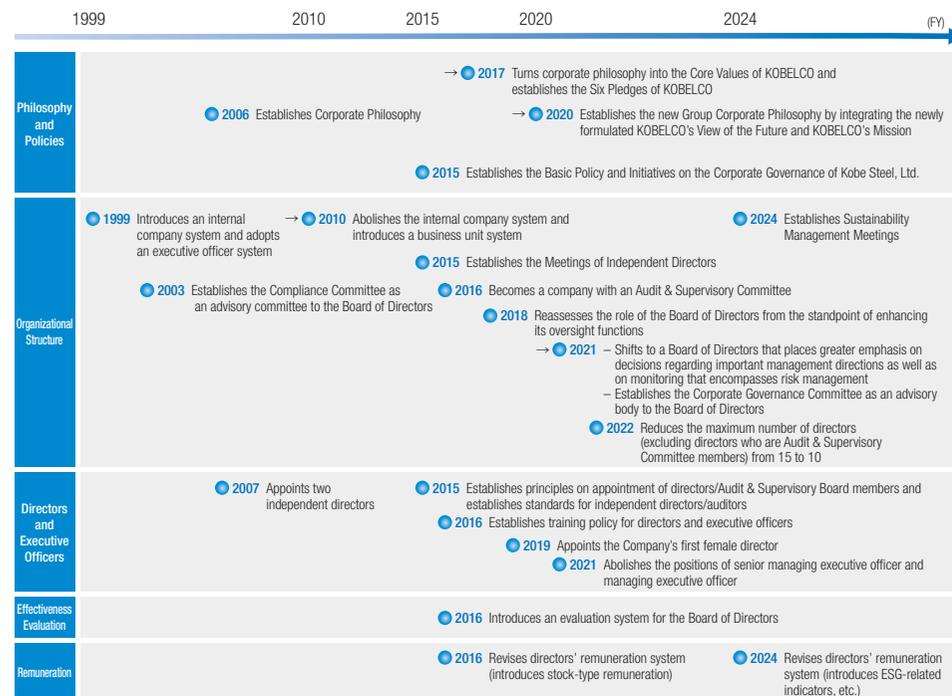
## Basic Stance on Corporate Governance

The Kobelco Group recognizes that corporate value encompasses not only business results and technological capabilities but also the stance on social responsibility to all stakeholders, including shareholders and investors, customers, business partners, members of local communities, and Group employees. We believe that working earnestly to improve all of these factors leads to the enhancement of corporate value. Therefore, corporate governance is not merely a form of the organization, but it is a framework for realizing all the efforts the Group is undertaking. In the development of the framework, we place importance on the following: establishing a system that contributes to improving corporate value through appropriate risk-taking, collaborating with stakeholders, promoting appropriate dialogue with investors in the capital market, ensuring the rights of and fairness for shareholders, and ensuring transparency.

Based on this belief, our Group aims to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities.

Please visit our corporate website to learn more about our basic approach to corporate governance and management policies.  
[https://www.kobelco.co.jp/english/about\\_kobelco/kobesteeel/governance/files/Basic\\_Policy\\_and\\_Initiatives.pdf](https://www.kobelco.co.jp/english/about_kobelco/kobesteeel/governance/files/Basic_Policy_and_Initiatives.pdf)

## Initiatives to Strengthen Corporate Governance



## Policy on the Management Structure (Management Structure and the Scope of Delegation in Management)

Our Company believes the source of its corporate value lies in synergies generated by a wide range of segments in different demand fields, business environments, sales channels, and business scales, while recognizing that the pursuit of technological development and innovation, which is the cornerstone of the Company's sustainable growth, cannot be achieved without discussions with manufacturing sections.

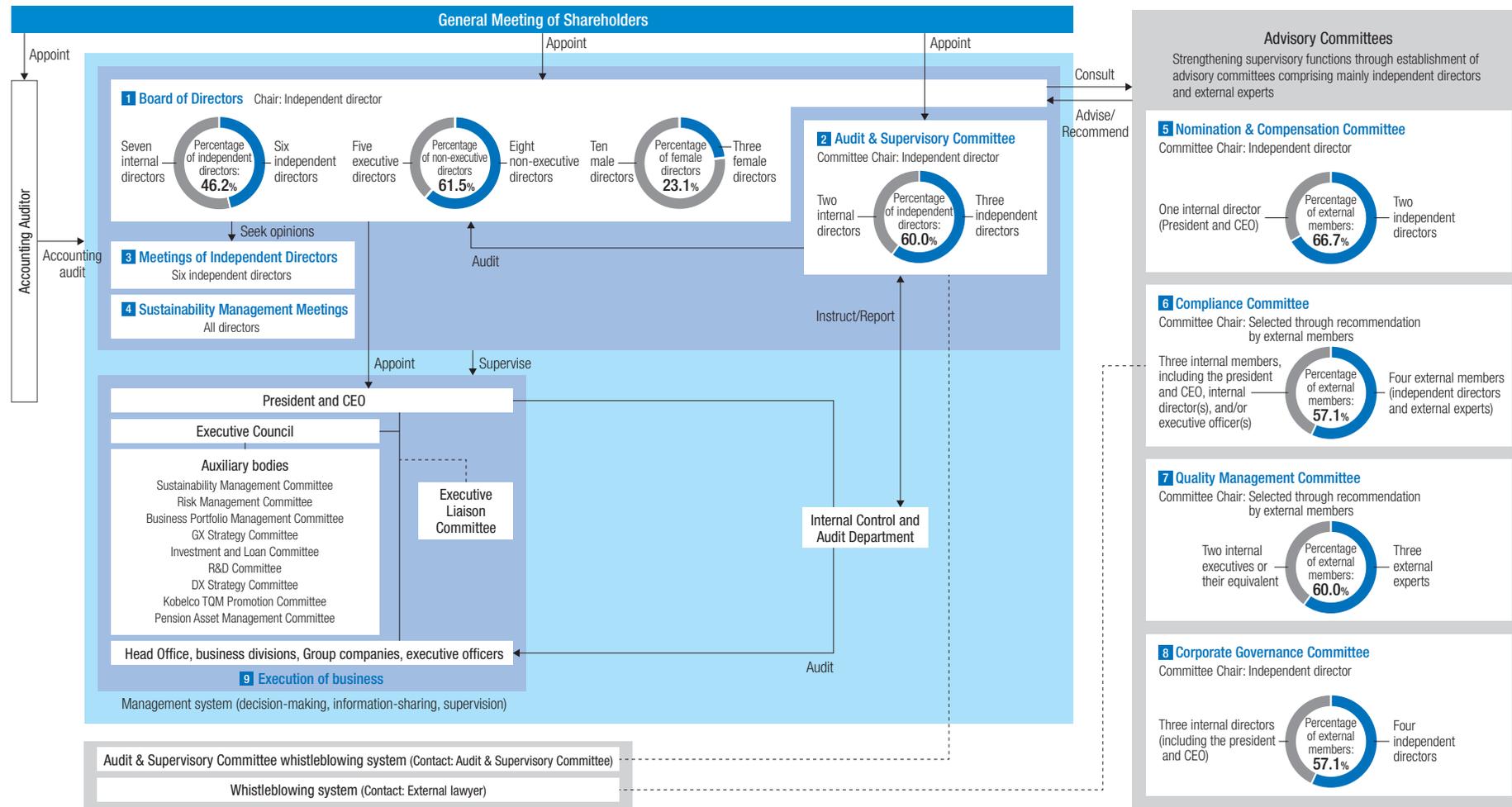
Furthermore, the Company believes it is necessary for the Board of Directors to hold active discussions and make appropriate decisions regarding the risk management and the distribution of management resources for a wide range of businesses, and at the same time, to flexibly supervise business execution. In order to achieve this, it is desirable that the Board of Directors have members with a correct understanding of the Company's business execution without completely separating the supervisory and execution functions.

In line with this approach, the Company has adopted an Audit & Supervisory Committee whose members have voting rights on the Board of Directors. Under this governance structure, the Company aims to enable comprehensive audits of its extensive businesses, maintain and strengthen the supervisory function of the Board of Directors, and accelerate decision-making on management, with no clear boundaries that separate the supervisory and execution functions.

In order to improve the effectiveness of monitoring, the Company has established advisory committees, which are responsible for providing appropriate recommendations to the Board of Directors regarding compliance, nomination & compensation, quality management, and corporate governance. In order to improve the effectiveness of business execution, the Company established the Executive Council as a forum where executives, including the president and CEO, discuss important matters. In addition, the Company has set up various committees as auxiliary bodies to the Executive Council in order to oversee and promote important matters related to the entire company, such as sustainability and business portfolio management. The activities of these committees are monitored by the Board of Directors.

# Corporate Governance

## Our Corporate Governance System



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## Corporate Governance

### 1 Board of Directors

The number of directors (excluding directors who are Audit & Supervisory Committee members) shall be not more than 10 as stipulated under the Articles of Incorporation of the Company. The Company takes the following measures to ensure that an appropriate number of directors constitutes the Board of Directors to facilitate substantial discussion at meetings of the Board of Directors as well as enhance the auditing function, while considering its diversity.

The Company's Board of Directors places emphasis on determining important management directions and monitoring, including risk management. In addition to the president and CEO, directors who oversee the specific functions of Companywide importance shall be appointed as executive directors. In order to further enhance active discussions, appropriate decision-making, and supervision, it is essential to reflect external fair and neutral viewpoints and the viewpoints of stakeholders including minority shareholders. Therefore, in addition to the independent directors who are Audit & Supervisory Committee members, the Company invites several independent directors who are not Audit & Supervisory Committee members to the Board of Directors. The Chair of the Board of Directors is elected from among the members who are independent directors.

#### Status of Activities in Fiscal 2024

In fiscal 2024, the Board of Directors held discussions based on agendas that have been systematically set well in advance, utilizing the Meetings of Independent Directors and other means. These discussions focused on initiatives related to the business foundation area and the Kobelco Group's transformation initiative KOBELCO-X, among the various initiatives aimed at increasing corporate value over the medium to long term through the promotion of sustainability management based on the Group Corporate Philosophy.

### 2 Audit & Supervisory Committee

In principle, the Audit & Supervisory Committee of Kobe Steel consists of five directors, including two internal directors and three independent directors. This membership is not only in accordance with the rules of Japan's Companies Act on a company with an Audit & Supervisory Committee, which require at least three non-executive directors (the majority of whom shall be independent directors), but also ensures transparency and fairness and facilitates appropriate auditing for the execution of duties by directors responsible for a wide range of business segments. The chair of the Audit & Supervisory Committee is selected from among the members who are independent directors.

Internal directors who are full-time Audit & Supervisory Committee members are responsible for acting as liaisons between the management team and the Audit & Supervisory Committee and for coordinating with the internal audit departments. Independent directors who are Audit & Supervisory Committee members are responsible for providing expert knowledge with respect to auditing and for maintaining fairness. To ensure these roles are fulfilled, the Company appoints independent Audit & Supervisory Committee members from diverse fields, including legal, financial, and industrial circles. In addition, at least one of the Audit & Supervisory Committee members shall have a considerable degree of knowledge on finance and accounting in order to improve the effectiveness of audits.

### 3 Meetings of Independent Directors

The Company has established the Meetings of Independent Directors to take full advantage of the independent directors' capabilities. The meetings are a platform where the Company shares with independent directors information regarding the Company's execution of business excluding the nomination and compensation of executives.

The Meetings of Independent Directors consist solely of independent directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary.

Executive directors attend the Meetings of Independent Directors as appropriate to share information and exchange opinions with independent directors.

### 4 Sustainability Management Meetings

The Company has established the Sustainability Management Meetings to strengthen the Board of Directors' monitoring function. The meetings facilitate the sharing of views and the exchange of opinions with executives, including those from business divisions, regarding the Group's key sustainability-related activities (carbon neutrality, human resources, quality, and other focus areas of Companywide strategies) on a broad and regular basis.

The Sustainability Management Meetings consist of all the directors. Regular meetings are held every quarter and ad-hoc meetings are held when necessary.

We also regularly invite external speakers to provide special lectures with the goal of enhancing the appropriate skills and competencies required of directors to oversee strategies established to address sustainability-related risks and opportunities.

### 5 Nomination & Compensation Committee

The Company has established the Nomination & Compensation Committee as a body to report on matters such as the nomination, appointment, and dismissal of candidates for directors and executive officers, including the appointment of a chief executive officer as well as the remuneration system for directors and executive officers and other matters, with the aim of further increasing the fairness and transparency of the operation of the Board of Directors. The Nomination & Compensation Committee consists of three to five members appointed by the Board of Directors, including the president and CEO, with the majority of members comprising independent directors. Meetings are held at least once every fiscal year and as needed. The Board of Directors fully respects the opinions reported by the Nomination & Compensation Committee and decides on the matters reported. The committee chair is selected from among the members who are independent directors.

#### Matters Examined in Fiscal 2024

The committee deliberated on matters such as the nomination of directors for fiscal 2025 and additional contributions to the Board Benefit Trust (BBT) in the directors' remuneration system and submitted recommendations to the Board of Directors.

## Corporate Governance

### 6 Compliance Committee

The Company has established the Compliance Committee as an advisory body to the Board of Directors. The committee deliberates matters regarding compliance with laws, regulations, and ethics in the Company's business activities.

The Compliance Committee consists of the president and CEO, the director/executive officer overseeing Companywide compliance, the executive officer responsible for Companywide compliance, lawyers (without a retainer agreement executed by the Company) as a contact point for the internal whistleblowing system, independent directors, and external experts. The majority of the committee consists of members from outside the Company. The committee chair is selected through mutual recommendation among the external members.

The Compliance Committee formulates fundamental policies regarding compliance activities, monitors the progress of compliance activities, and submits reports and recommendations on necessary actions to the Board of Directors. The committee holds regular meetings semiannually and ad-hoc meetings when necessary.

### 7 Quality Management Committee

The Company has established the Quality Management Committee as an advisory body to the Board of Directors. The committee undertakes the continuous monitoring and makes recommendations regarding quality management enhancement activities within the Group, as well as the monitoring of the effectiveness of measures to prevent recurrence of quality misconduct. The membership of the committee consists of two internal executives of the Company or their equivalent and three external experts selected by the Board of Directors who have technical or legal knowledge on quality control. The committee chair is selected through mutual recommendation among the external members.

### 8 Corporate Governance Committee

The Company has established the Corporate Governance Committee as an advisory body to the Board of Directors. The committee deliberates matters regarding corporate governance, including the formulation of basic policies, in order to realize corporate governance that helps to achieve the sustainable growth of the Group and enhance corporate value.

The Corporate Governance Committee consists of the president and CEO, the director/executive officer overseeing the Corporate Planning Department, the director/executive officer overseeing the General Administration and CSR Department, and independent directors appointed by the Board of Directors. Independent directors form a majority of the committee. The committee chair is selected through mutual recommendation among the members who are independent directors. The Corporate Governance Committee meets at least once every fiscal year and calls a meeting as needed.

### 9 Execution of business

The Board of Directors focuses on determining important management directions and monitoring that encompasses risk management, while executive officers undertake the execution of business. The Company's executive officers are appointed by the Board of Directors. They do not constitute a statutory body, but they are deemed as an important position for executing business entrusted by the Board of Directors. Under this structure, the Executive Council (which meets twice a month) is convened as a forum for deliberating important matters related to management and matters to be discussed by the Board of Directors. The membership of the Executive Council consists of the president and CEO, executive directors, the executive officer responsible for the Corporate Planning Department, executive officers nominated by the president and CEO (heads of business divisions), presidents of affiliated companies, standing directors who are full-time Audit & Supervisory Committee members, and members appointed for each project.

The Executive Council is not a decision-making body, but a forum for frank discussion aimed at giving additional consideration to the execution of business by each business division and the Group from various aspects. Matters deliberated by the Executive Council are submitted to the Board of Directors as matters to be resolved or reported.

To enhance the effectiveness of deliberations at the Executive Council, the Company forms various auxiliary committees dedicated to addressing key matters concerning its business strategy, such as sustainability management, risk management, business portfolio management, GX strategy, capital and other investments and loans, Kobelco TQM promotion, research and development, and DX promotion, among others.

In addition, the Company establishes the Executive Liaison Committee (which meets quarterly) consisting of directors, executive officers and fellows who execute business, and the presidents and executives of affiliated companies nominated by the president and CEO.

The Executive Liaison Committee is a forum to share information on important matters related to management, and it is also considered a venue to conduct training by inviting instructors from within and outside the Company in order to acquire and update as appropriate various knowledge necessary for the integrated management and business execution of the Group.

# Corporate Governance

## Knowledge, Experience, and Skills That Are Particularly Expected to Be Demonstrated for the Improvement of the Functions of the Board of Directors (Skills Matrix)

In order to address the Group’s medium- to long-term material issues (materiality) and to implement the Medium-Term Management Plan (Fiscal 2024–2026), which was formulated and announced in May 2024, we have put together a skills matrix of the knowledge, experience, and skills that the Board of Directors particularly expects the directors to demonstrate for the improvement of the functions of the Board of Directors. These areas of knowledge, experience, and skills will be reviewed as necessary in response to changes in the business environment, the formulation of new management plans, and other changes.

### Views on Knowledge, Experience, and Skills That Are Particularly Expected to Be Demonstrated for the Improvement of the Functions of the Board of Directors

- The Kobelco Group aims to enhance corporate value over the medium to long term by promoting sustainability management with the Group Corporate Philosophy positioned as the foundation of all business activities.
- In order for the Board of Directors to appropriately determine important management directions and conduct monitoring that encompasses risk management, aimed at enhancing the Kobelco Group’s corporate value over the medium to long term, we believe it is necessary to have the Board of Directors consisting of directors who have well-balanced knowledge, experience, and skills in the following three key areas: 1. Comprehensive skills in overall management, 2. Skills in solving social issues and creating new value, and 3. Skills in further strengthening the business foundation. In particular, we expect independent directors to demonstrate their knowledge, experience, and skills with regard to insights into other industry sectors.
- Items in the key areas have been determined after discussion at the Corporate Governance Committee and the Nomination & Compensation Committee, taking into account the Company’s business strategy and business characteristics as well as the business environment and the Company’s management plan.

	Name	Gender	Length of service as director (Years)	Attendance at Board of Directors' meetings	Attendance at Audit & Supervisory Committee meetings	Comprehensive skills in overall management		Skills in solving social issues and creating new value			Skills in further strengthening the business foundation			Insights into other industry sectors
						Business management and administration	ESG	Sales strategy and marketing	Technical development, intellectual properties, production technologies, and DX	Global business	Finance and accounting	Organization and human resources	Legal and risk management	
Directors	Yoshihiko Katsukawa <span>Internal</span>	Executive	Male	7	16/16 (100%)	—	●	●		●	●			
	Hajime Nagara <span>Internal</span>		Male	5	16/16 (100%)	—	●	●			●	●		
	Koichi Sakamoto <span>Internal</span>		Male	2	16/16 (100%)	—	●	●		●				
	Shinji Miyaoka <span>Internal</span>		Male	2	16/16 (100%)	—	●		●	●				
	Kazuhiko Kimoto <span>Internal</span>		Male	1	12/12 (100%)	—	●	●	●	●				
	Yumiko Ito <span>Outside/Independent Director</span>	Non-Executive	Female	6	16/16 (100%)	—		●		●			●	●
	Shinsuke Kitagawa <span>Outside/Independent Director</span>		Male	3	16/16 (100%)	—		●		●			●	●
	Yoshie Tsukamoto <span>Outside/Independent Director</span>		Female	1	12/12 (100%)	—	●		●	●				●
Directors who are Audit & Supervisory Committee members	Gunyu Matsumoto <span>Internal</span>	Non-Executive	Male	2	16/16 (100%)	21/21 (100%)	●				●	●		
	Yuichiro Goto <span>Internal</span>		Male	1	12/12 (100%)	14/14 (100%)		●	●	●				
	Masaaki Kono <span>Outside/Independent Director</span>		Male	5	16/16 (100%)	21/21 (100%)	●	●			●			●
	Kunio Miura <span>Outside/Independent Director</span>		Male	5	16/16 (100%)	21/21 (100%)		●					●	●
	Nobuko Sekiguchi <span>Outside/Independent Director</span>		Female	3	16/16 (100%)	21/21 (100%)		●			●	●		●

Notes: 1. This matrix does not present all the knowledge, experience, and skills that each person possesses, but rather maximum four ticks (●) are given for areas that are particularly expected.  
 2. Since June 19, 2024, when Kazuhiko Kimoto, Yoshie Tsukamoto and Yuichiro Goto were appointed as directors, the Board of Directors and the Audit & Supervisory Committee have met 12 times and 14 times, respectively.

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## Initiatives to Ensure the Effectiveness of the Board of Directors

The Company carries out the following initiatives in order to ensure that the Board of Directors fulfills its decision-making and supervisory functions appropriately.

- Every year, the Audit & Supervisory Committee interviews each director to verify the decisions on business execution made by the Board of Directors and the implementation of efficient business execution as stipulated in the basic policy of the internal control system.
- In the operation of the Board of Directors, the Company distributes meeting materials at least three days prior to the date of the meeting as necessary in order to enable active and sufficient deliberations at meetings of the Board of Directors. To this end, the Company will promote the use of electromagnetic means with due consideration for the protection of trade secrets, so that meeting materials can be received regardless of the whereabouts of the directors.

- In addition to meeting materials for the Board of Directors, the Company provides the directors with sufficient information and explanation as necessary, upon the request of directors and others.
- To revitalize and deepen discussions at meetings of the Board of Directors and further enhance the monitoring function for business activities, the Company appoints an independent director as the chair of the Board of Directors, in principle.
- The Company has established a secretariat for the Board of Directors within the Corporate Planning Department. The Secretariat determines and organizes the annual schedule of meetings of the Board of Directors, alongside agenda items anticipated to the extent possible, in advance of the fiscal year. In addition, the Secretariat coordinates with each department to ensure that the number of deliberation items and the frequency of meetings are appropriate, and that sufficient deliberation time is secured.

- The Board of Directors and the Audit & Supervisory Committee strive to improve the effectiveness of the supervisory function of the Board of Directors by seeking advice from external experts and others at the Company's expense when deemed necessary.
- Through supervision and auditing of the internal control system, the Board of Directors and the Audit & Supervisory Committee ensures the smooth provision of information as requested by each director and Audit & Supervisory Committee member.
- For the verification of the effectiveness of the Board of Directors, the Corporate Governance Committee requests each director to complete a questionnaire every fiscal year and provides a preliminary evaluation of the survey results. Based on this, the Board of Directors discusses and evaluates its effectiveness and identifies issues at its meetings. The questionnaire items are reviewed by the Board of Directors based on the evaluation results of each fiscal year. A summary of evaluation results is disclosed every fiscal year.

## Evaluation Results for Fiscal 2024

<b>Evaluators</b>	All 13 directors
<b>Implementation process</b>	Questionnaire survey targeting all directors and individual interviews by the Corporate Governance Committee Note: The Company entrusted a third-party organization to carry out the questionnaire survey.
<b>Evaluation items</b>	1. Structure of the Board of Directors, 2. Agenda of Board of Directors' meetings, 3. Materials for Board of Directors' meetings, 4. Operation of the Board of Directors, 5. Provision of information to directors, 6. Discussions among directors, 7. Monitoring function of the Board of Directors, 8. Mutual evaluation of directors, and 9. Other
<b>Evaluation method</b>	<ul style="list-style-type: none"> <li>• Based on the results of the questionnaire and interviews, the Corporate Governance Committee submits to the Board of Directors the results of the effectiveness evaluation and proposes the future direction for improving the effectiveness.</li> <li>• The Board of Directors reviews the evaluation results and identifies current issues. Based on these, the Board of Directors deliberates future initiatives for improving effectiveness and makes decisions on future measures.</li> </ul>

## Summary of Evaluation Results

- As a result of the effectiveness evaluation conducted in the previous fiscal year, the Company recognized the need to narrow the themes for discussion at Board of Directors' meetings and to develop a systematic annual plan for agenda items, considering the strengthened Board of Directors' monitoring function.
- Therefore, in fiscal 2024, which was the first year of the Medium-Term Management Plan, the Company set an annual agenda focused on specific themes and organized offline discussion forums. Many of the participants commented that they gained a deeper understanding of the business environment and relevant issues. This feedback suggests that the Board of

Directors' function as a monitoring board has continued to improve, as observed in fiscal 2023.

- The Company believes that the effectiveness of the Board of Directors has been continuously improved based on the effectiveness evaluation results so far. We will continue with these initiatives in fiscal 2025 and strive to make further improvements.
- In fiscal 2025 in particular, given the current business environment, the Company recognizes the need for continuous discussion on important themes for increasing corporate value, and will continue to utilize the Sustainability Management Meetings, which was newly established in fiscal 2024, and offline meetings.

## Future Initiatives for Improving Effectiveness

- The Board of Directors will engage in more in-depth discussions regarding specific strategies to increase corporate value over the medium to long term in accordance with a systematic annual agenda plan.
- The Company will continue to work to improve the efficiency of the operation of the Board of Directors.

# Corporate Governance

## Training and Succession Plan for Directors and Executive Officers

### Training for Directors and Executive Officers

In order for directors and executive officers to fulfill their roles and responsibilities, the Company offers various training programs as opportunities to acquire and appropriately update the necessary knowledge. The Company will support the expenses for training.

For more details, please see Corporate Governance on page 83 of ESG Data Book 2025.

### Views on the Development of Successors to the CEO

The Company recognizes that the development of successors to the CEO is one of the most important issues for its management. The qualities and talent required to solve the Company's management issues and enhance corporate value are discussed on a continued basis at the Nomination & Compensation Committee, chaired by an independent director and composed of a majority of independent directors.

For more details, please see Corporate Governance on page 83 of ESG Data Book 2025.

## Remuneration for Directors, Executive Officers, and the Accounting Auditor

### Basic Policy on Remuneration for Directors and Executive Officers

#### 1 Basic Approach to Remuneration for Directors and Executive Officers

- The system aims to secure talented human resources who can contribute to the Company's sustainable development, and appropriately compensate for such efforts.
- The system aims to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
- In offering the incentive for accomplishing consolidated business result targets, the system must be devised with due consideration of the characteristics of each business so that directors and executive officers can fully carry out their roles.
- In ensuring the objectivity and transparency of judgments regarding remuneration decisions, the Nomination & Compensation Committee deliberates on the state of the remuneration system and the necessity of its reevaluation.

#### 2 Remuneration Framework

- Based on the resolution at the Ordinary General Meeting of Shareholders, the Board of Directors establishes the Remuneration Regulations for Directors and Executive Officers, Detailed Rules on Executive Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers, and Stock Benefit Regulations for Directors and Executive Officers, which include the remuneration calculation methods for individual director/executive officer.
- Remuneration for the Company's directors and executive officers consists of basic remuneration (fixed compensation) based on the remuneration rank determined according to rank and assigned duties, performance-based compensation consisting of the portion linked to division performance and the portion linked to individual evaluation for each fiscal year, and medium- to long-term incentive compensation based on stock compensation with the aim of sharing interest in corporate value enhancement with shareholders. Taking into consideration their duties, independent directors and directors who are Audit & Supervisory Committee members are not eligible for performance-based compensation and medium- to long-term incentive compensation. The remuneration rank is determined by the president and CEO, taking into account the level of responsibility of the assigned duties and reported to the Nomination & Compensation Committee and the Board of Directors.
- Of performance-based compensation, the standard pay amount for the portion linked to division performance will be set at the level of 40–60% of basic remuneration for each rank and remuneration rank, the amount for the portion linked to individual evaluation will be set at the level of -5% to 5% of basic remuneration for each rank and remuneration rank, and the value of medium- to long-term

incentive compensation provided per fiscal year will be set at the level of 25–30% of basic remuneration for each rank and remuneration rank.

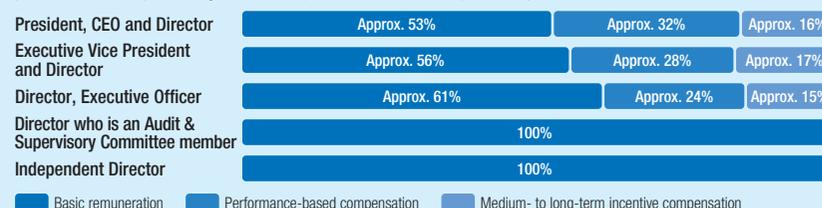
- Limits of remuneration and other benefits based on the resolution at the Ordinary General Meeting of Shareholders are as follows.

Remuneration for directors (excluding directors who are Audit & Supervisory Committee members)

The limit of basic remuneration:	Within a total of 460 million yen per fiscal year
The limit of performance-based compensation:	Within a total of 387 million yen per fiscal year
Maximum points to be granted for medium- to long-term incentive compensation:	Within a total of 471,200 points per fiscal year
Remuneration for directors who are also Audit & Supervisory Committee members (basic remuneration only):	Within a total of 132 million yen per fiscal year

### Reference Composition of Remuneration for Directors and Executive Officers

The composition of remuneration for directors and executive officers is as follows. The percentages of the performance-based compensation and medium- to long-term incentive compensation are higher for the positions that require a higher level of performance and responsibility.



Notes: 1. The amounts of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation granted vary depending on business results. The range of fluctuation is 0–200% of the standard pay amount for the portion linked to division performance of performance-based compensation and 0–120% of the standard pay amount for medium- to long-term incentive compensation. The percentages of the portion linked to division performance of performance-based compensation and medium- to long-term incentive compensation in the above graph represent the case where respective payments are made at 100% of the standard pay amount. In addition to the above amount, the amount for the portion linked to individual evaluation is paid in the range of -5% to 5% of basic remuneration.  
2. Executive directors and executive officers are based on a standard remuneration rank.

#### 3 Performance-Based Compensation

- In terms of the portion linked to division performance of performance-based compensation, a performance target will be set based on business management indicators as stated in the Medium-term Management Plan. Each business division will also set a performance target based on performance management indicators for each business division. The amount to be paid is determined by multiplying the standard pay amount for each rank and remuneration rank by 0–200% according to the accomplishment of the target. The business management indicators, which serve as the basis of calculation, are established by the Board of Directors.
- The portion linked to individual evaluation of performance-based compensation is subject to comprehensive evaluation, including the performance of assigned duties and business unit, the accomplishment of the target, and other aspects. The amount to be paid is determined by multiplying the basic remuneration for each rank and remuneration rank by -5% to 5% according to the evaluation results. Evaluation for executive officers overseeing business divisions and heads of business divisions is determined by the president and CEO, and evaluation for other executive officers is determined by the president and CEO after primary evaluation by executive officers overseeing business divisions and heads of business divisions. The details of evaluation are reported to the Nomination & Compensation Committee.

Note: The individual evaluation reflects the status of ESG-related initiatives in the duties entrusted to each director and executive officer.

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- The calculation methods for the standard pay amount for each rank and remuneration rank are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
- Business management indicators are disclosed in the Business Report.

Note: ROIC is used as an evaluation indicator to promote the efficiency of management resources with an awareness of capital cost and strengthening of the business foundation. In the calculation, the maximum payment coefficient (200%) will be reached when the Company achieves an ROIC of 8% as stated in the Medium-Term Management Plan.

For the calculation method for the portion linked to division performance of performance-based compensation, please see page 85 of our ESG Data Book 2025.

### 4 Medium- to Long-Term Incentive Compensation

- For medium- to long-term incentive compensation, a system known as the Board Benefit Trust is adopted in order to raise the awareness of contributing to continuous improvements in corporate value. The stock benefit will be provided on a fixed date during each three-year trust period, based on the total number of points granted. In addition to a base point number determined by the standard pay amount for each rank and remuneration rank, an extra number of points will be awarded by multiplying the base point number by a factor ranging from 0% to 120%. This factor will be determined by the profit attributable to owners of parent, the status of dividend payments for each fiscal year, and performance in relation to ESG-related indicators.

Note: Since the Company considers the return of profits to shareholders as an important issue for management, it uses profit attributable to owners of parent (hereinafter "profit") as the evaluation indicator. The base value for the calculation is profit of 79.4 billion yen, which reflects the dividend payout ratio as stated in the Company's dividend policy. ESG-related indicators are also used as evaluation indicators as a way of actively promoting solutions to various ESG management issues. Specifically, to comprehensively and objectively evaluate all aspects of our ESG efforts, we use the evaluations of major global ESG rating agencies as indicators. Our benchmark values are a CDP score of A, a FTSE ESG score of 3.9 or higher, and an MSCI ESG rating of AAA.

- The calculation methods for the base point number for each rank and remuneration rank and coefficients are set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers and the Performance-Based Compensation Regulations for Directors and Executive Officers.
- As funds for acquisition of shares through the trust, in principle, 1.25 billion yen will be contributed every three years. However, when there are remaining shares of the Company in the trust property as of the last day of the previous trust period, they will be used as funds for the subsequent trust periods, and an amount derived by deducting the amount of the remaining Company shares, etc., from 1.25 billion yen will be contributed.

For the calculation method of points to grant medium- to long-term incentive compensation, please see page 85 of ESG Data Book 2025.

### 5 Determination of Remuneration Amount and Timing of Payment

- Basic remuneration will be paid every month from the month of appointment to the position in a monthly amount derived by dividing basic remuneration based on rank and remuneration rank by 12 months. If there is a change to the basic remuneration in the middle of the month due to a change in the assigned tasks and other reasons, the revised remuneration will be paid from the month following the change.
- Of performance-based compensation, the amount for the portion linked to division performance will be determined based on the calculation formula after the end of each fiscal year and paid in a lump sum by the end of the month following the month when the Ordinary General Meeting of Shareholders is convened. The portion linked to individual evaluation will be paid together with the portion linked to division performance in the amount determined based on the calculation formula according to the results of individual evaluation after the end of each fiscal year.
- In terms of medium- to long-term incentive compensation, the number of points will be determined based on the calculation formula after the end of each fiscal year and granted on June 30th each year. Company shares, etc., will be provided every three years on a fixed date during the trust period.

### 6 Method to Determine Remuneration Standards

Remuneration standards are determined based on the survey data, collected by an external specialized agency, concerning the remuneration for directors and executive officers so that the standards are commensurate with the Company's corporate scale and the duties expected of directors and executive officers.

### 7 Method to Determine and Examine Remuneration Policy

- The policy concerning remuneration for directors (excluding directors who are Audit & Supervisory Committee members) is determined by resolution of the Board of Directors, and the policy concerning remuneration for directors who are Audit & Supervisory Committee members is determined through discussions among all Audit & Supervisory Committee members.
- The state of the remuneration system and the necessity for its revision are deliberated by the Nomination & Compensation Committee. If it is necessary to revise the remuneration system, the committee will present a revised remuneration plan at a meeting of the Board of Directors for resolution.

#### Reference Base Values and Actual Values for Each Compensation-related Indicator

Compensation item	Performance-based compensation	Medium- to long-term incentive compensation			
		Portion linked to profit of the term		Portion linked to ESG ratings	
Indicator	ROIC	Profit attributable to owners of parent	CDP climate change score	FTSE ESG score	MSCI ESG rating
Base values for FY2024	8.0%	¥79.4 billion	A	3.9 or higher	AAA
Actual values for FY2024	6.9%	¥120.1 billion	A-	3.8	AA

Notes: 1. The base value indicates the case where the payment coefficient is at its maximum.  
2. The actual value of the portion linked to ESG ratings of the medium- to long-term incentive compensation is based on the figure disclosed as of the end of fiscal 2024.

### Remuneration for Directors in Fiscal 2024

Category	Number of payees (Persons)	Amount (Millions of yen)	Breakdown of total amount by type of remuneration (Millions of yen)			Remarks
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation	
Directors excluding Audit & Supervisory Committee members (of which, outside directors)	10 (4)	549 (46)	282 (46)	194 (—)	72 (—)	The number of payees and the amount of payment include one internal director (not an Audit & Supervisory Committee member), one independent director (not an Audit & Supervisory Committee member), and one internal director (an Audit & Supervisory Committee member) who left the positions in fiscal 2024.
Directors, Audit & Supervisory Committee Members (of which, outside directors)	6 (3)	116 (49)	116 (49)	— (—)	— (—)	
Total	16	666	398	194	72	

### Remuneration for the Accounting Auditor in Fiscal 2024

Category	Payments (Millions of yen)
Remuneration and other amounts payable to the accounting auditor by the Company	194
Total amount of money and other financial interests payable by the Company and its subsidiaries	585

# Corporate Governance

## Strategic Holdings of Shares

### Basic Policy

For our basic policy on strategic holdings of shares, please see page 87 of ESG Data Book 2025.

### Criteria for Exercising Voting Rights

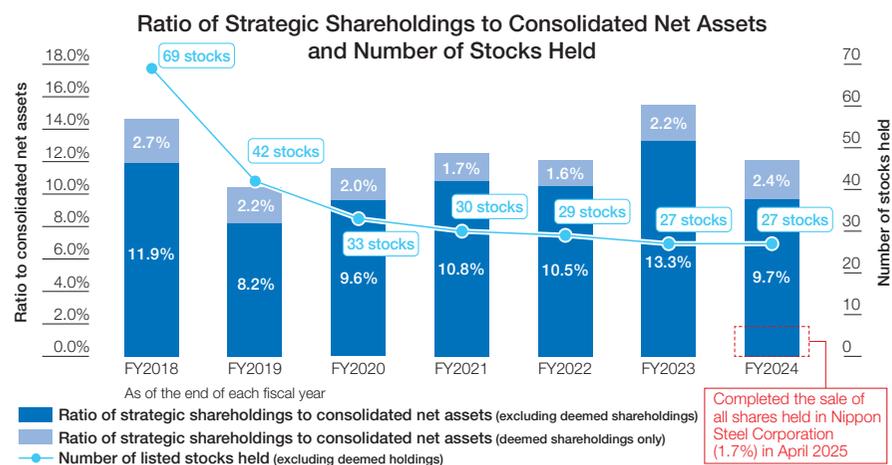
For our criteria for exercising voting rights of strategic holdings of shares, please see page 87 of ESG Data Book 2025.

### Verification Results Regarding Strategic Holdings of Shares (As of March 31, 2025)

<b>Targets</b>	All the strategic holdings of shares that the Company holds in listed companies as of March 31, 2025, excluding one stock that it has decided to sell (26 stocks)
<b>Verification details</b>	<p>We verified whether the holdings of each company's shares contributes to strengthening the Company's business foundation and to improving the Company's corporate value over the medium to long term, based on the following evaluation items, and comprehensively judged the reasonableness of each shareholding.</p> <p><b>Evaluation items</b></p> <ul style="list-style-type: none"> <li>① Scale and importance as a business partner (volume of transactions, share of transactions, and stable procurement)</li> <li>② Relationship as an alliance partner (economic effect of the alliance)</li> <li>③ Dividend yield</li> </ul>

### Verification Results

- The Company holds 26 stocks as of March 31, 2025. The holdings of these shares have been judged to be reasonable as they are contributing to strengthening the Company's business foundation and to enhancing the Company's corporate value over the medium to long term, based on the scale and importance of the companies as business partners in terms of volume of transactions, share of transactions, and stable procurement, as well as the relationships as alliance partners.
- However, to ensure these holdings are kept to the minimum, the Company will continue to verify the necessity of strategic shareholdings, and we will reduce those holdings that are judged to have diminished significance through sale or other means.



## Approach to Listed Group Companies

### Listed Subsidiaries

In accordance with the Group Company Management Regulations, Kobe Steel obliges its Group companies to consult with their supervisory divisions and the Head Office divisions of Kobe Steel and report on important matters when they make important decisions. The Company also requires Group companies to obtain prior approval of its Board of Directors and the president and CEO for the disposal of assets exceeding a certain amount in value in order to ensure the integrated business operation of the Group. However, since listed companies need to maintain a certain level of managerial independence from the Company, the Company takes care not to bind the independent judgment of the management of Group companies.

Our Company pursues the ideal form of capital relations by comprehensively taking into account the various situations of Group companies in terms of the business portfolios, scale, financial strategies for business development, financing, etc., for the overall enhancement of corporate value as a corporate group. From these perspectives, two of our subsidiaries are currently listed: Nippon Koshuha Steel Co., Ltd. and Kobelco Wire Company, Ltd. The Company will continue to examine how the ideal corporate group should be from the perspective of enhancing corporate value including the corporate governance of the Group.

At the meeting of its Board of Directors held on May 12, 2025, Kobe Steel decided to transfer all shares it owned in Nippon Koshuha Steel Co., Ltd. to a third party capable of providing strong support for establishing a business foundation centered on the special steel business of Nippon Koshuha Steel Co., Ltd. This decision was made because it became clear that there were limited synergies between the special steel business of Nippon Koshuha Steel Co., Ltd. and Kobe Steel's business portfolio. The aim of this transfer is to further increase the corporate value of both companies. Following the transfer of these shares, Nippon Koshuha Steel Co., Ltd. will no longer be a consolidated subsidiary of the Company.

### Listed Affiliated Companies

Shinsho Corporation, one of our affiliated companies, is a listed company, which operates independently in accordance with Shinsho Group's corporate philosophy and code of conduct, as it is not governed by the integrated Group management under the Group Company Management Regulations.

The company was established in 1946 and went public in 1961. Throughout its history up to the present, Shinsho Corporation has remained the core trading company of the Group. Meanwhile, Kobe Steel holds the largest share in Shinsho Corporation, which accounts for approximately 35.97% of the company's voting rights (including the portion held through the retirement benefit trust) as of March 31, 2025, to maintain and strengthen its business relationship with Shinsho Corporation. Kobe Steel permits Shinsho Corporation to use the Company's trademarks and other related materials under a licensing agreement for brands overseen by Kobe Steel's head office.

The agreement requires Shinsho Corporation to establish and maintain an appropriate governance structure and to provide reports to Kobe Steel in order to ensure the credibility of the licensed brands. However, this does not imply any involvement of our Company in the decision-making process of Shinsho Corporation.

For details, please see page 89 of our ESG Data Book 2025.

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## Roundtable Discussion among Three Independent Directors (Audit & Supervisory Committee Members)

Our mission as Audit & Supervisory Committee members is to support the executive team's decision-making and business execution from an independent standpoint, thereby contributing to the sustainable growth and increased corporate value of the Kobelco Group.



### Maintaining independence and contributing to the enhancement of corporate value

**Kono** Kobe Steel's Audit & Supervisory Committee members, unlike auditors at companies with an audit and supervisory board, are responsible for auditing from the perspective of both legality and appropriateness. As director, I assume the important responsibility of evaluating whether management's decisions to enhance corporate value are appropriate and expressing my views as necessary. At Board of Directors meetings, I prioritize speaking candidly without overly focusing on my roles as an Audit & Supervisory Committee member or an independent director.

**Sekiguchi** As Mr. Kono noted, I also do not consciously focus on my role as an independent director who also serves as an Audit & Supervisory Committee member. At the Board of Directors and other meetings, I intend to provide suggestions and comments based on my experience in accounting and finance, as well as my perspective as a woman. Kobe Steel possesses legal capabilities and expertise relevant to the manufacturing industry, including the infrastructure sector. It also has a well-established internal control system. We are closely monitoring whether the Company is making effective use of these systems for its business operations with agility.

**Miura** The Company's Audit & Supervisory Committee members seem to be more focused on actively contributing to the business foundation area in collaboration with the executive team to enhance

## Roundtable Discussion among Three Independent Directors (Audit & Supervisory Committee Members)

corporate value, rather than simply fulfilling their supervisory roles. In my capacity as an independent director and Audit & Supervisory Committee member, I request the necessary information and reports from the Company's executives and employees, as well as those of Group companies, in accordance with laws and regulations. This enables me to audit and supervise business execution from an independent perspective.

**Kono** Mr. Miura made an important point. Information gathering is fundamental to the activities of the Audit & Supervisory Committee. We assess not only the legality of business execution but also the appropriateness of management decisions by obtaining sufficient information through various means, including attendance at important meetings, interviews with directors and heads of business divisions, activity reports shared by full-time Audit & Supervisory Committee members, and reports from the Internal Control and Audit Department, as well as other staff reports.

**Miura** Under the Companies Act, the Audit & Supervisory Committee has the authority to express opinions at the General Meeting of Shareholders regarding the appointment and remuneration of directors who are not Audit & Supervisory Committee members. At Kobe Steel, the chair of the Audit & Supervisory Committee provides their opinion every year. This authority is particularly important when material corporate decisions are involved. At such times, the Audit & Supervisory Committee forms independent opinions separate from the executive team and expresses

opinions that may have a significant impact on the exercise of voting rights concerning proposals for the appointment of directors presented to the General Meeting of Shareholders. I believe that this authority also contributes to the Board of Directors' monitoring function during normal operations and the supervision of the executive team's business operations.

### The focus is on the Group's global governance structure, alongside the development of risk management and information-sharing systems

**Kono** The Group's risk management and governance structures are steadily evolving year by year. During the previous Medium-Term Management Plan, the management structure was reviewed, resulting in enhanced effectiveness, including that of the Board of Directors. The Audit & Supervisory Committee is focused on strengthening the Group's global governance structure as a key auditing theme and reports to the Board of Directors as necessary. The Company has been establishing a system to promptly identify signs of problems and notify both management and the Board of Directors. The Audit & Supervisory Committee highly evaluates this as a positive development.

**Miura** I agree. There are four advisory committees under the Board of Directors, and nine committees under the Executive Council as auxiliary bodies, all of which operate effectively and produce results. For example, the Investment and Loan Committee and the

Business Portfolio Management Committee deliberate on the future direction of unprofitable businesses while maintaining transparency. In recent years, the status of listed subsidiaries has come under scrutiny. To enhance the Group's overall strength, Kobe Steel turned Kobelco Eco-Solutions Co., Ltd. into a wholly owned subsidiary in 2021. Additionally, it announced in June 2025 its plans to turn Nippon Koshuha Steel Co., Ltd. into a wholly owned subsidiary and to transfer its special steel business. Both of these are bold management decisions that I believe will contribute to increasing the corporate value of the Group. These decisions were made by management through a series of discussions regarding ROIC management and the business portfolio. In terms of risk management, since the quality-related misconduct, the Company has made steady efforts to prevent risks from escalating into significant issues. This has been accomplished by investigating the facts, identifying the causes of any incidents that have



## Roundtable Discussion among Three Independent Directors (Audit & Supervisory Committee Members)

become evident, taking measures to prevent recurrence, and fulfilling accountability to external stakeholders.

**Sekiguchi** Risk management is a key area of focus that has been thoroughly discussed within the Company.

I believe this is why the Company is able to provide convincing explanations to stakeholders. Based on the lessons learned from past quality misconduct, the executive team is working to improve communication and actively listening to the opinions of those at the production sites. These efforts are truly impressive.

**Miura** In auditing these structures, I find the Audit & Supervisory Committee well-organized and highly active.

The full-time Audit & Supervisory Committee members are experts in finance and accounting and technology development. They conduct interviews with Group companies, provide feedback to the committee, and hold Group auditor liaison meetings, allowing auditors from Group companies to exchange information with each other. Additionally, the staff of the Audit & Supervisory Committee Office, which assists the Audit & Supervisory Committee in its duties, provide accurate information and precise analysis during deliberations for meetings of the Audit & Supervisory Committee, providing strong support for the committee's activities.

**Engaging in candid discussions with directors and executive officers, leveraging the individual qualities of each Audit & Supervisory Committee member**

**Kono** The effectiveness of an audit hinges on honest



discussions. During meetings of the Board of Directors and interviews with directors and business division heads, we engage in open exchange of candid opinions and in-depth dialogue. We enhance our collaboration with independent directors who are not Audit & Supervisory Committee members through regular exchanges of opinions. This process includes sharing issues and questions prior to meetings with directors and heads of business divisions, as well as soliciting their opinions on audit plans.

**Sekiguchi** In particular, when handling highly confidential information, a relationship of trust between executives and outside directors is essential. With this shared understanding, we are able to engage in open and candid discussions. Additionally, because the executives' policies are well-defined, sensitive information is appropriately shared with outside directors, which I believe has enhanced the transparency of the decision-making process.

**Miura** The trust between the executive team and the Audit & Supervisory Committee members facilitates open and honest exchanges of opinions. The role of the Audit & Supervisory Committee is to support management's decision-making. This trust-based relationship allows for the sharing of candid opinions and comprehensive information.

**Kono** While Audit & Supervisory Committee members have numerous opportunities to conduct on-site audits and inspections, independent directors who are not Audit & Supervisory Committee members have fewer opportunities for such engagement. To address this, we facilitate information sharing and organize joint visits to manufacturing sites. I believe this enhanced communication eliminates information gaps and leads to improved effectiveness of the Board of Directors.

**Sekiguchi** When we feel that the concerns of people from production sites expressed in on-site interviews should be effectively communicated to the executive team, we bring up the issue at Board of Directors meetings or other occasions. I believe this effort contributes to improving trust from the sites. During on-site interviews, we focus not only on the formal adherence to rules but also on their actual contribution to achieving the objectives. We are also carefully evaluating the appropriateness of the rules and the need for revisions based on the feedback from the people working on site. We believe that conveying these voices to the Board of Directors is crucial to increasing the effectiveness of a system, preventing it from becoming a mere formality.

## Roundtable Discussion among Three Independent Directors (Audit & Supervisory Committee Members)

**Miura** When executives make decisions, I examine whether they accurately recognize and evaluate the underlying facts, and make rational judgments. These principles of business judgement are always at the forefront of my mind. Particularly when making important management decisions such as organizational restructuring or large-scale investments, I verify legal risks and conflicts of interest with shareholders from an independent and objective standpoint. This approach allows us to fulfill the mandates of our shareholders and investors. I believe it is my responsibility as a legal professional to prioritize these two critical aspects.

**Sekiguchi** There are issues that need to be discussed to achieve further sustainable growth for the Group. While the Group operates a wide range of businesses, it is beginning to face limitations in its growth within the Japanese market alone. Although the Group has established many overseas bases, it needs to develop



Groupwide strategies through cross-segmental discussions and studies, moving beyond the overseas business operations led by each segment, in order to further increase its corporate value.

**Kono** I completely agree with you. The role of overseas headquarters is becoming clearer; however, the Company should develop area strategies that encompass the entire Group, instead of allowing each business division to separately manage overseas operations. I believe the Company is currently transitioning toward this approach. To enhance capital efficiency, the Company will also need to restructure its overseas Group companies, considering their specific roles. In fiscal 2025, the Audit & Supervisory Committee will focus on and discuss methods for evaluating Group companies.

### Facing the challenges ahead to achieve sustainable growth and increase corporate value

**Kono** For example, to achieve carbon neutrality by 2050, we have formulated roadmaps. As the situation changes daily, the executive team must be cautious about when and what decisions to make, ensuring they are neither too hasty nor too slow. When making decisions regarding large-scale investments, it is essential to have the ability to verify and discuss whether management decisions are based on sufficient information.

**Sekiguchi** Although Japanese manufacturing has advanced technological capabilities, its value appears to be underappreciated by the market. The Group also

possesses a wide range of technologies and creates new value through the integration of various businesses and technologies, as demonstrated by KOBELCO-X. We will continue to focus on the Group's efforts to effectively communicate this existing corporate value to the public.

**Miura** It is a common challenge for global companies to effectively maintain and enhance their compliance and risk management systems throughout the corporate group. As the Kobelco Group expands into various regions and business sectors, it is becoming increasingly important to uphold each employee's code of conduct by instilling the Group Corporate Philosophy, while ensuring strict adherence to established rules. Given this, I believe it is essential to further promote the dissemination of the Group Corporate Philosophy, particularly emphasizing "integrity" which is backed by high ethical standards and professionalism, so that it serves as a deeply rooted guideline for the behavior of all Group employees.

**Kono** Contributing to the sustainable growth and enhancement of the Group's corporate value is an important responsibility of the Audit & Supervisory Committee members, who also serve as directors. I believe that we are partners who are working to maximize corporate value while maintaining a healthy level of tension with the executive team. As the business environment is anticipated to continue to rapidly change, we aim to leverage our independence and expertise as Audit & Supervisory Committee members to play an active role in ensuring sound corporate management.

# Compliance

For details, please see Compliance on pages 91–94 of ESG Data Book 2025.

Based on the Group Corporate Philosophy, the Kobelco Group has positioned compliance as one of the key components of its business foundation and is working to build organizational structures and implement initiatives.

## Compliance Code and Standards

Under the Group Corporate Philosophy, the Kobelco Group is working to implement the Six Pledges of KOBELCO that constitute its specific code of conduct to be practiced by all members of the Group in day-to-day operations in order to fulfill the Core Values of KOBELCO, which are the values that should be shared throughout the Group. Additionally, we have formulated Compliance Regulations that set out basic matters concerning compliance frameworks and its operations.

## Compliance Structure and Activities

### 1. Compliance Committee

Kobe Steel has established the Compliance Committee as an advisory body to the Board of Directors. The committee formulates plans for Groupwide compliance activities, monitors the progress, and makes revisions and improvements as necessary. The committee's members include the president and CEO, three other internal members, and four external members of fair and impartial standing constituting a majority, with one of the external members serving as the committee chair. Major Group companies have also established their own compliance committees.

### 2. Kobelco Group Compliance Program

Under the supervision of the director/executive officer overseeing Companywide compliance and the executive officer responsible for Companywide compliance, the Internal Control and Audit Department of Kobe Steel promotes compliance in coordination with business divisions and Group companies. Compliance activities are implemented in accordance with the Kobelco Group Compliance Program that consists of five elements as shown below.



## Commitment

The Kobelco Group recognizes that in order to thoroughly prevent all forms of misconduct, top management must demonstrate a zero-tolerance policy to compliance violations. To this end, we regularly deliver messages on compliance from the president and CEO to employees.

## Setting Rules and Procedures

In order to address compliance risks in each business, we have developed necessary rules and procedures for compliance in general, compliance with competition laws, prevention of bribery, security trade control, and internal whistleblowing systems, among others. We take strict disciplinary action against violations in accordance with our work rules, investigate the cause, and implement effective preventive measures.

## Training and Communication

In order to instill compliance awareness, our Group conducts training on compliance for all its employees. In addition, we ensure that all employees strictly adhere to the three principles of compliance, which set out our basic code of conduct: (1) Follow the rules, (2) Make no secret, and (3) Be honest.

## Whistleblowing System

We accept reports and requests for consultations regarding all forms of misconduct, including bribery, embezzlement, cartels, harassment, etc. When a report or request for consultation is received, we ensure the complete confidentiality of those involved and the full protection of whistleblowers in accordance with the Whistleblower Protection Act and take appropriate measures utilizing necessary resources and skills.

## Review and Improvement

We conduct employee compliance awareness surveys and identify potential risks based on issues identified through monitoring and responding to reports or consultations, as well as internal and external trends. Through this, we are constantly reviewing our compliance activities. Compliance improvement plans are developed by the Compliance Committee and presented to the Board of Directors.

# Risk Management

For details, please see Risk Management on pages 95–96 of ESG Data Book 2025.

Under the Group Corporate Philosophy, we are taking appropriate measures to address the risk factors that may hinder the Kobelco Group’s sustainable development and enhancement of corporate value, which have been identified by using the international standards—The Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidance—as reference materials, as specified in the Kobe Steel Risk Management Regulations.

## Basic Policy

As targets for Companywide risk management, we have designated risks that have a material impact on the Group and stakeholders and require a Groupwide response as Top Risks and Significant Risks. These Top Risks and Significant Risks include ESG risks such as human rights, safety management, climate change, and natural disasters.



## Management Structure

The president and CEO is the person ultimately responsible for the Group’s overall risk management, and the director who oversees the Internal Control and Audit Department is the person responsible for overseeing risk management across the Group. Meanwhile, individual risks are managed by the Risk Owners who are responsible for Groupwide management activities of each risk, and the countermeasures to these risks are implemented by the heads of business divisions and the executive officer responsible for the head office under a risk management system that encompasses the entire organization. The Risk Management Committee has been established as an auxiliary body to the Executive Council. The committee undertakes tasks such as formulating and evaluating basic policies concerning risk management in general, planning specific policies concerning important issues in risk management, and approving and evaluating action plans for measures to reduce Top Risks and Significant Risks. The person responsible for overseeing risk management across the Group is appointed as the committee chair and all of the Risk Owners are appointed as committee members. The

status of the activities of the Risk Management Committee is periodically reported to the Executive Council, and instructions are given to the Risk Owners based on the results of discussions at the Executive Council. The risk management system, headed up by the president and CEO, is operated independently from the Audit & Supervisory Committee.

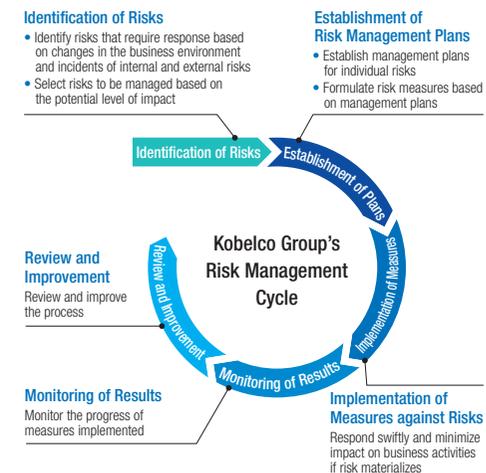
Under the direction of the Risk Owners, the management of individual risks is carried out by the person in charge of risk countermeasures implementation in each division in the following cycle: identifying risks, formulating plans, implementing measures, assessing results, and finally, reviewing and improving the process. To ensure the effectiveness of activities, the Board of Directors manages and supervises activities to address Top Risks and Significant Risks, including ESG risks. They review the annual results of activities in respective business divisions for the improvement of the plans for subsequent fiscal years. This approach to risk management is also actively employed at Group companies as a Groupwide initiative.

In the event of an urgent and serious risk of loss with respect to risks including Top Risks and Significant Risks, we will appropriately communicate information and make decisions according to internal rules based on the Contact System in Case of Risk Occurrence and take appropriate measures to minimize damage.

## Management Structure



## Risk Management Cycle



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# Communication with Stakeholders

For details, please see Communities (Communication with Stakeholders) on pages 102–106 of ESG Data Book 2025.

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

We also carry out various activities that contribute to local communities. Our efforts range from contribution to society through sports to initiatives undertaken by respective business locations, which include environmental activities, regional development, and community interaction, with a focus on supporting the young people of the next generation.

Stakeholders	Objectives	Main engagement activities (Fiscal 2024)
Shareholders and investors	Promote understanding of the Kobelco Group and enhance corporate value through timely and appropriate information disclosure	<ul style="list-style-type: none"> <li>Active dissemination of information, including timely disclosure of information through integrated reports and convocation notices</li> <li>Individual meetings with institutional investors and plant tours</li> <li>Briefings on financial results, progress of the Medium-Term Management Plan, ESG, and various initiatives promoted by respective business segments</li> <li>Online briefings for individual shareholders</li> </ul> <p>For more information on our dialogue with capital market, please see the Company's corporate website. <a href="https://www.kobelco.co.jp/english/ir/pdf/capital_markets_24_e.pdf">https://www.kobelco.co.jp/english/ir/pdf/capital_markets_24_e.pdf</a></p>
Customers	Further improve the quality and other aspects of our technologies, products, and services	<ul style="list-style-type: none"> <li>Implementation of questionnaire surveys to gather customer feedback on various topics, including product quality, services, and delivery</li> </ul>
Business partners	Work together to build responsible supply chains that address various issues, including human rights and environmental issues	<ul style="list-style-type: none"> <li>Implementation of a detailed questionnaire survey on human rights targeting our business partners</li> <li>For companies that are deemed not to fulfill the criteria for human rights efforts, we provided our original guidebook with best practices.</li> </ul> <p>For details, please see Building Responsible Supply Chains on page 74.</p>
Employees	Encourage each and every employee to work with pride and a sense of fulfillment in their work, and to achieve self-improvement by demonstrating their own individuality and strengths	<ul style="list-style-type: none"> <li>Core Values of KOBELCO—Next 100 Project activities</li> <li>Initiatives for human rights</li> <li>Human resources strategy and employee experience improvement (EX) measures</li> <li>Safety and health measures</li> </ul> <p>For details, please see Promoting the Implementation of the Group Corporate Philosophy on page 12, Human Resources Strategy and Employee Experience Improvement (EX) on pages 69–72, Human Rights on page 73, and Safety and Health on pages 77–78.</p>
Community members	<ul style="list-style-type: none"> <li>Contribute to society as a member of the local community</li> <li>Invigorate society through sports, including the KOBELCO KOBÉ STEELERS' activities aimed at ensuring interaction with local communities and society, and various sports support activities</li> </ul>	<p><b>Social Contribution Activities</b></p> <ul style="list-style-type: none"> <li><b>Kobelco Community Contribution Fund</b> Established in fiscal 2006 to celebrate the 100th anniversary of the Company's founding, the fund continues to engage in support activities for children.</li> <li><b>Kobelco World Children Support Program</b> Established in fiscal 2021 as a support activity for children around the world who are in need due to natural disasters, such as earthquakes, volcanic eruptions and conflicts, the program makes donations every year.</li> <li><b>Kobelco Green Project</b> The project has implemented various initiatives, including Kobelco Forest Fairy Tale Prize, which nurtures children's love for nature, forest development activities by Group employees, and environmental education outreach at children's centers in Kobe City. The Kobelco Forest Fairy Tale Prize solicits stories about forests from elementary, junior high, and senior high school students across Japan. The stories that win the Gold Prize are turned into picture books and donated to schools, libraries, and other institutions under the sponsoring local government.</li> </ul> <p><b>Contributions to Society through Sports</b></p> <ul style="list-style-type: none"> <li>Promotion of various activities based on the business partnership agreements with Hyogo Prefecture and Kobe City</li> <li>Contribution to the healthy development of youth through rugby and support for the activities of various groups</li> </ul>



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# Participation in Sustainability Initiatives and External Evaluations

Listed below are major initiatives and evaluations as of August 2025.

## Participation in Sustainability Initiatives

## External Evaluations

TCFD



SDGs



FTSE4Good Index Series



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index



White Logistics Movement



#HereWeGo203030  
(Challenge Initiatives for 30% of Executives to be Women by 2030)



S&P/JPX Carbon Efficient Index



MSCI Japan Empowering Women (WIN) Select Index

**2025 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)**

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MSCI Japan ESG Select Leaders

**2025 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX**

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United Nations Global Compact



Kobe Steel, Ltd. signed the United Nations Global Compact (UNGC) and was registered as a participant company in March 2021. The companies and organizations that sign the UNGC are committed to the ten principles for the protection of human rights, elimination of unfair labor, conservation of the environment and prevention of corruption.

Male Leaders Coalition for Empowerment of Women



CDP



Kobe Steel received "A" rating for climate change

Platinum Kurumin



PRIDE Index



Declaration of Partnership Building



GX League



2025 Outstanding Organization of KENKO Investment for Health (White 500)



DBJ Environmentally Rated Loan Program



In January 2025, Kobe Steel secured financing from the Development Bank of Japan Inc. (DBJ) through its Environmentally Rated Loan Program, receiving the highest rating awarded to "companies with excellent advanced environmental initiatives."

Noteworthy DX Company 2025



Kobelco Group's Value Creation

Management Strategy for Value Creation

Promotion of Sustainability Management

Business Foundation

Operating Results by Segment

Data Section



# 05

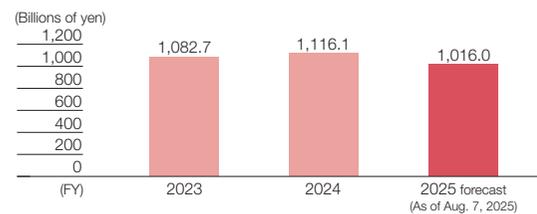
Operating Results  
by Segment

# Materials: Steel & Aluminum Business

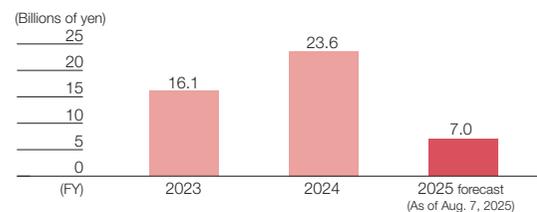


**Shoji Miyazaki**  
Executive Vice President  
Head of the Steel &  
Aluminum Business

## Net Sales



## Ordinary Profit



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

## Our Vision

Our business environment is undergoing significant changes, driven by increasing demand for decarbonization, changes in the international order, declining population in Japan, and soaring costs for labor and materials. Against this background, the steel and aluminum segment will actively transform its business model and production system to remain a sustainable business entity. In particular, we recognize the transformation of domestic production processes and the strengthening of overseas operations (establishing an integrated production system in consumption areas) as the most important issues in achieving our CO<sub>2</sub> reduction targets. To achieve this transformation of our business operations, which requires the investment of management resources such as capital investment, investments and financing, and human capital, we will focus on securing stable profits, optimizing invested capital, and securing, retaining, and developing human resources.

## Review of Fiscal 2024 and Prospects for Fiscal 2025

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

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

## SWOT Analysis

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Distinctive products (ultra-high-tensile strength steel sheets, special steel wires, environmentally friendly corrosion-resistant steel plates, and aluminum substrates for hard disks, etc.)</li> <li>• The ability to propose solutions for customer requirements and technical challenges (analysis and design)</li> <li>• Cross-functional initiatives in steel and aluminum products (multi-materials)</li> <li>• Provision of value throughout the entire supply chain in close collaboration with customers</li> <li>• Supply of low-CO<sub>2</sub> materials (Kobenable® Steel and Kobenable® Aluminum)</li> </ul>
<b>Weakness</b>	<ul style="list-style-type: none"> <li>• Need to strengthen domestic business structure in response to gradual decline in demand</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Expansion of decarbonization needs in the global market (increased demand for technologies and products that reduce environmental impact, low-CO<sub>2</sub> steel products, and green aluminum products)</li> <li>• Increased global steel demand, especially in emerging countries</li> <li>• Progress in reducing steel production capacity in Japan</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>• Decline in domestic demand due to the declining population and labor shortages</li> <li>• Acceleration of soaring labor, materials, and equipment costs</li> <li>• Rise and expansion of protectionism (intensification of U.S. tariff policies and trade issues) and progress in local production for local consumption</li> <li>• Growing need for decarbonization of the blast furnace ironmaking process</li> </ul>

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

# Materials: Advanced Materials Business



**Ryosaku Kadowaki**  
Executive Officer  
Head of the Advanced Materials Business

## Our Vision

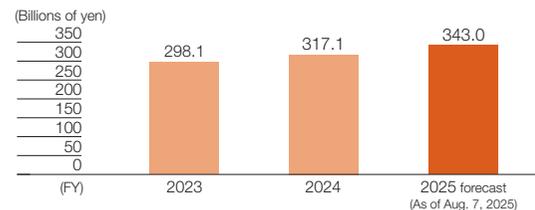
Our distinctive materials and components are manufactured by diverse human resources utilizing materials development and processing technologies that have been honed through a wide variety of metal production, including steel, aluminum, copper, and titanium. These products are highly evaluated by numerous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

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

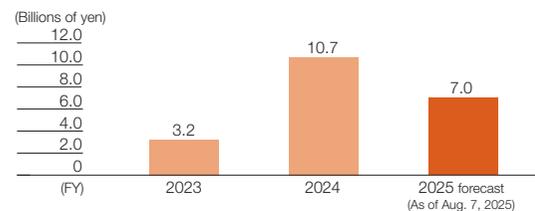
## Review of Fiscal 2024 and Prospects for Fiscal 2025

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

### Net Sales



### Ordinary Profit



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

## SWOT Analysis

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Development/manufacturing technologies to produce niche products with a dominant market share, such as aluminum forgings for automotive suspensions, copper alloys for automotive terminals and connectors, semiconductor lead frame materials, and aluminum parts materials for semiconductor manufacturing equipment</li> <li>• Japan's only full-lineup manufacturer of steel castings and forgings for vessels with an integrated production system from steelmaking to finished goods</li> <li>• Japan's only supplier of large titanium forgings and large aluminum castings for aircraft with extensive track record</li> </ul>
<b>Weakness</b>	<ul style="list-style-type: none"> <li>• Need to diminish susceptibility to sales trends and technological advances in the automotive sector, which accounts for a large proportion of sales.</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Solid demand for weight reduction and software-defined vehicles (SDVs) in the automotive sector, including the transition to EVs</li> <li>• Growing importance of developing domestic industries in the shipbuilding and aircraft sectors for economic security</li> <li>• Medium- to long-term growth expectations in the semiconductor sector</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>• Surging labor, materials and equipment costs, and labor shortages</li> <li>• Decline in demand for automobiles due to carsharing and growth of Mobility as a Service (MaaS)</li> <li>• Supply chain disruptions caused by volatility in demand in the semiconductor sector</li> </ul>

# Materials: Welding Business



**Kazuyuki Suenaga**  
Executive Officer  
Head of the Welding Business

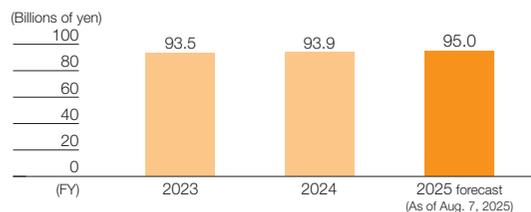
## Our Vision

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

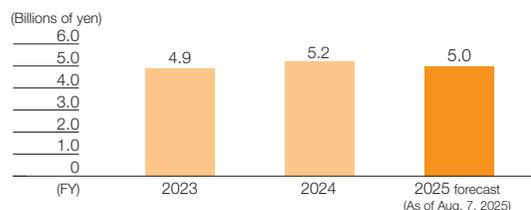
## Review of Fiscal 2024 and Prospects for Fiscal 2025

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

### Net Sales



### Ordinary Profit



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

## SWOT Analysis

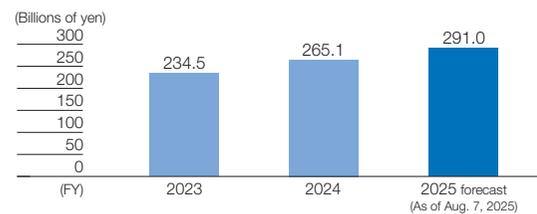
<b>Strengths</b>	<ul style="list-style-type: none"> <li>• One of the few integrated welding companies in the world, offering comprehensive solutions in welding consumables, robot systems, power supplies, and processes</li> <li>• Ability to propose solutions based on thorough on-site focus and quick responses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

# Machinery: Machinery Business

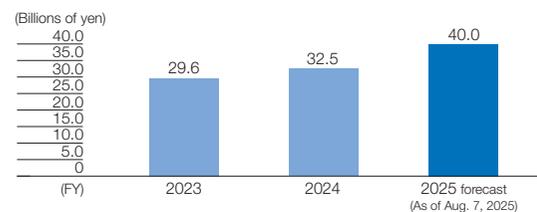


**Shogo Sarumaru**  
Executive Officer  
Head of the Machinery Business

## Net Sales



## Ordinary Profit



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

## Our Vision

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

## SWOT Analysis

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

## Review of Fiscal 2024 and Prospects for Fiscal 2025

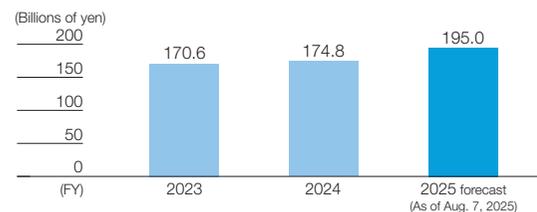
In fiscal 2024, the machinery business segment recorded its highest profit ever. Starting with the decision to conduct a demonstration test of the Open Rack Vaporizer (ORV) using liquid hydrogen, we have made progress in the development and creation of new businesses, including starting physical vapor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

# Machinery: Engineering Business

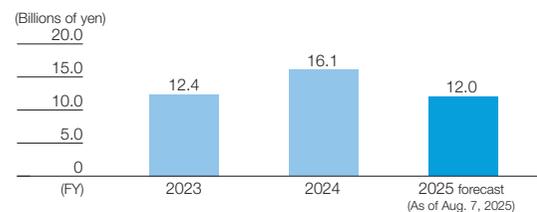


**Masahiro Motoyuki**  
Executive Officer  
Head of the Engineering Business

## Net Sales



## Ordinary Profit



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

## Our Vision

The engineering segment is particularly focusing on CO<sub>2</sub> reduction, as well as the environmental and energy sectors.

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

## Review of Fiscal 2024 and Prospects for Fiscal 2025

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

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

## SWOT Analysis

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• A number of technologies and solutions that contribute to carbon neutrality primarily in the CO<sub>2</sub> reduction, environmental and energy sectors</li> <li>• The MIDREX<sup>®</sup> Process holds a dominant share of the global DRI market.</li> <li>• Business domains that cover both water treatment and waste treatment, allowing for developing treatment that crosses the sewerage and waste sectors</li> </ul>
<b>Weakness</b>	<ul style="list-style-type: none"> <li>• Need to ensure continued thorough risk management when receiving orders and implementing projects</li> <li>• Need to develop technologies and strengthen sales strategies that meet the needs of society, such as carbon neutrality and DX</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Stricter regulations and increasing government support programs aimed at CO<sub>2</sub> reduction and carbon neutrality, prompting companies and local governments to adopt new technologies and equipment, as well as to increase capital investment</li> <li>• Increased need for maintenance and after-sales service, laborsaving solutions, and DX due to labor shortages and the aging of existing equipment</li> <li>• Technological advancements and cost reductions, enabling mass production and supply of inexpensive hydrogen</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>• Delays and postponement in investment decision due to a slowdown in carbon neutrality trends, accelerating inflation, the emergence of protectionism, and heightened geopolitical risks, etc.</li> <li>• Price rivalries due to intensifying competition and increased cost burden for the development and verification of technologies</li> <li>• Loss of opportunities for growth and orders due to labor shortages and delays in technical studies</li> </ul>

# Machinery: Construction Machinery Business



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

## Our Vision

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

## Review of Fiscal 2024 and Prospects for Fiscal 2025

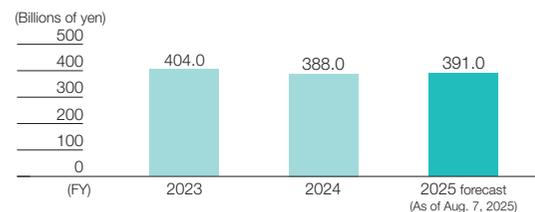
Between fiscal 2021 and 2024, sales were limited due to engine certification issues. We launched models with alternative engines and resumed sales; however, it will take time to regain our lost market share.

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

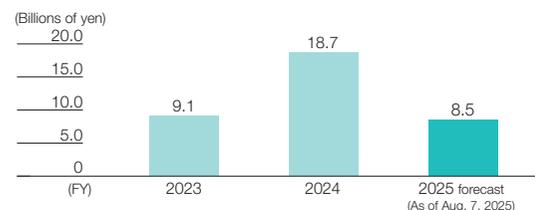
We expect that the relaunched models, which are highly profitable, will contribute to improved earnings. In addition, we have set up dedicated teams for K-DIVE® and K-D2 PLANNER® to actively expand sales in our target area of customer experience-oriented business.

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

### Net Sales



### Ordinary Profit



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

## SWOT Analysis

### Strengths

- A diverse lineup of construction machinery and sales and service support capabilities that meet market needs
- Industry-leading next-generation technology development capabilities, including the remote operation system for construction machinery K-DIVE®, the crane construction planning software K-D2 PLANNER®, and hydrogen-driven fuel cell electric excavators

### Weakness

- Delays in upgrading existing models and switching to new models due to the focus on engine certification issues
- Complexity and inflexibility in rebuilding existing IT systems

### Opportunities

- Promotion of i-Construction 2.0 by the Ministry of Land, Infrastructure, Transport and Tourism
- Acceleration of work style transformation in construction sites
- Rising momentum toward CO<sub>2</sub> reduction in construction sites

### Threats

- Slow progress of DX efforts in the construction industry and infrastructure sector
- Delays in the spread of carbon-neutral construction machinery due to a lack of environmental and legal regulations and soaring materials and labor costs

Kobelco Group's Value Creation

Management Strategy for Value Creation

Promotion of Sustainability Management

Business Foundation

Operating Results by Segment

Data Section

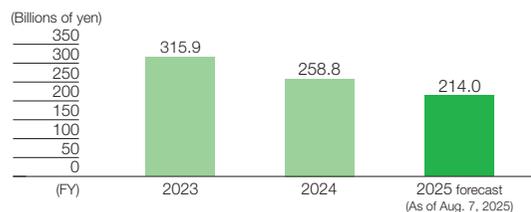
# Electric Power Business



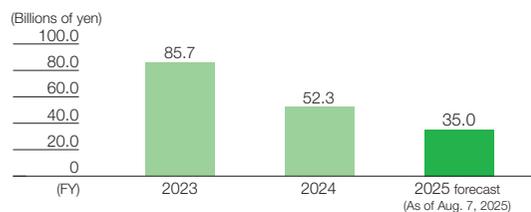
**Kunihiko Yoshitake**

Executive Officer  
Head of the Electric Power Business

## Net Sales



## Ordinary Profit



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

## Our Vision

While maintaining the stable operation of our power plants, we will strive for greater operational efficiency and lower CO<sub>2</sub> emissions to achieve carbon neutrality by 2050.

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

The Moka Power Plant is looking for ways to make the most of carbon-neutral city gas while ensuring the stable operation of its high-efficiency gas turbine combined cycle (GTCC) power generation system with low-CO<sub>2</sub> emissions, contributing to the realization of a sustainable society.

## Review of Fiscal 2024 and Prospects for Fiscal 2025

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

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

## SWOT Analysis

### Strengths

#### Kobe Power Plant

- In-house power generation technology developed through steelworks operations, access to port facilities and other infrastructure, and over 20 years of stable operation of large-scale power plants
- Supply capacity exceeding the maximum power demand in Kobe City, which contributes to the improvement of the electric power self-sufficiency rate in the Hanshin area, and multiplexed power supply networks that lead to the creation of cities that are resilient to disasters

#### Moka Power Plant

- Inland thermal power plant with low risk of damage from natural disasters such as earthquakes and tsunamis, serving as backup to coastal power plants in the Tokyo metropolitan area

### Weakness

- Need to ensure an appropriate maintenance system for the stable operation of power plants

### Opportunities

- Increasing demand for electricity driven by the rapid electrification of society and the growing number of data centers
- Improvement of overall regional energy efficiency by utilizing local biomass and supplying heat for local communities, taking advantage of urban locations

### Threats

- Anti-coal-fired-power-plant trend and investor divestment movement

# Kobelco Group's Business Domains by Operating Segment

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

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

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

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

Kobelco Group's Value Creation

Management Strategy for Value Creation

Promotion of Sustainability Management

Business Foundation

Operating Results by Segment

Data Section

# Intersegmental Collaborations

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

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

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

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

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



## Groupwide Collaboration to Promote Hydrogen-related Businesses

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

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



## Collaboration on CO<sub>2</sub> Reduction in the Ironmaking Process

While one of our Group’s key priorities as a steelmaker is to reduce CO<sub>2</sub> emissions from our own ironmaking process, the engineering business’s MIDREX® process—a direct reduction ironmaking process with low CO<sub>2</sub> emissions, developed and operated by Midrex Technologies Inc.—is highly praised by steelworks around the world.

Our Group is working to reduce CO<sub>2</sub> emissions from its own ironmaking process by integrating the MIDREX® technologies from the engineering business and the blast furnace operation technology from the steel business to enhance our technological capabilities.

As a result, in October 2023, we successfully demonstrated a technology that can reduce CO<sub>2</sub> emissions by 25% in a large blast furnace (4,844 m<sup>3</sup>) at Kakogawa Works.



# 10-Year Financial and Non-Financial Data

Fiscal year		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
For the fiscal year (Millions of yen)	Net sales	1,822,805	1,695,864	1,881,158	1,971,869	1,869,835	1,705,566	2,082,582	2,472,508	2,543,142	2,555,031
	Operating profit	68,445	9,749	88,913	48,282	9,863	30,398	87,622	86,365	186,628	158,721
	Ordinary profit (loss)	28,927	(19,103)	71,149	34,629	(8,079)	16,188	93,233	106,837	160,923	157,192
	Profit (loss) attributable to owners of parent	(21,556)	(23,045)	63,188	35,940	(68,008)	23,234	60,083	72,566	109,552	120,180
	Cash flows from operating activities	97,933	141,716	190,832	67,136	27,040	194,798	168,809	119,692	205,284	148,261
	Cash flows from investing activities	(104,618)	(137,833)	(161,598)	(28,603)	(218,986)	(141,853)	(161,510)	(97,267)	(53,724)	(113,873)
	Cash flows from financing activities	93,883	16,545	(66,598)	(9,561)	140,589	118,444	(69,143)	(85,564)	(81,213)	(96,227)
	Capital expenditures	109,941	160,297	128,653	133,471	239,816	185,091	108,139	97,302	105,214	115,893
	Depreciation	94,812	96,281	102,032	102,589	105,346	100,856	105,147	112,505	119,084	122,439
	Research and development expenses	29,843	30,102	32,014	34,495	35,890	31,008	33,244	36,702	40,416	43,598
At fiscal year-end (Millions of yen)	Total assets	2,261,134	2,310,435	2,352,114	2,384,973	2,411,191	2,582,873	2,728,745	2,874,751	2,919,774	2,891,053
	Net assets	745,492	729,404	790,984	803,312	716,369	769,375	872,346	977,653	1,127,346	1,237,059
	Interest-bearing debt, including leases	820,535	825,452	763,174	785,665	930,527	1,057,168	973,843	917,263	873,504	886,332
Per share data* (Yen)	Net profit (loss)	(59.3)	(63.5)	174.4	99.2	(187.5)	64.0	160.2	183.8	277.3	304.6
	Net assets	1,903.80	1,860.36	2,049.95	2,041.29	1,811.10	1,958.57	2,066.48	2,314.31	2,675.13	2,941.14
	Cash dividends	20.00	—	30.00	20.00	0.00	10.00	40.00	40.00	90.00	100.00
Financial indicators	Return on assets (ROA) (%)	1.3	(0.8)	3.1	1.5	(0.3)	0.6	3.5	3.8	5.6	5.4
	Return on equity (ROE) (%)	(2.9)	(3.4)	8.9	4.8	(9.7)	3.4	7.9	8.4	11.1	10.8
	Return on invested capital (ROIC) (%)	—	0.8	4.5	2.8	0.9	1.1	4.7	4.9	6.7	6.9
	Net asset ratio (%)	33.0	31.6	33.6	33.7	29.7	29.8	32.0	34.0	38.6	42.8
	Equity ratio (%)	30.6	29.2	31.6	31.0	27.2	27.5	29.9	31.8	36.2	40.2
	Debt/equity (D/E) ratio (times)	1.19	1.22	1.03	1.06	1.42	1.49	1.19	1.00	0.83	0.76
Dividend payout ratio (%)	—	—	17.2	20.2	—	15.6	25.0	21.8	32.4	32.8	
Number of shares issued (in thousands)	3,643,642	364,364	364,364	364,364	364,364	364,364	364,364	396,346	396,346	396,346	396,346

\* The Company carried out a 1-for-10 reverse stock split of its shares on October 1, 2016. Per share data has been recalculated assuming that the reverse stock split had been carried out at the beginning of fiscal 2015.

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## 10-Year Financial and Non-Financial Data

Fiscal year		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Non-financial data												
Environmental	Reduction of CO <sub>2</sub> emissions in production processes (compared to fiscal 2013) (%) <sup>(Note)</sup>						21	16	20	20	22	
	Contribution to reduction of CO <sub>2</sub> emissions through technologies, products, and services (in million tons) <sup>(Note)</sup>				3,674	4,214	4,077	4,491	5,891*1	6,118*1	6,235*1	
	Water recycling rate (%) <sup>(Note)</sup>				96.0	95.9	95.9	95.7	96.2	95.9	96.0	
	By-product recycling rate (%)				99.3	98.5	98.9	99.3	99.2	99.1	99.4	
Social	Number of employees											
	Consolidated	36,338	36,951	37,436	39,341	40,831	40,517	38,106	38,488	38,050	39,294	
	Non-consolidated	10,833	11,034	11,191	11,401	11,560	11,837	11,296	11,368	11,534	11,895	
	Male	10,090	10,241	10,304	10,422	10,528	10,750	10,231	10,284	10,428	10,687	
	Female	743	793	887	979	1,032	1,087	1,065	1,084	1,106	1,208	
	Non-Japanese	57	60	70	69	85	87	76	74	87	109	
	Percentage of female managers (non-consolidated)*2 (%) <sup>(Note)</sup>	1.4 (29)	1.5 (32)	1.6 (34)	1.9 (42)	2.3 (52)	2.3 (54)	2.6 (61)	2.8 (65)	3.1 (74)	3.6 (86)	
	Percentage of people with disabilities (non-consolidated)*3 (%)	2.31 (2.0)	2.38 (2.0)	2.30 (2.0)	2.35 (2.2)	2.37 (2.2)	2.34 (2.2)	2.56 (2.3)	2.64 (2.3)	2.62 (2.3)	2.77 (2.5)	
	Number of new graduate hires (non-consolidated)											
	Male	362	344	421	350	315	349	254	224	234	280	
	Female	26	50	64	50	52	38	39	25	37	50	
	Number of employees taking childcare leave (non-consolidated)*4											
	Male	5	7	8	13	35	48	82	142	183	181	
	Female	38	54	40	40	58	63	49	31	73	35	
	Percentage of employees returning from childcare leave (non-consolidated) (%)	94.7	96.0	96.7	98.2	100.0	99.1	99.0	99.4	99.6	100.0	
	Turnover of employees with less than 3 years of service (non-consolidated)*5 (%)	12.1	12.8	10.7	15.3	16.6	11.9	17.7	16.2	10.4	2.4	
	Turnover of employees with less than 10 years of service (non-consolidated)*6 (%)	14.5	13.1	13.4	18.9	19.1	15.8	19.5	20.0	21.1	22.4	
	Overtime (non-consolidated) (hours per month/employee)	22.7	16.5	18.4	18.4	17.7	16.6	17.2	16.5	16.1	16.5	
	Number of annual paid leave days taken (non-consolidated) (days per year/person) <sup>(Note)</sup>	11.8	14.9	15.5	16.3	17.0	11.0	13.9	17.0	18.0	16.8	
	Total hours worked (non-consolidated)						2,080.0	1,978.0	2,057.0	2,050.1	2,050.4	2,030.7
	Employee training (non-consolidated)											
	Total hours of training (across all employees)							364,545	349,585	408,216	380,056	525,795
Average hours of training per employee <sup>(Note)</sup>							30.8	30.9	35.9	33.0	44.2	
Safety and health												
Lost time injury frequency rate <sup>(Note)</sup>	0.32	0.26	0.31	0.26	0.19	0.28	0.22	0.24	0.31	0.27		
Governance	Compliance											
	Number of whistleblowing cases						119	112	113	111	118	

Note: Indicators and targets for materiality. For some items, data for fiscal 2020 or earlier are also retroactively listed.

\*1 The latest coefficients have been used in the calculation of contributions to reduction of CO<sub>2</sub> emissions through technologies, products, and services.

\*2 At Kobe Steel, managers or higher positions are defined as managerial positions.

\*3 Figures in parentheses are the statutory employment rate.

\*4 The period of the Company's childcare leave is up to three years. The number of employees includes those who continue to be on leave from the previous fiscal year.

\*5 The figure shows the percentage of those who left the Company with less than three years of continuous service, among the employees who joined during these fiscal years through the regular hiring process. The figures for fiscal 2022 and fiscal 2023 show the percentage of those who left the Company as of the end of fiscal 2024.

\*6 The figure shows the percentage of those who left the Company with less than 10 years of continuous service, among the employees who joined during these fiscal years through the regular hiring process. The figures for fiscal 2015 or later show the percentage of those who left the Company as of the end of fiscal 2024.

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## Results by Operating Segment (Fiscal 2020–2024)

Steel & Aluminum					
Fiscal year	2020	2021	2022	2023	2024
Net sales (Billions of yen)	696.3	914.9	1,105.1	1,082.7	1,116.1
Ordinary profit (loss) (Billions of yen)	(22.6)	37.5	41.9	16.1	23.6
Total assets (Billions of yen)	1,000.3	1,089.0	1,185.4	1,126.5	1,203.0
Depreciation (Billions of yen)	57.2	57.4	57.6	58.4	61.8
Research and development expenses (Billions of yen)	6.4	6.2	6.3	6.2	7.2
Capital expenditures (Billions of yen)	69.2	27.1	33.4	52.9	57.2
Number of employees (consolidated)	12,424	11,828	12,268	12,145	13,338
Crude steel production, incl. Takasago Works (Mt)	5.81	6.59	6.19	5.97	5.96
Sales volume of steel products (Mt)	4.73	5.27	4.98	4.69	4.72
Average steel selling price (yen per ton)	82,300	105,600	140,100	142,700	144,000
Sales volume of aluminum rolled products (Kt)	305	343	337	314	307

Advanced Materials					
Fiscal year	2020	2021	2022	2023	2024
Net sales (Billions of yen)	238.1	333.2	277.7	298.1	317.1
Ordinary profit (loss) (Billions of yen)	(12.1)	5.1	0.9	3.2	10.7
Total assets (Billions of yen)	256.0	244.4	270.4	241.5	279.0
Depreciation (Billions of yen)	10.2	11.3	10.5	10.7	8.7
Research and development expenses (Billions of yen)	2.6	2.5	1.6	2.3	2.2
Capital expenditures (Billions of yen)	14.2	8.2	8.0	13.1	13.2
Number of employees (consolidated)	6,080	4,469	4,489	4,595	4,706
Sales volume of aluminum extrusions (Kt)	31	36	34	37	38
Sales volume of copper rolled products (Kt)	48	60	54	52	53

Welding					
Fiscal year	2020	2021	2022	2023	2024
Net sales (Billions of yen)	70.0	76.9	88.4	93.5	93.9
Ordinary profit (Billions of yen)	1.7	2.7	2.8	4.9	5.2
Total assets (Billions of yen)	77.6	79.4	86.4	90.2	95.8
Depreciation (Billions of yen)	2.4	2.5	2.3	2.3	2.4
Research and development expenses (Billions of yen)	2.9	3.1	3.8	3.4	4.2
Capital expenditures (Billions of yen)	2.1	1.3	1.6	1.8	2.2
Number of employees (consolidated)	2,514	2,445	2,384	2,390	2,355
Sales volume of welding materials (Kt)	242	258	248	242	227

Machinery					
Fiscal year	2020	2021	2022	2023	2024
Net sales (Billions of yen)	175.3	166.8	203.4	234.5	265.1
Ordinary profit (Billions of yen)	11.4	12.5	15.7	29.6	32.5
Total assets (Billions of yen)	181.3	190.9	225.9	245.1	270.8
Depreciation (Billions of yen)	5.2	5.2	5.9	6.3	6.9
Research and development expenses (Billions of yen)	3.8	3.6	6.0	6.2	6.2
Capital expenditures (Billions of yen)	4.1	4.0	6.8	10.2	8.5
Number of employees (consolidated)	4,661	4,716	5,996	6,113	6,224
Orders (Billions of yen)	133.1	206.6	265.9	273.7	262.5

Note: Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. Accordingly, the figures for fiscal 2022 or later have been adjusted in accordance with the new segments.

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## Results by Operating Segment (Fiscal 2020–2024)

Engineering					
Fiscal year	2020	2021	2022	2023	2024
Net sales (Billions of yen)	136.1	135.6	145.2	170.6	174.8
Ordinary profit (Billions of yen)	4.4	7.7	4.1	12.4	16.1
Total assets (Billions of yen)	123.8	132.5	144.9	158.5	179.5
Depreciation (Billions of yen)	1.6	1.6	1.5	1.8	2.6
Research and development expenses (Billions of yen)	2.1	2.3	3.5	4.6	3.8
Capital expenditures (Billions of yen)	1.6	1.4	2.8	3.4	3.1
Number of employees (consolidated)	3,524	3,553	3,772	3,920	3,780
Orders (Billions of yen)	113.4	208.5	157.5	214.3	164.7

Construction Machinery					
Fiscal year	2020	2021	2022	2023	2024
Net sales (Billions of yen)	333.1	371.6	381.7	404.0	388.0
Ordinary profit (Billions of yen)	12.7	12.0	12.3	9.1	18.7
Total assets (Billions of yen)	334.6	361.9	408.5	417.7	387.6
Depreciation (Billions of yen)	12.8	13.8	12.5	12.2	12.4
Research and development expenses (Billions of yen)	6.4	8.4	9.1	10.4	12.9
Capital expenditures (Billions of yen)	10.4	9.8	13.8	17.9	19.4
Number of employees (consolidated)	7,917	7,829	7,550	6,849	6,894
Unit sales of hydraulic excavators (units)	—	—	—	24.6	20.3
Unit sales of crawler cranes (units)	320	321	289	315	374

Note: The method for calculating hydraulic excavator sales volume has changed. Accordingly, the figures for fiscal year 2023 have been revised retroactively.

Electric Power					
Fiscal year	2020	2021	2022	2023	2024
Net sales (Billions of yen)	80.4	109.8	324.3	315.9	258.8
Ordinary profit (Billions of yen)	20.6	13.2	24.5	85.7	52.3
Total assets (Billions of yen)	321.3	397.8	470.2	450.0	375.2
Depreciation (Billions of yen)	8.4	10.3	19.5	24.7	24.7
Research and development expenses (Billions of yen)	0.1	0.1	0.2	0.1	0.1
Capital expenditures (Billions of yen)	81.1	52.9	27.8	2.1	2.4
Number of employees (consolidated)	263	272	287	303	335

Other Businesses					
Fiscal year	2020	2021	2022	2023	2024
Net sales (Billions of yen)	27.8	28.8	10.9	10.8	8.9
Ordinary profit (Billions of yen)	4.2	7.0	4.8	4.8	3.8
Total assets (Billions of yen)	56.1	59.8	45.5	49.7	44.4
Depreciation (Billions of yen)	0.5	0.5	0.2	0.2	0.3
Research and development expenses (Billions of yen)	0.6	0.7	0.1	0.1	0
Capital expenditures (Billions of yen)	0.8	0.5	0.3	0.3	0.2
Number of employees (consolidated)	1,637	1,542	317	304	195

Note: Beginning in fiscal 2023, Kobelco Research Institute, Inc., which was under the Other segment, has come under the Machinery segment. Accordingly, the figures for fiscal 2022 or later have been adjusted in accordance with the new segments.

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# Corporate Profile and Stock Information (As of March 31, 2025)

## Corporate Profile

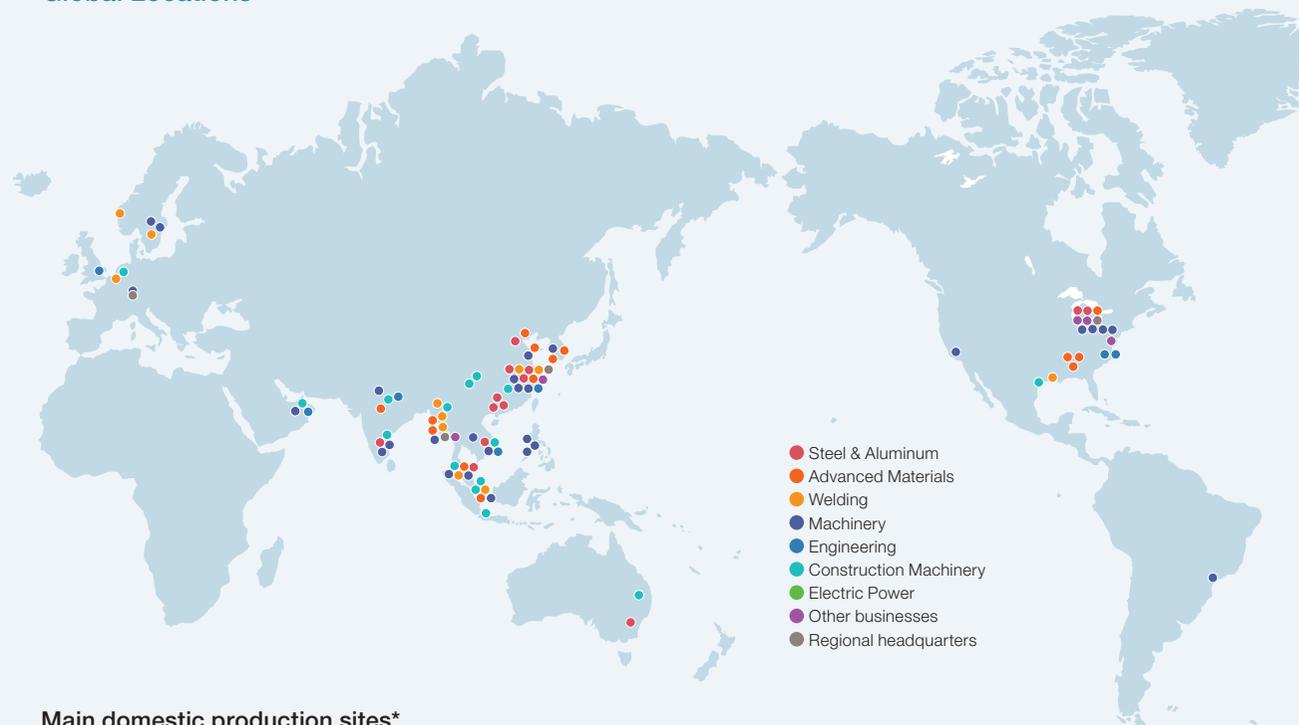
Company name:	Kobe Steel, Ltd. (Japanese Name: Kabushiki Gaisha Kobe Seikoshu)
Group brand:	<b>KOBELCO</b>
Founded:	September 1, 1905
Incorporated:	June 28, 1911
Capital:	¥250.9 billion
Total assets:	¥2,891.0 billion
Employees:	39,294 (consolidated) 11,895 (non-consolidated)

KOBELCO is an international unified trademark established in 1979 to represent the Kobe Steel Group with the aim of giving form to the Group Corporate Philosophy, and thereby fostering a sense of solidarity within the Group, while building greater recognition and trust among stakeholders.

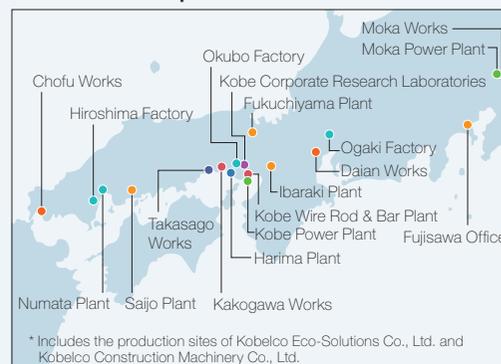
## Stock Information

Authorized:	600,000,000 shares
Issued:	396,345,963 shares
Number of shareholders:	279,150
Record date:	March 31 every year
Share unit number:	100
Listings:	Tokyo Stock Exchange, Prime Market (Ticker Code: 5406) Nagoya Stock Exchange, Premier Market (Ticker Code: 54060)
Transfer agent & office:	Mitsubishi UFJ Trust and Banking Corporation

## Global Locations



### Main domestic production sites\*



\* Includes the production sites of Kobelco Eco-Solutions Co., Ltd. and Kobelco Construction Machinery Co., Ltd.

For more details, please visit our Group website.

**Kobe Steel's Business Locations**  
<https://www.kobelco.co.jp/english/about-kobelco/domestic-location.html>

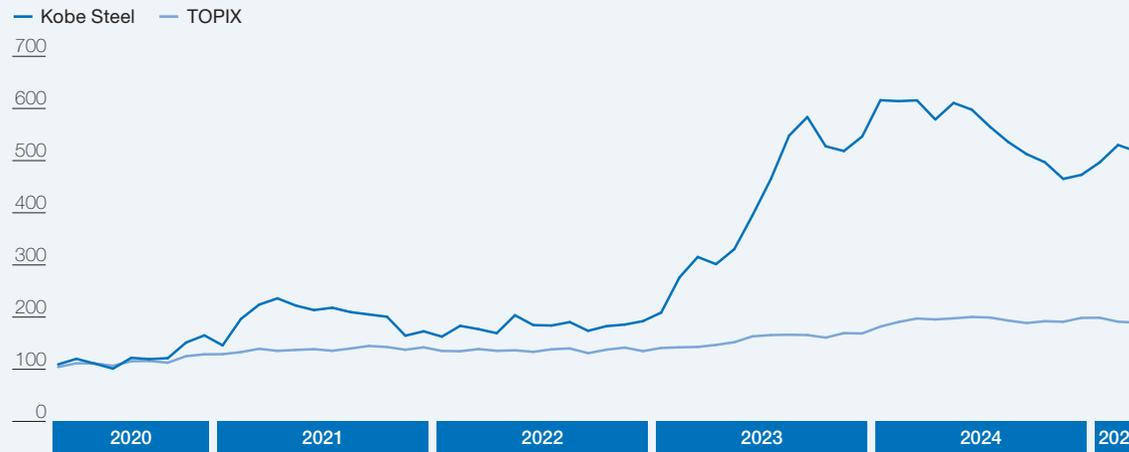
**Kobelco Group Companies**  
<https://www.kobelco.co.jp/english/about-kobelco/domestic-group.html>

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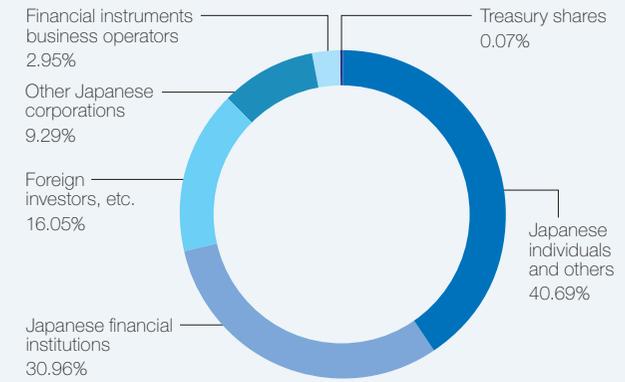
## Corporate Profile and Stock Information (As of March 31, 2025)

### Stock Price Trend



Note: Kobe Steel's stock price and TOPIX are indexed with closing prices in March 2020 equal to 100.

### Breakdown of Shareholders by Investor Type



#### About Our ESG Data Book

For more details on our sustainability initiatives, please see ESG Data Book and our Company's website.



**ESG Data Book**  
<https://www.kobelco.co.jp/english/sustainability/esg.html>





**Sustainability**  
<https://www.kobelco.co.jp/english/sustainability/>





**Contact** General Administration and CSR Department, Kobe Steel, Ltd.

Please let us hear your comments on this integrated report.

Questionnaire



#### Disclaimer Regarding Forward-Looking Statements

This Integrated Report contains forward-looking statements about the Company's forecasts, beliefs, expectations, aims, and strategies. These statements are based on the Company's judgments and assumptions using currently available information and may differ substantially from actual results due to uncertainties within its judgments and assumptions and a variety of factors that may change over time, such as future business operations, and changes in internal and external circumstances. Kobe Steel assumes no responsibility for revising these statements or other contents in this report.

Below is a list of factors of uncertainties and changes. This includes but is not limited to:

- Changes in economic conditions, demand, and prices in major markets
- Fluctuations in foreign exchange rates
- Products and services of competitors, price strategies, alliances, and other business developments such as M&As
- Political situations and trade and other regulations in major markets
- Availability and prices of raw materials
- Changes in strategies of the Company's alliance partners

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**KOBELCO**