

KOBELCO

Kobelco Group
Integrated Report 2026



Kobelco Group's Diversity as a Source of Value

Materials, machinery, engineering, and electric power —
these business domains represent the breadth of
the Kobelco Group's operations.

This diversity has been shaped over time by building on
increasingly sophisticated technologies and
capabilities to meet the needs of each era.

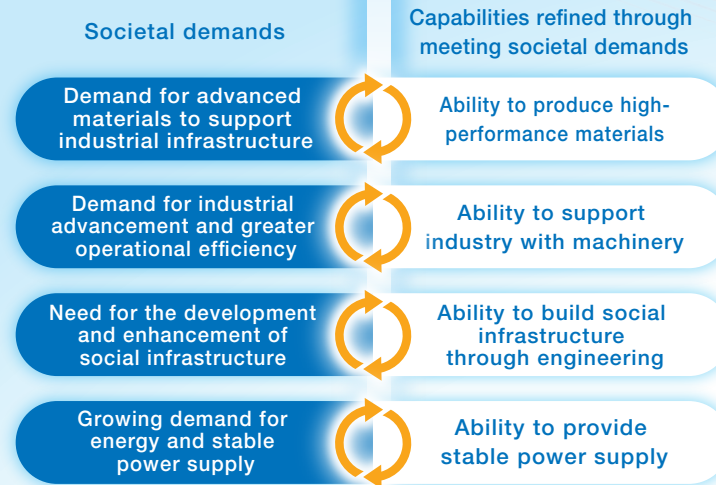
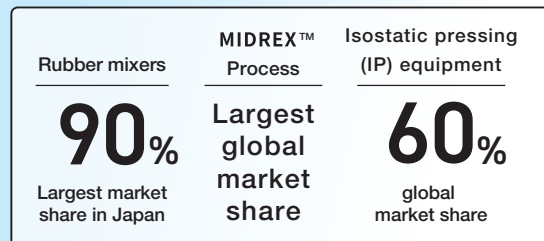
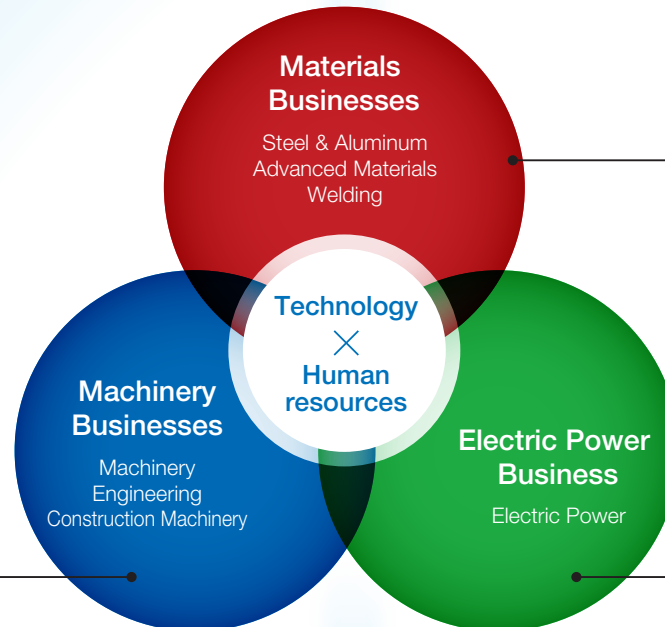
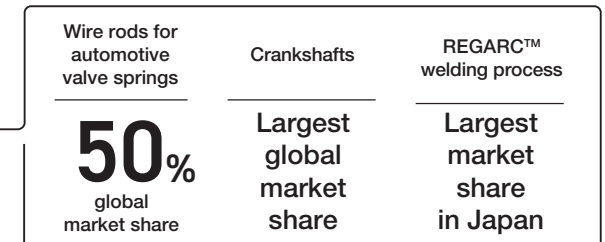
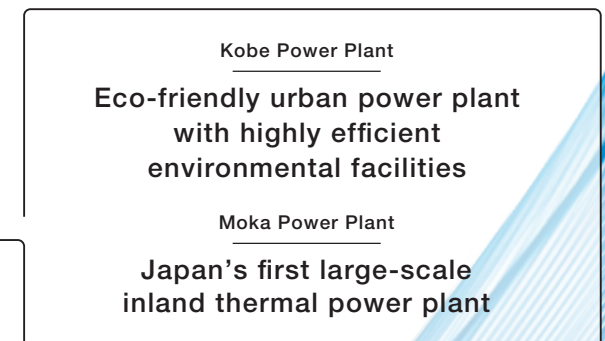
Today, these multifaceted strengths are interconnected
and integrated, forming a force that enables us to meet
expectations across a wide range of fields.

Our value is generated from the convergence of
these diverse elements.



Kobelco Group's Business Foundation, Formed by Responding to the Needs of Society

Built on over 120 years of technological expertise and a spirit of challenge, the Kobelco Group creates value across diverse fields, supports social infrastructure, and develops businesses that drive the future of industry.



Our diverse business foundation—together with the technologies and talent cultivated within it—serves as the base that supports Kobelco Group's synergistic strengths.

Integration Across Diverse Businesses and Technologies Empowers Us to Fulfill Expectations

In striving to meet the expectations from society and our stakeholders, the Kobelco Group leverages its diverse strengths and creates new value. This expansive value creation is powered by our unique integration of strengths.





KOBELCO-X Driving Transformation by Uniting Diverse Strengths

The integration of our diverse strengths, cultivated in responding to the needs of society and industries, brings about new value.

KOBELCO-X is an initiative to further expand this value creation, moving ahead with our transformation into an appealing company toward 2030.

Medium-Term Management Plan (Fiscal 2024–2026)

Transformation into an appealing company

Provide solutions

Kobelco Group's Key Issues (Materiality)



Contributing to a green society



Ensuring safety and security in urban development and manufacturing



Providing solutions for the future connecting people and technology



Promoting active participation of diverse human resources



Pursuing governance that supports sustainable growth

Our vision for fiscal 2030

Business entity that drives innovation into the future

Net sales: **¥3 trillion**

Ordinary profit: **¥200 billion**

ROIC: **8%**

KOBELCO's View of the Future

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.

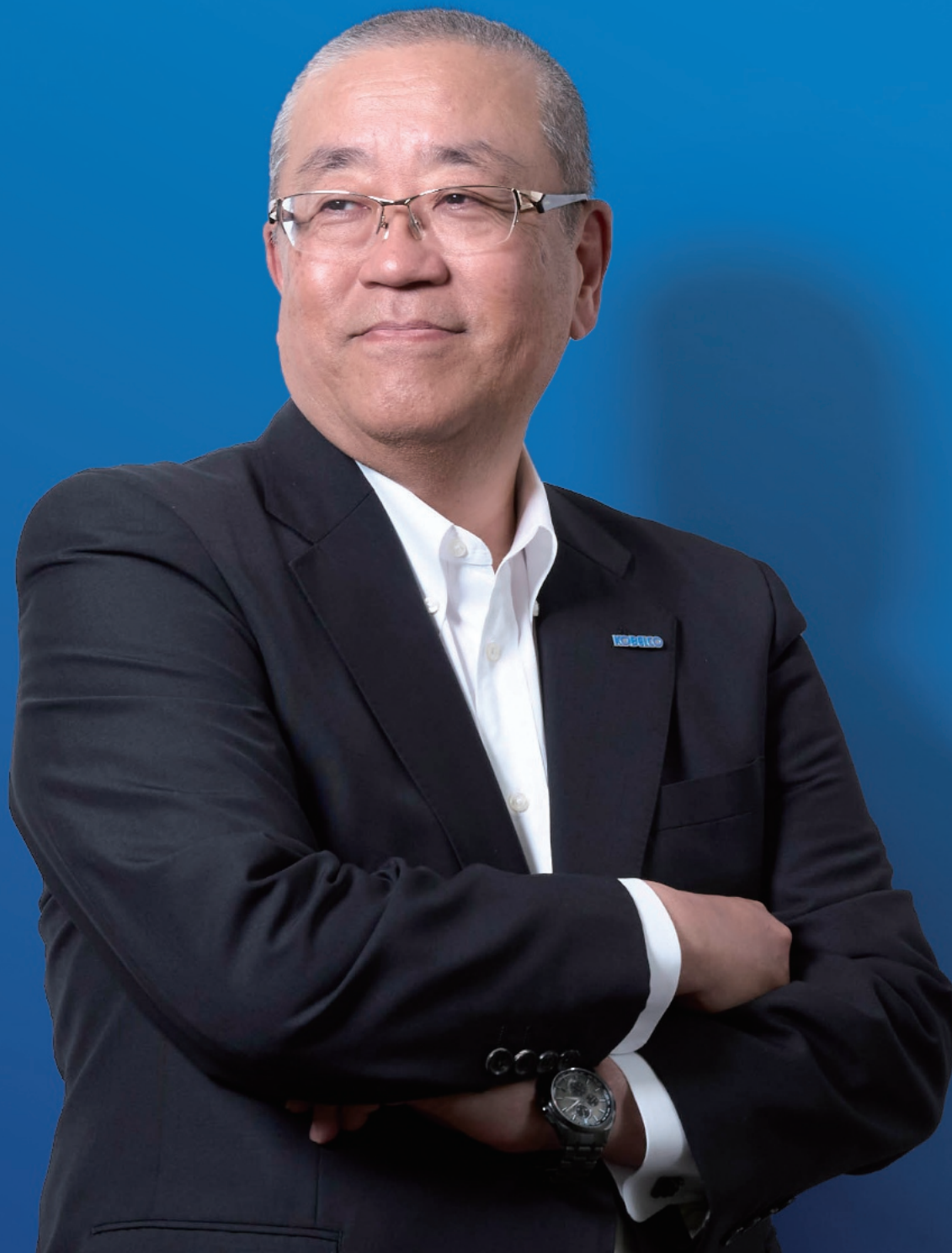
Message from the President and CEO

Customer-Centric Value Creation Starts with Each Employee's Initiatives

The Kobelco Group has progressed in its efforts to strengthen the financial base and lay the groundwork for transformation, paving the way for the next stage of growth. Our key focus in this phase will be on discovering promising growth markets beyond existing business domains and exploring solutions centered on customer challenges by leveraging the Group's technologies and expertise. We will expand our Group's unique value creation with each and every employee integrating KOBELCO-X into their own values and actions.

Yoshihiko Katsukawa

President, CEO and Representative Director



Message from the President and CEO

Achieving Next Stage of Growth by Strengthening Financial Base and Fostering Transformative Mindset

The year 2026 marks the final year of our Medium-Term Management Plan (Fiscal 2024–2026). Under the plan, we have advanced our transformation into an appealing company by promoting KOBELCO-X with a focus on two key priorities: enhancing earning power and pursuing growth, and taking on the challenge of realizing carbon neutrality. Now, we are looking ahead to our fiscal 2030



vision—becoming a business entity that drives innovation into the future.

Looking back over the past two years, our financial position has steadily improved. While profitability in our fiscal 2025 results leaves room for improvement with a return on invested capital (ROIC) of 5.3%, falling short of the target of approximately 6% and a return on equity (ROE) of 7.7%, we have achieved our targets for financial stability indicators ahead of schedule, recording a net asset ratio of 46.4% and a debt-to-equity (D/E) ratio of 0.61. What is important here is to recognize that these figures are merely milestones in the medium to long term. Although our price-to-book (P/B) ratio has risen compared to previous levels, it remains below 1. In my view, we have just reached the starting line for further growth investment and for achieving our vision for fiscal 2030 toward corporate value improvement over the medium to long term.

We are also seeing solid progress with KOBELCO-X, which aims to encourage all Group employees to proactively embrace challenges and seek ways to improve their daily work and workplace environments. Over the past two years, we have focused our efforts on instilling this mindset Groupwide by communicating management's intentions directly to employees through internal events and dialogue sessions. Now, I notice a growing sentiment among our employees, along with greater initiative to take on new challenges and a stronger aspiration to try something new. I believe this momentum will be a driving force for our continued growth into the future.

Corporate transformation cannot be implemented by management alone. It requires each employee to engage with their own work and workplace, learn from the past, examine the present, and look toward the future, all while taking action to improve what is right in front of them. This accumulation of efforts will lead to transformation across the entire Group.

Our Group has set out on a path toward the next stage of growth, with initiatives to both strengthen our financial base and foster an individual shift in mindset among employees. The final year of the current Medium-Term Management Plan is a crucial period for further building on this momentum and carrying it forward into the next medium term, which will begin in fiscal 2027.

Seizing Shifts in Business Environment and Identifying Pathways to Growth Markets

Recent developments in the business environment have diverged significantly from the assumptions underlying our current Medium-Term Management Plan. Globally, geopolitical risks, including the situations in Ukraine and the Middle East, are escalating, along with other risk factors such as U.S. tariff policies and the slowdown in the Chinese economy. Meanwhile, Japan faces a continued decline in domestic demand, as well as growing labor shortages and ongoing shifts in demand structure due to a declining birthrate and aging population. These changes are affecting the Group's business operations in various ways.

Message from the President and CEO

As the world is changing at a faster pace than ever before, our Group must pursue further growth. To achieve this, it is important to stay grounded and steadily move forward with each initiative, while carefully assessing feasibility and economic rationality without being overly optimistic or unduly pessimistic about changes in the business environment. Especially in these times of rapid change, we must consistently examine our business situation in a level-headed manner and consider how we can provide value to markets with future growth potential.

Regarding carbon neutrality, its long-term importance remains unchanged; however, we have now entered a phase that requires a realistic approach to implementation, based on the progress on technical challenges and economic feasibility. While our Group's initiatives to reduce CO₂ emissions by 30% by fiscal 2030 are making concrete progress, significant challenges remain—both from a technological and economic feasibility perspective—in achieving carbon neutrality by 2050. In May 2026, we released an updated roadmap to carbon neutrality. We will continue to explore optimal solutions to these challenges by evaluating a wide range of potential options.

Assessing Market Shifts and Capturing Growth Opportunities Across Business Domains

In fiscal 2025, while the materials businesses continued to face a challenging demand environment, the machinery

businesses increased profits by achieving higher sales in service projects and steadily capturing demand from the energy sector. Overall, ordinary profit reached 121.3 billion yen; however, uncertainties are expected to persist into fiscal 2026.

In particular, the materials businesses are facing not only a persistently low level of demand, but also an acceleration of this downward trend. Although efforts are being made to improve profitability in each of the Group's businesses, it has become necessary to drastically review business operations to attain fundamental solutions. In response to this situation, we are working to strengthen our business competitiveness over the medium to long term by clarifying the Group's strengths and exploring a broad range of options, including collaboration with other companies, rather than insisting on developing solutions independently. In June 2026, Kobe Steel reached a basic agreement with Nippon Light Metal Holdings Co., Ltd., the parent company of Nikkeikin Aluminum Core Technology Co., Ltd., on the integration of aluminum extrusion businesses. In September 2026, Kobelco Wire Company, Ltd. became a wholly owned subsidiary of Kobe Steel. Various measures like these are already being implemented in both the steel and aluminum businesses, and efforts will continue to establish an optimal business structure to improve profitability.

As an organizational effort, it is also important to explore markets with growth potential from a Groupwide perspective, rather than having each business division

respond to market changes individually. We should not confine ourselves to simply extending the operations of our existing businesses; instead, we need to break down the boundaries of materials, machinery, and electric power, and assess where the integration of our Group's technologies and expertise would create greater value.

For example, while the EV market is growing at a slower pace than initially anticipated, future growth is expected in areas such as aerospace, defense, semiconductors, and solutions to labor shortages. To allocate resources toward growth opportunities while monitoring changing demand, it is essential for our Group to explore the optimal integration of our technologies, businesses, and human resources in those areas, taking a broader view of the market. In some markets, we may be able to contribute through our materials technologies, while in others, our expertise in machinery, welding, plant engineering, and services may prove valuable. Improving the profitability and competitiveness of each business is certainly important. Beyond that, identifying specific value our Group can provide to each market is essential for our next stage of growth.

In a rapidly changing business environment, it is not enough to make decisions based solely on past trends. We need to calmly assess market changes and direct our Group's strengths toward growing markets, ensuring both feasibility and economic rationality. This will be a key initiative for our future growth.

Message from the President and CEO

Kobelco Group's Unique Value Creation Begins with Customer-Centric Solutions Through Integration of Our Diverse Assets

How can we demonstrate our Group's unique value in growth markets? We believe the starting point is always the customer.

Throughout our 120-year history, we have consistently addressed our customers' needs and concerns, working together to find solutions. This approach has enabled us to expand into a wide range of fields, including materials, welding, machinery, and electric power. However, what matters most is not just the breadth of our business lines. The true source of the Kobelco Group's unique value creation lies in our customer-centric approach, which integrates our technologies and expertise to deliver even better proposals.

Our Group has a long history of collaborating with customers across a diverse range of industries, including shipbuilding, automotive, aircraft, and energy. We have businesses that supply materials to customers, as well as others that engage from different angles, such as welding, machinery, plants, components, and services. In other words, a distinctive feature of the Group is that multiple business divisions can bring together technologies and expertise from various perspectives to address the challenges faced by the same customer.

This does not mean compensating for the weaknesses of individual businesses. Each business must be

competitive in its own market to begin with. By combining their strength to develop customer-centric solutions, we can provide greater value. Rather than accepting our customers' requests at face value, we strive to identify the underlying issues behind them and find solutions through unique combinations only our Group can offer. This is where the potential for the Kobelco Group's unique value creation lies.

For example, when a customer comes to us and says, "We need A," we don't just provide A—we consider whether combining A with B could generate even greater value. By leveraging the technologies and expertise from our various businesses, encompassing materials, welding, machinery, plant engineering, and services, we can address challenges and unlock possibilities that customers themselves may not yet recognize.

Such efforts to deliver value to customers across business divisions have already begun. One example is in the semiconductor industry, where our Group provides a broad lineup of products, including materials, components, machinery, and inspection equipment. By integrating the technologies of various business divisions, we are working to develop new products that meet customer needs.

For details, please refer to the roundtable discussion on semiconductor market strategy on pages 30–33.

Along with the growth of each division's business, we are also working to provide solutions for our customers' challenges by leveraging our technologies and expertise



Groupwide. The accumulation of these efforts will drive the Group's next stage of growth. This is not about just adding things from different businesses—it's about creating value in our Group's unique way, starting from customers' needs and integrating our technologies and expertise to deliver distinctive solutions.

Message from the President and CEO

Taking Steps Toward Transformation, with KOBELCO-X as Our Common Language

The driving force behind our value creation is, above all, our people. My wish is for every member of the Group to take pride in and feel attached to the Company, their departments, and the businesses they are involved in. Rather than simply passing completed tasks to the next operation, it is important to add your own unique value before handing them off to the next person in charge or the subsequent process. The accumulation of these actions supports the Group's value creation. This is why we launched KOBELCO-X. I see this initiative as vital because I believe that the power to transform a company does not come from management policies alone. While it is essential for management to set the direction, it is each and every employee who interacts directly with customers, manufactures products on the production floor, and carries out day-to-day operations. When each person strives to improve their own work or workplace and take action different from yesterday, this ultimately drives transformation across the entire Company.

KOBELCO-X encompasses a broader realm beyond organizational changes or large-scale projects. It is a common language that enables each employee to reflect on their current work and workplace, consider what they can do to make things better, and take a step in a new direction. It doesn't require anything extraordinary. The key is to take a fresh look at how you operate in your own

workplace, adopt best practices from different business sites, and seek ways to serve customers faster and better. These everyday actions are all part of KOBELCO-X.

In addition, creating the right environment is also essential for employees to continue taking on new challenges with a positive attitude. We are developing an environment where employees can fully utilize their abilities through various initiatives, such as leveraging AI, creating a training environment where employees can learn whenever they want, and building more comfortable workplace. However, simply improving the environment is not enough to drive transformation. What matters most is a mindset where each employee focuses not on the reasons why something cannot be done, but on what they can do, and strives to make positive progress.

Organizational change isn't possible if we simply continue doing things the way that have always been done. True transformation comes from striving for improvement—learning from the past, reflecting on the present, and looking ahead to the future. I believe the actions which bring about such changes embody KOBELCO-X.

Taking on challenges doesn't always guarantee success. Even so, it is important not to let the fear of failure hold us back. Instead, we should learn from our experiences and use those lessons to guide our next actions. When employees feel empowered to say, "This is my own version of KOBELCO-X," transformation will become part of the culture of the entire Group, expanding

beyond specific departments or projects. Each employee's effort—even a small one—to make their work better adds up and helps us transform our Group into an even stronger organization.



1. Transformation

- Each employee will engage in transformation initiatives through their respective duties.

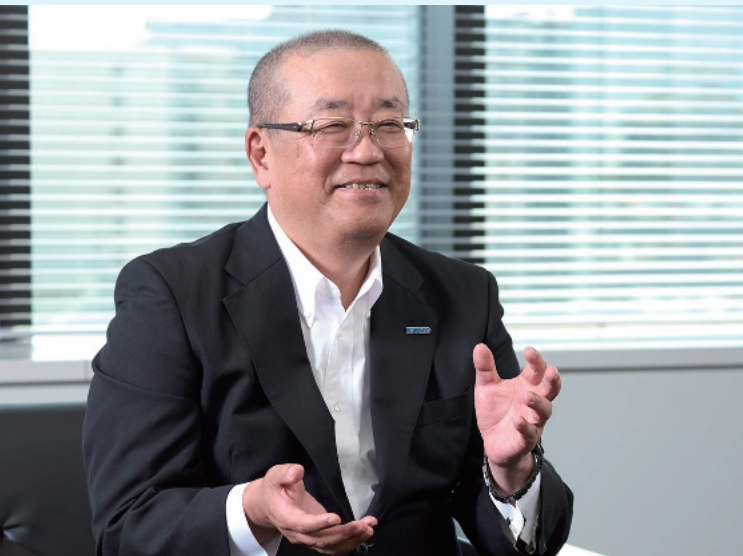
2. "Intersection" of various activities

- Transformation initiatives are not individual efforts but have many intersecting points with one another.
- Transformation will be advanced through collaboration without project boundaries.

3. "Integration" unique to KOBELCO

- Transformation will be achieved by integrating Kobelco Group's diverse assets across business divisions.

Message from the President and CEO



Transforming into Appealing Corporate Group by Building on Achievements

Our current Medium-Term Management Plan sets forth the goal of transforming into an appealing company. Although we are still in the process, we are working to move closer to this goal by implementing various measures as I have explained earlier, including strengthening our financial base, defining target growth markets, creating value from the customer's perspective, and steadily building on changes in each employee's actions through KOBELCO-X to make this a reality.

In my view, an “appealing company” is one that is appealing to all stakeholders—not only our shareholders and investors, but also customers, business partners, Group employees, local communities, and even those considering a career with our Group. The specific meaning of “appeal” differs depending on each stakeholder's perspective—stable earnings and returns for shareholders and investors; consistent provision of valuable products and services for customers; stable operations and contributions to the region for local communities; and a comfortable work environment with improved compensation and benefits for employees.

We consider it important for employees to view the enhancement of corporate value as something that directly concerns them. As one initiative to support this, we have introduced a stock incentive program through our employee stock ownership plan. The purpose is not simply to have employees hold shares in the Company. Rather, my sincere hope is to provide an opportunity for them to reflect on how their daily work and decisions are connected to our corporate value and to the evaluations made by shareholders and investors.

When each employee takes personal ownership of the Company's growth and the enhancement of corporate value, and actively shares constructive opinions and suggestions, it becomes a tremendous strength for the organization. Taking an interest not only in one's own department but also in the activities of other businesses and the entire Group will lead to advancing further value

creation and wider implementation of KOBELCO-X across business domains. I believe that being an appealing corporate group is measured not only by external evaluations but also by our employees' ability to take pride in and feel a sense of ownership for the Company.

That is why we must tackle each challenge head-on and continue to build up our achievements. Over our Group's 120-year history, we have faced challenges such as quality-related incidents, fluctuations in earnings, and periods without dividend payments. As we remember what we have gone through, we must add new pages of accomplishments to our history, restoring and further strengthening trust in our Company.

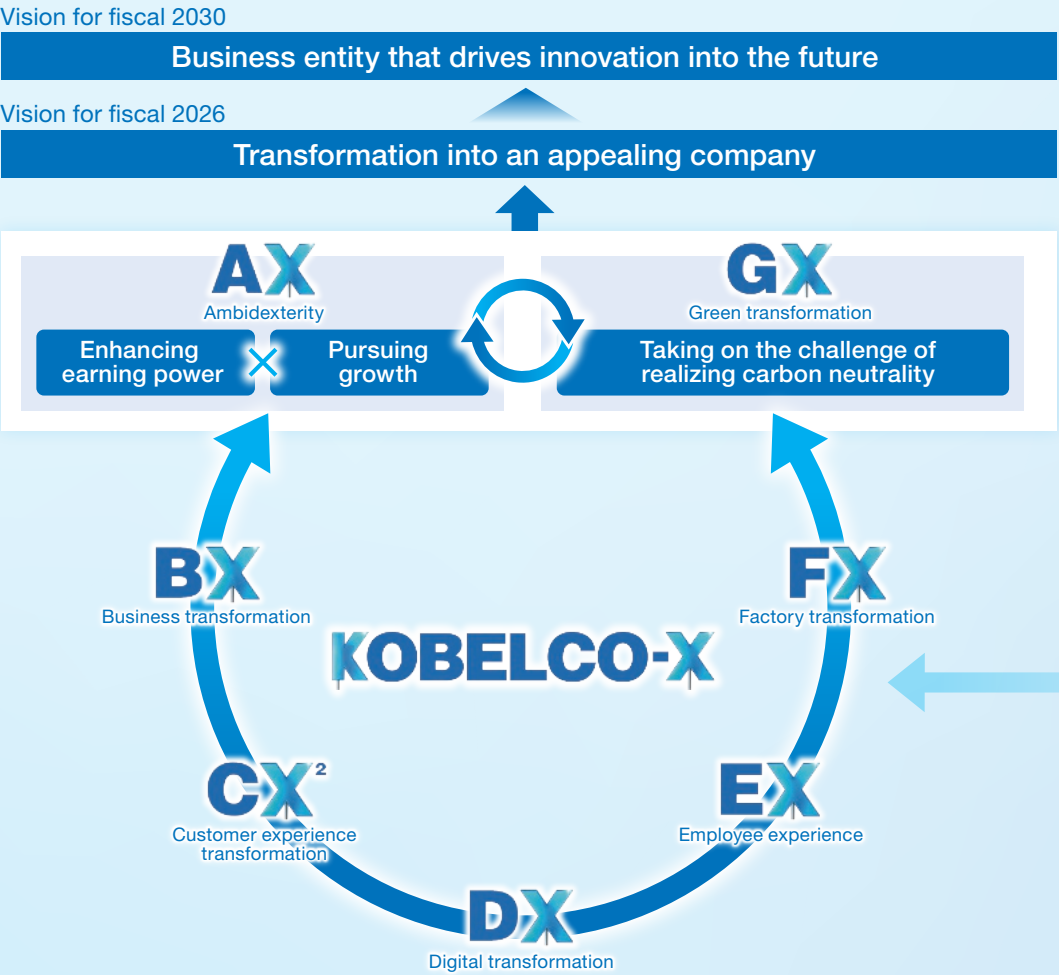
Instead of making bold projections about dramatic earnings growth, we should focus on securing stable profits, consistently delivering returns to shareholders, and addressing future challenges one by one. Through these steady efforts, we aim to bring greater clarity and confidence to our future.

The Kobelco Group has set its fiscal 2030 vision of becoming a business entity that drives innovation into the future. To achieve this, each employee must think and act independently, continuously providing new value to customers and society. By transforming into such a corporate group, we will 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 stated in our Group Corporate Philosophy.

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

The Kobelco Group has established its fiscal 2030 vision to become a business entity that drives innovation into the future. Achieving this requires organizational transformation, ensuring that we are recognized as an appealing company by our stakeholders.

Toward this end, our Group has identified seven key transformation initiatives, collectively called KOBELCO-X.



The Framework of KOBELCO-X

- Each X initiative is interrelated and designed to maximize synergy by fostering links among them.
- The goal is to achieve the transformation into an appealing company by creating new value through cross-divisional collaboration and by promoting the integration of various organizational initiatives.

Two Xs (AX and GX), focused on priority issues, are essential elements for formulating and promoting business strategies

AX and GX correspond to the priority issues set out in the Medium-Term Management Plan, forming the two pillars of the Group's business strategy.

+

Four Xs (BX, CX², EX, and FX), the driving force for realizing business strategies, and DX to support them

- Five Xs are initiatives linked to the implementation of sustainability management required to address our priority issues.
- Along with various organizational initiatives, individual efforts are also mobilized to drive transformation across the entire Company.

Five Transformation Initiatives to Achieve AX and GX

AX and GX in KOBELCO-X are aligned with the priority issues of the Kobelco Group Medium-Term Management Plan (Fiscal 2024–2026). Achieving AX and GX requires transforming key aspects of our business operations, specifically in the areas identified as BX, CX², DX, EX, and FX. All five transformations (Xs) 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 growth rates	Improve profitability
BX Business transformation	<ul style="list-style-type: none"> 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). 		●						●	●
CX² Customer experience transformation	<ul style="list-style-type: none"> CX² considers all customers as “Kobelco Group’s customers” and promotes efforts to 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. 	●			●	●			●	●
DX Digital transformation	<ul style="list-style-type: none"> 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 DX that contributes to the realization of other transformations. 	●	●	●	●	●		●	●	●
EX Employee experience	<ul style="list-style-type: none"> 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, diversity and inclusion (D&I) development, and human resources development. 		●						●	●
FX Factory transformation	<ul style="list-style-type: none"> FX could have a significant impact on the business activities of our Group with its primary function as a manufacturer. FX contributes to CX² 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. 	●		●	●		●	●		●

Highlights of This Integrated Report

Unraveling Kobelco Group's Present and Future with Five Questions

Q1 What are the Kobelco Group's "comprehensive strengths," and what value do they create?

Highlights This report explains how our materials, machinery, and electric power businesses work together to create new value through our customer-centric approach, presenting our initiative in the semiconductor industry as an example of our Group's unique collaboration across business divisions.

➔ **Relevant section:** 01 Kobelco Group's Value Creation (Pages 19–33)

Q2 What transformations are envisioned toward 2030?

Highlights This report outlines our transformation into an appealing company—the main theme of the current Medium-Term Management Plan (Fiscal 2024–2026)—along with the seven KOBELCO-X transformations designed to achieve this goal. It also describes the specific initiatives and progress under the Medium-Term Management Plan.

➔ **Relevant section:** KOBELCO-X (Pages 11–12) and 02 Management Strategy for Value Creation (Pages 35–42 and 58–61)

Q3 What is the Kobelco Group's strategy for achieving carbon neutrality in its steel and electric power businesses?

Highlights This report presents our realistic and steady measures, including specific strategies for reducing CO₂ emissions in the ironmaking process, as well as a roadmap for ammonia co-firing in the electric power business. It also includes the introduction of our technologies, products, and services that contributes to reducing CO₂ emissions.

➔ **Relevant section:** 02 Management Strategy for Value Creation (Pages 43–49)

Q4 What approach is being taken to address the declining P/B ratio and cost of capital from a financial perspective?

Highlights Amid increasing demands for management that is conscious of cost of capital and stock prices, this report introduces our initiatives to enhance corporate value—such as promoting ROIC-based management, pursuing growth investments, and approaches to shareholder returns—and also explains our dialogue with the capital market.

➔ **Relevant section:** 02 Management Strategy for Value Creation / Financial and Capital Strategy to Accelerate Growth (Pages 50–55) and Dialogue with the Capital Market (Pages 56–57)

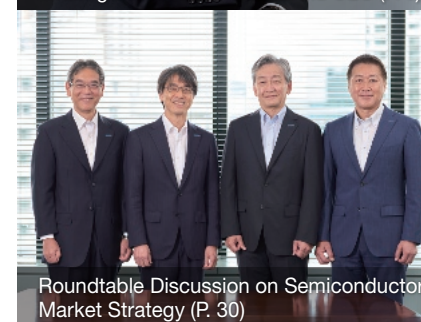
Q5 After 120 years of history, what changes lie ahead for Kobelco Group's people and organization?

Highlights This report outlines how we are advancing organizational transformation to become a business entity that drives innovation into the future—by creating an environment where each employee can perform to the best of their abilities, investing in human capital, and promoting the active participation of diverse talent.

➔ **Relevant section:** 03 Business Foundation for Value Creation / Human Resources Strategy and Employee Experience Improvement (EX) (Pages 68–71)



Message from the President and CEO (P. 5)



Roundtable Discussion on Semiconductor Market Strategy (P. 30)



Message from the CFO (P. 50)



Roundtable Discussion Among Outside Expert, Executive Vice President, and Independent Directors (P. 58)



Message from the Chair of the Board of Directors (P. 87)

CONTENTS

- 5 Message from the President and CEO
- 11 KOBELCO-X: Seven Transformation Initiatives to Achieve the Medium-Term Management Plan
- 12 Five Transformation Initiatives to Achieve AX and GX
- 13 Highlights of This Integrated Report
- 15 Group Corporate Philosophy
- 16 Promoting the Implementation of the Group Corporate Philosophy: Core Values of KOBELCO—Next 100 Project

01 Kobelco Group's Value Creation

- 19 Overview of the Kobelco Group
- 21 History of the Kobelco Group
- 23 Value Creation Process
- 24 Our Management Capital
- 26 Priority Issues for Increasing Corporate Value (Identification of Materiality)
- 27 Business Model
- 28 Creation of Social Value Through Technologies, Products, and Services
- 29 Customer Business Domains and Kobelco Group's Business Segments
- 30 Roundtable Discussion on Semiconductor Market Strategy

02 Management Strategy for Value Creation

- 35 Assessment of Changes in the Business Environment
- 36 Transformation for the Future We Envision
- 37 Medium-Term Management Plan (Fiscal 2024–2026)
—Transforming into an Appealing Company
- 38 Review of the Medium-Term Management Plans over the Last Decade
- 39 Actions Toward Becoming an Appealing Company
- 40 Ambidexterity (AX): Enhancing Earning Power and Pursuing Growth
- 43 Green Transformation (GX): Taking on the Challenge of Realizing Carbon Neutrality
- 46 Climate-Related Disclosures Based on TCFD Recommendations
- 50 Financial and Capital Strategy to Accelerate Growth
- 56 Dialogue with the Capital Market
- 58 Roundtable Discussion Among Outside Expert, Executive Vice President, and Independent Directors

03 Business Foundation for Value Creation

- 63 Leveraging Non-Financial Capital to Achieve Business Strategy
- 64 Materiality-Related Non-Financial KPIs
- 66 Environmental Management
- 67 Biodiversity
- 68 Human Resources Strategy and Employee Experience Improvement (EX)
- 72 Business Transformation (BX)
- 73 Human Rights
- 74 Factory Transformation (FX)
- 75 Quality
- 76 Safety and Health
- 78 Technical Development and Intellectual Property Strategy
- 79 Technical Development Strategy
- 80 Intellectual Property Strategy
- 81 Digital Transformation (DX)
- 83 Customer Experience Transformation (CX³)
- 84 Building Responsible Supply Chains
- 85 Providing Value and Communicating with Stakeholders

04 Governance for Value Creation

- 87 Message from the Chair of the Board of Directors
- 90 Directors
- 91 Corporate Governance
- 102 Message from the Chair of the Audit & Supervisory Committee
- 103 Compliance
- 104 Risk Management

05 Operating Results by Segment

- 106 Steel & Aluminum Business
- 107 Advanced Materials Business
- 108 Welding Business
- 109 Machinery Business
- 110 Engineering Business
- 111 Construction Machinery Business
- 112 Electric Power Business

06 Data Section

- 113 10-Year Financial and Non-Financial Data
- 115 Results by Operating Segment
- 117 Corporate Profile and Stock Information

Period Covered

Covers fiscal 2025 (from April 1, 2025 to March 31, 2026). Please note that this Integrated Report may refer to fiscal years before and after the period when necessary.

Guidelines Referenced

- Sustainability Reporting Standards of the Global Reporting Initiative (GRI)
- International Integrated Reporting Framework (IFRS Foundation)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI)

Disclaimer Regarding Forward-Looking Statements

This Integrated Report contains forward-looking statements about the Company's forecasts, beliefs, expectations, aims, and strategies. These statements represent judgments and assumptions based on information available prior to the publication of this report. Actual results may differ from what was predicted due to various factors. Kobe Steel assumes no responsibility for revising these statements or other contents in this report.

Kobelco Group's Information Scheme

Information Tools	Type of Information Provided	
	Financial information	Non-financial information
Integrated Report	https://www.kobelco.co.jp/english/ir/integrated-reports/	●
ESG Data Book	https://www.kobelco.co.jp/english/sustainability/esg.html	●
Annual Securities Report (in Japanese only)	https://www.kobelco.co.jp/ir/securities-report/	●
Financial Results	https://www.kobelco.co.jp/english/ir/results/	●
Business Reports, Consolidated Financial Statements, and Non-Consolidated Financial Statements	https://www.kobelco.co.jp/english/ir/meeting/	●
Corporate Governance Report	https://www.kobelco.co.jp/english/sustainability/governance.html	●
Kobe Steel corporate website	https://www.kobelco.co.jp/english/	●

The people featured on the cover, cover story (page 1), and opening illustrations (pages 18, 34, 62, 86, and 105) are recipients of Kobelco Awards 2025.

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

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

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 employees to recognize and empathize with it, propelling them to the next level of active participation and practice, with the aim of having such actions of each individual grow into our corporate culture and take firm root in the organization. Building on the milestone of our 120th anniversary in September 2025, we are further strengthening efforts to foster understanding of the Group and its commitment to harmonious development with the local community.

Promoting the Shift from Recognition to Empathy

To promote the implementation of the Group Corporate Philosophy, it is essential for each and every employee to have both recognition and empathy for the Kobelco Group. To continue as a business entity that embraces new challenges for the future, we are taking various measures while ensuring that the quality-related misconduct of 2017 is never forgotten.

Dialogue Sessions Between Senior Executives and Employees

In dialogue sessions, the president and CEO and other senior executives speak directly to employees, sharing their commitment to transformation and related policies. These sessions take place either through in-person visits to business sites or virtual all-hands meetings.

● Dialogue with the President and CEO at Business Sites

In fiscal 2025, the president and CEO visited seven locations, including domestic Group companies, and held dialogue sessions with approximately 120 employees in total. He also exchanged opinions with on-site staff during plant tours and social gatherings, engaging with many employees.



● Large-Scale Online Dialogue Sessions (Kobelco Gatherings)

Online dialogue sessions with the president and CEO and relevant executive officers are held for all employees. At the fiscal 2025 event, which was attended by 2,500 employees, the president and CEO explained the management plan and its progress, while executive officers shared their perspectives on the promotion of DX as part of KOBELCO-X. In dialogue sessions, great importance is placed on direct interaction with employees, including real-time Q&A sessions. This event, where the president and CEO and executive officers explain pertinent topics in their own words, has garnered significant interest from employees.



Kobelco Core Values Place

Kobelco Core Values Place was established in 2019 within the Kobelco HRD Center in Kobe as a facility to remember the past quality-related misconduct and pass on the lessons learned to future generations. Online virtual visits and satellite facilities are also utilized to promote visits by all Group employees. In 2025, we renovated the facility reflecting visitor feedback. In total, 50,000 people have visited so far.



Kobelco Core Values Month

We have designated October as Kobelco Core Values Month to ensure that the past quality-related misconduct is never forgotten and to reaffirm that compliance is a key element of our business foundation. Starting with Core Values Month, we hold Dialogue Platforms for the entire Group every year.

Kobelco Core Values Day

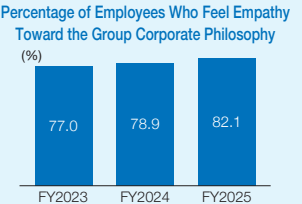
We have designated March 6th, the day the final report was announced, as the day we pledged to prevent the recurrence of quality-related misconduct. Every year, the president and CEO shares a message with employees and various events are held on this day.

■ Empathy with the Group Corporate Philosophy (Employee Awareness Survey)

The employee awareness survey assesses how much employees resonate with the Group Corporate Philosophy. Compared to the previous survey, empathy has improved, with over 80% of employees responding that they empathize with 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 Implementation of the Group Corporate Philosophy

Core Values of KOBELCO—Next 100 Project

Promoting the Shift from Participation to Practice

To promote the implementation of the Group Corporate Philosophy, we are not only fostering recognition and empathy, but also promoting initiatives that help each employee turn their engagement into concrete actions aligned with the philosophy.

Declaration of Pledges by Senior Executives and Employees

This initiative encourages every individual to declare their pledges. The declaration of pledges by all executives is shared 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-related misconduct from being forgotten, and (3) Promoting two-way communication in the organization. To foster deeper two-way communication during Dialogue Platform sessions, we conduct pre-training for line managers within the Group who serve as facilitators. Approximately 600 line managers received the training in fiscal 2025.



For Dialogue Platforms held overseas, we also conduct pre-training for employee facilitators in each region, promoting dialogue among local employees. When the president and CEO or executive officers visit Kobelco's overseas business locations, they hold dialogue sessions to engage in direct communication with employees.



■ Implementation of the Group Corporate Philosophy (Employee Awareness Survey)

The employee awareness survey assesses the implementation of the Group Corporate Philosophy among employees. Compared to the previous survey, the level of implementation has improved, with over 80% of employees responding that they are able to act in line with 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.



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 2025, which marked the seventh year, 127 entries were submitted from Japan and abroad, with 14 selected for awards, including the Grand Prix.



Kobelco Awards

We established the Kobelco Award in fiscal 2025 as a platform to reaffirm the value of actions based on the Group Corporate Philosophy, consolidating award ceremonies that had previously been held separately. This Groupwide event also provides an opportunity to share the achievements and aspirations of award recipients from various internal and external awards.

On the day of the awards ceremony, the event was live-streamed to the entire Company, showcasing how recipients exemplify the Group Corporate Philosophy through presentations and interviews that shared the background stories of the award winners. Around 720 employees participated online and about 250 attended in person, making the awards ceremony an opportunity to deepen the Group's sense of solidarity and shared values.



Kobelco's Neo-Haru Action (Social Contribution Activity Website)

With a deep commitment to local communities, the Group engages in social contribution activities around the world. We launched the website Kobelco's Neo-Haru Action to widely disseminate information about these initiatives. This website primarily introduces community-based activities (Neo-Haru) undertaken proactively by the Group's employees. This helps promote understanding of the Group's social contribution activities and enhances our information dissemination efforts toward harmonious development with local communities.

For details, please visit the following website or scan the QR code. <https://neoharu.kobelco.co.jp/>
(in Japanese only)

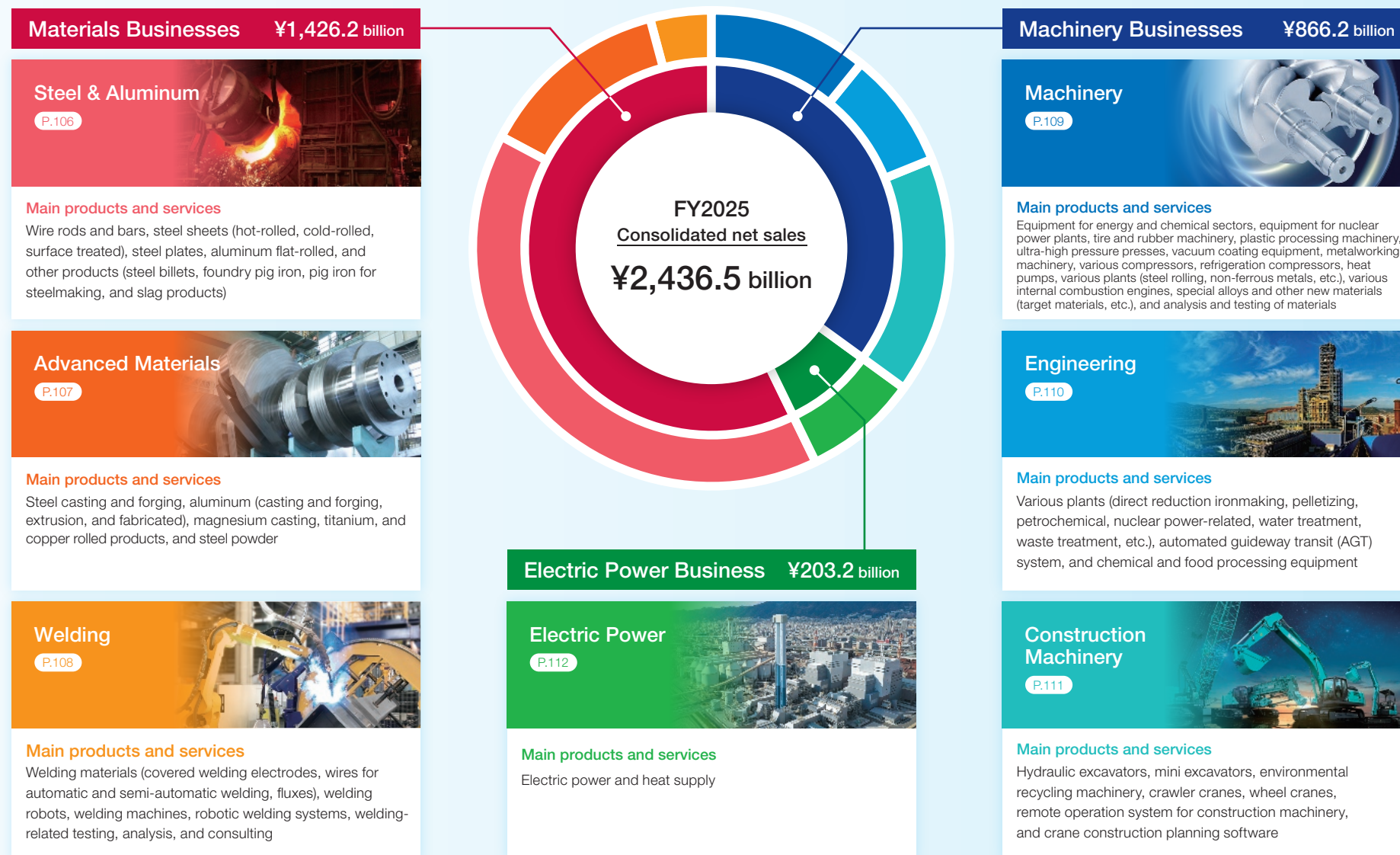




01

Kobelco Group's Value Creation

Overview of the Kobelco Group



Note: Consolidated net sales for fiscal 2025 include 5.8 billion yen from other businesses.

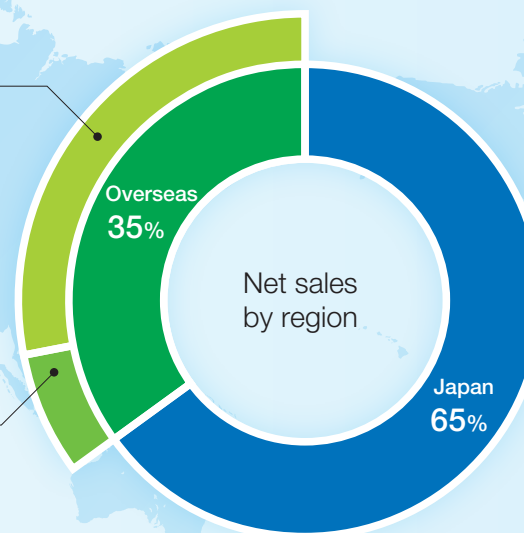
Overview of the Kobelco Group

Finance

Capital ¥250.9 billion	Net sales ¥2,436.5 billion	Total assets ¥2,865.1 billion
Capital investment (payment basis) ¥124.4 billion	Non-current assets ¥1,020.9 billion	Social contribution activity expenses Approx. ¥0.9 billion

Other regions
28%

U.S.
7%



Human Resources

Number of employees (consolidated) 38,614	Global operations 24 countries	Affiliate companies 232
Percentage of employees returning from childcare leave 98.6%	Percentage of female managers 3.8%	



Technology

Research and development expenses ¥46.6 billion	Number of intellectual property rights owned 7,400	21 core technologies
Reduction of CO ₂ emissions in production processes 23% reduction (compared to FY2013)	Contribution to reduction of CO ₂ emissions through technologies, products, and services 67.42 million tons	By-product recycling rate 98.4%

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.

Note: All years and months in this timeline are given in calendar years.

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

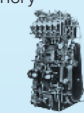
1937 Begins aluminum business

1940 Begins welding business
Japan's first welding electrode production

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 direct reduced iron (DRI) plant business, following the acquisition of Midrex Technologies, Inc. in the United States.

1979 Establishes KOBELCO as international unified trademark

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

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

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 AGT system "KRT" at the Okinawa Ocean Exposition

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

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 to provide solutions for 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

- 2009 Constructs a local production base for construction machinery in India (organizational restructuring)
- 2011 Takes a stake in a company that designs, manufactures, and sells compressors in China

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 Total Quality Management (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 implementing measures, such as the formulation of a new Group Corporate Philosophy and the identification of materiality (medium- to long-term key issues).

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 business 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 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

- 2024 Kansai Coke and Chemicals Co., Limited becomes a consolidated subsidiary
- 2025 Establishes manufacturing and sales company for aluminum sheets for automotive panels in China
- 2026 Nippon Koshuha Steel Co., Ltd. becomes a wholly owned subsidiary; transferred to Daido Steel Co., Ltd.

- 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

Kobelco Group's
Value Creation

Management Strategy
for Value Creation

Business Foundation
for Value Creation

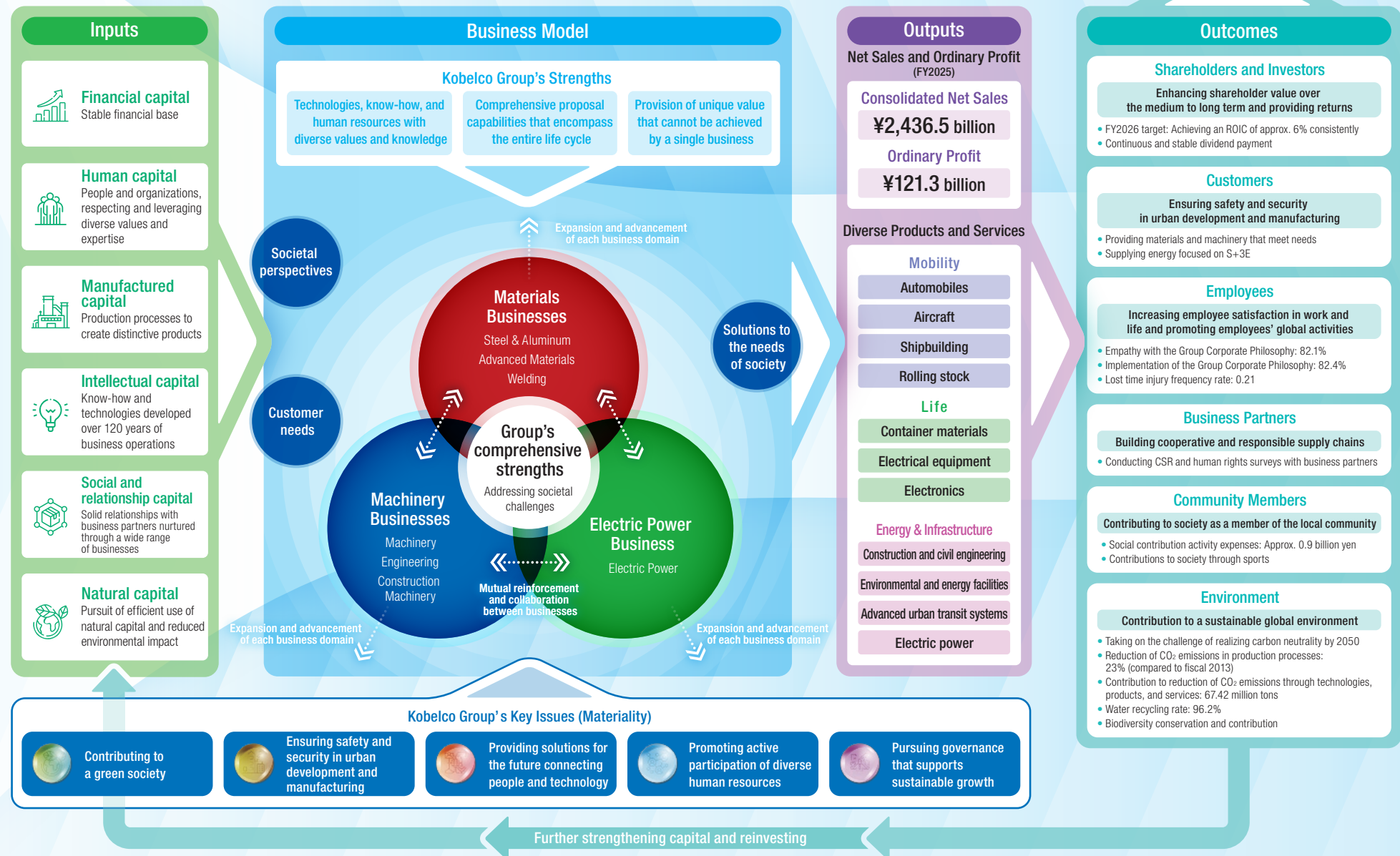
Governance for
Value Creation

Operating Results
by Segment

Data Section

Value Creation Process

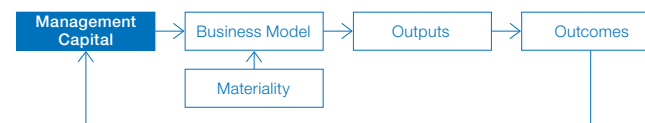
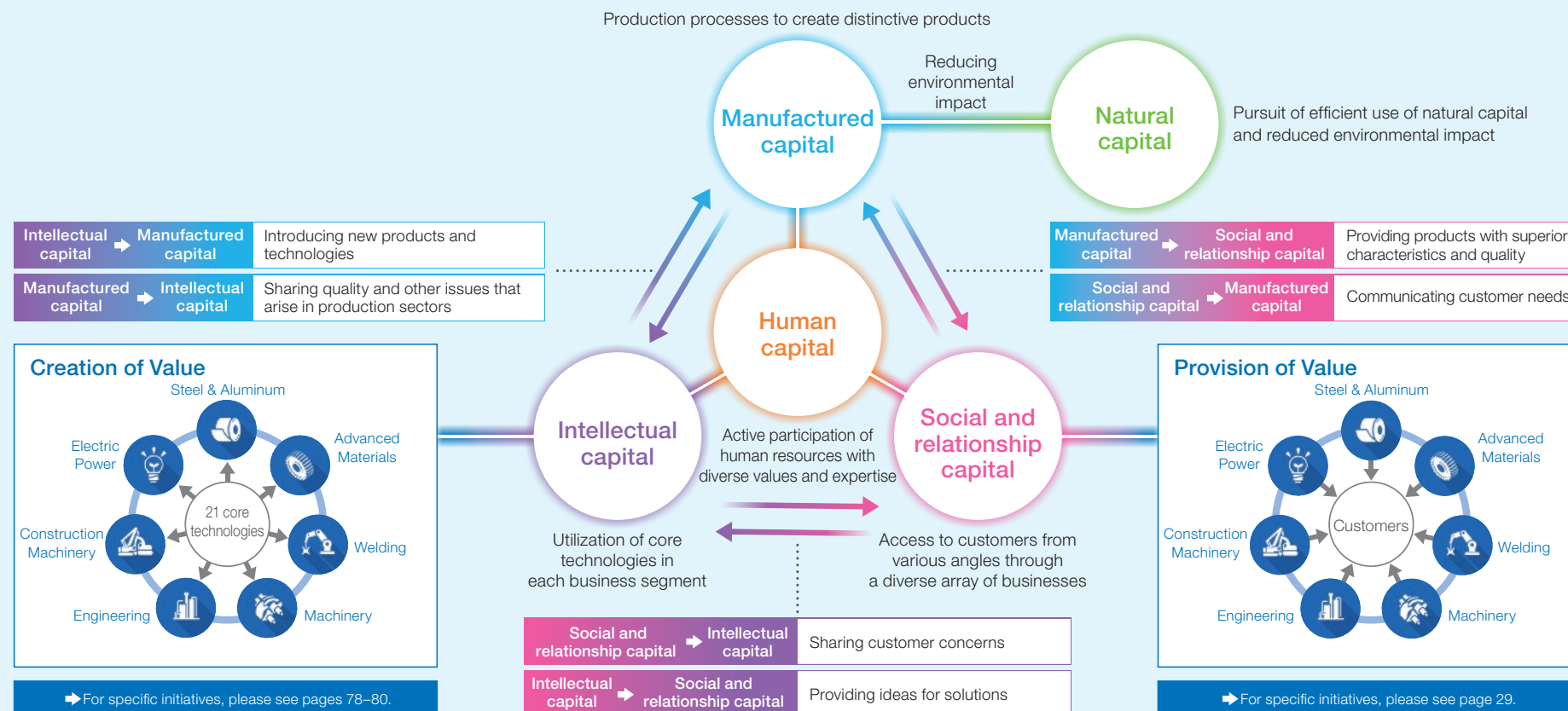
We envision a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives.



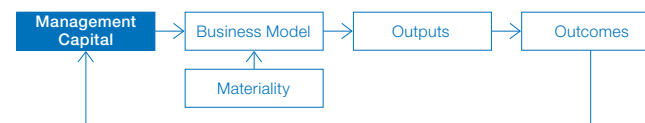
Our Management Capital

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 alone by promoting Groupwide sharing and utilization of the know-how and expertise gained by individuals across different areas of our businesses, as well as updated information obtained from market players and customers.

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.

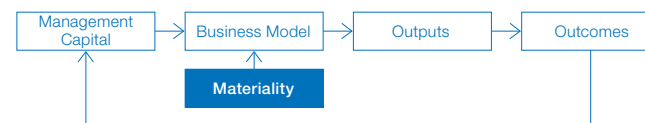


Our Management Capital



	Inputs	Outputs	Capital Enhancement and Other Measures
Financial capital	<ul style="list-style-type: none"> Shareholders' equity: ¥1,062.6 billion Total assets: ¥2,865.1 billion Net asset ratio: 46.4% Interest-bearing debt: ¥769.9 billion (including lease) D/E ratio: 0.61 	<ul style="list-style-type: none"> Net sales: ¥2,436.5 billion Ordinary profit: ¥121.3 billion ROIC: 5.3% 	<ul style="list-style-type: none"> Strengthening earnings structure Reducing low profit assets Improving capital structure
Human capital	<ul style="list-style-type: none"> Number of employees (consolidated): 38,614 Number of non-Japanese employees: 118 	<ul style="list-style-type: none"> Percentage of female managers: 3.8% Percentage of employees returning from childcare leave: 98.6% Lost time injury frequency rate: 0.21 Average hours of training per employee: 50.4 	<ul style="list-style-type: none"> Recruitment of diverse human resources D&I development Job assignment that inspires growth and ambition Compensation based on ability and role Human resources development Promotion of work style reform Enhancement of human rights awareness Creation of safe and healthy workplace
Manufactured capital	<ul style="list-style-type: none"> Capital investment (payment basis): ¥124.4 billion Non-current assets: ¥1,020.9 billion Depreciation: ¥123.9 billion 	<ul style="list-style-type: none"> Crude steel production: 5.81 million Mt (including Takasago Works) Percentage of business sites certified under the Quality Guidelines: 100% 	<ul style="list-style-type: none"> Establishing global production system Transitioning to smart factories with new digital technology Promoting white logistics Providing low-CO₂ and other socially beneficial products
Intellectual capital	<ul style="list-style-type: none"> 21 core technologies Research and development expenses: ¥46.6 billion 	<ul style="list-style-type: none"> Number of intellectual property rights owned: 7,400 Number of new business ideas created: 8 	<ul style="list-style-type: none"> Creating new value by combining core technologies Enhancing intellectual property activities Early development and commercialization of carbon-neutral technologies and products Fostering innovation through industry-academia collaboration
Social and relationship capital	<ul style="list-style-type: none"> Global operations: 24 countries Affiliate companies: 232 	<ul style="list-style-type: none"> Individual dialogue sessions with domestic and international institutional investors and analysts: 247 companies (cumulative total) Social contribution activity expenses: Approx. 0.9 billion yen 	<ul style="list-style-type: none"> Enhancement of dialogue with stakeholders Provision of new value to customers Building of responsible supply chains Contributions to local communities
Natural capital	<ul style="list-style-type: none"> Energy consumption: 178 PJ Water usage: 1,343 million m³ (including domestic Group companies with significant water use) 	<ul style="list-style-type: none"> Reduction of CO₂ emissions in production processes: 23% reduction (compared to fiscal 2013) Contribution to reduction of CO₂ emissions through technologies, products, and services: 67.42 million tons Water recycling rate: 96.2% Discharges of pollutants (COD, total phosphorus) in restricted areas: COD: 220 tons; total phosphorus: 5 tons 	<ul style="list-style-type: none"> Reducing CO₂ emissions in production processes Expanding the use of low-CO₂ products Promoting resource recycling <ul style="list-style-type: none"> Water recycling rate Reduction in discharges of pollutants (COD, total phosphorus) in regulated areas

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 pages 64–65 for specific indicators, targets, and progress regarding materiality.

Process of Identifying Materiality

Step 1

Make a comprehensive list of societal challenges¹

Step 2

- 1 Prioritize issues from the perspective of management intentions and compatibility with business operations

Value creation area

- 2 Prioritize issues based on their impact on business sustainability

Business foundation area

Step 3

Identify five items of materiality after integrating common issues and consolidating similar issues

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 stakeholders

	Identified Materiality	Relevant Management Capital						Specific Actions Implemented Under Business Strategy
		Financial capital	Human capital	Manufactured capital	Intellectual capital	Social and relationship capital	Natural capital	
Value creation area	Contributing to a green society ³	●		●	●	●	●	<ul style="list-style-type: none"> • Response to climate change • Response to resource recycling
	Ensuring safety and security in urban development and manufacturing	●		●	●	●	●	<ul style="list-style-type: none"> • Supplying energy focused on S+3E⁴ • Providing materials and machinery that meet needs
	Providing solutions for the future connecting people and technology		●	●	●			<ul style="list-style-type: none"> • Manufacturing and operational transformation through digitalization (DX) • Integration and innovation of diverse intellectual assets
Business foundation area	Promoting active participation of diverse human resources		●					<ul style="list-style-type: none"> • Enhancing organizational diversity • Creating a work environment where employees can play active roles • Encouraging the growth and initiative of every employee
	Pursuing governance that supports sustainable growth	●				●		<ul style="list-style-type: none"> • Compliance and risk management • Human rights • Safety and health • Quality assurance • TQM

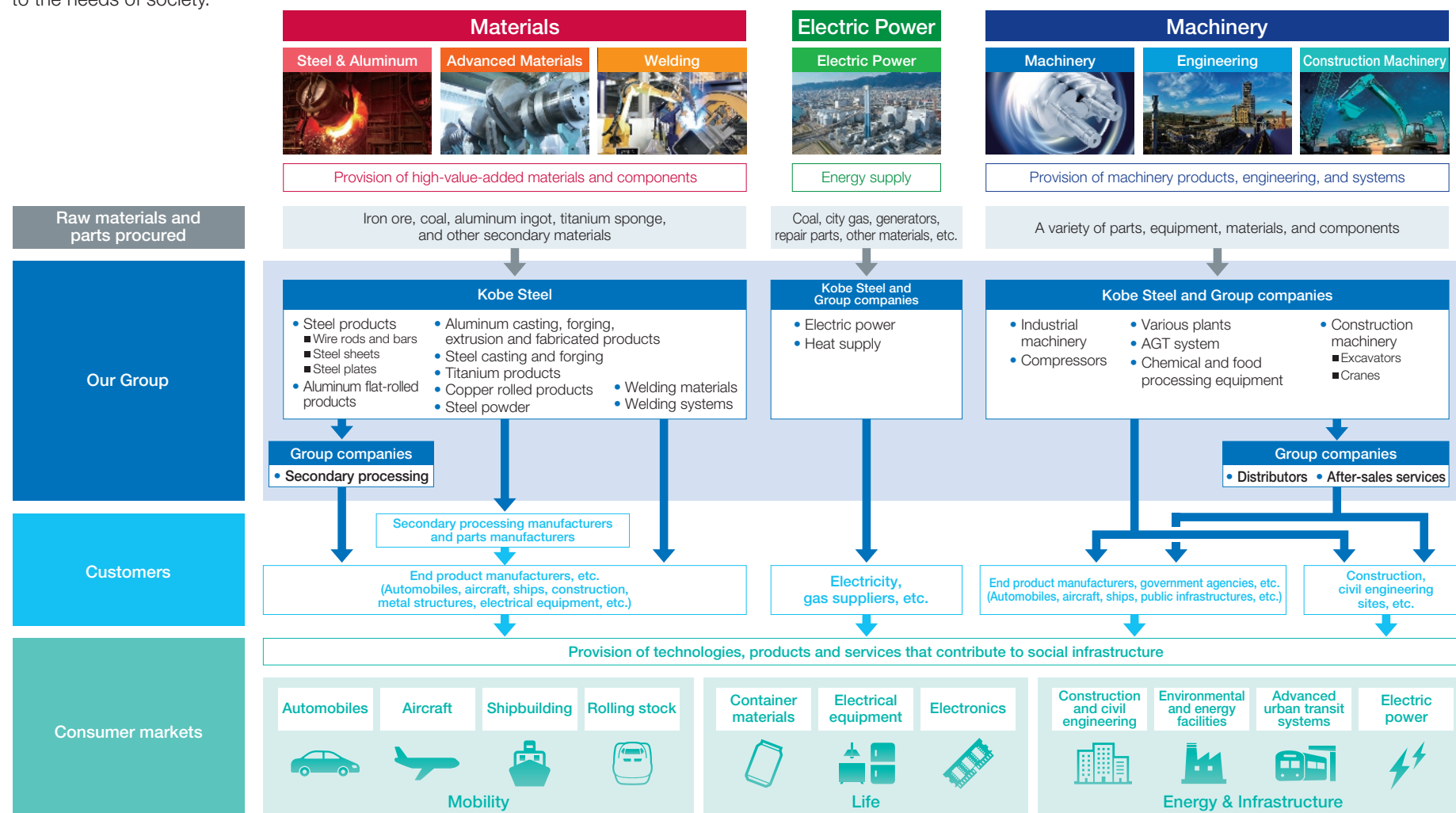
² Including top risks related to environmental laws and regulations, disaster prevention

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.

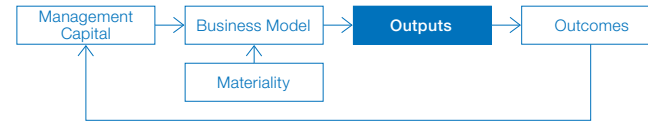
⁴ S+3E: Safety + Energy Security, Economic Efficiency, and Environment

Business Model

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. Toward this end, we leverage our Group's comprehensive strengths to deliver a diverse range of technologies, products, and services, responding to the needs of society.



Creation of Social Value Through Technologies, Products, and Services



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



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

Customer Business Domains and Kobelco Group's Business Segments

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.

In the following pages, we highlight our efforts in the semiconductor industry as an example of cross-divisional collaboration in addressing growth markets.

1 Customer Business Domains and Our Business Segments

		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	●	●	●	●	●		
	Renewable energy	●		●	●	●		
	Direct reduced iron (DRI)	●				●		
	Water treatment and waste treatment					●	●	
	Electric power					●		●

2 Our Products in Growth Markets

	High-performance steel	Aluminum flat rolled products	Titanium	Aluminum castings and forgings	Copper rolled products	Welding systems	Isostatic pressing (IP) equipment	Semiconductor inspection equipment	K-DIVE®
Aviation Space Defense	Megatrend: National security and geopolitical risks								
			●	●			●		
Semiconductor	Megatrend: Technological advancements								
		●		●	●		●	●	
Response to labor shortages	Megatrend: Changing demographics								
	●					●			●

Roundtable Discussion on Semiconductor Market Strategy

Revitalizing the Kobelco

Group's Collective

Strengths Centered

on Semiconductors

Kazuo Iritani

- Director, Executive Officer
- Oversees the Business Development Department

Ryosaku Kadowaki

- Executive Officer
- Head of the Advanced Materials Business

Koichi Sakamoto

- Director, Executive Officer
- Oversees Companywide technical development

Shogo Sarumaru

- Executive Officer
- Head of the Machinery Business

The Kobelco Group, often seen as a steelmaker or a heavy industry company, actually has a wide range of connections to the semiconductor industry in both the materials and machinery sectors. We are now accelerating efforts to integrate the businesses, technologies, and talent that have been developed across the Group and transform them into unique value that only our Group can offer. In this roundtable discussion, we will delve into the strengths of the Kobelco Group and new opportunities that have emerged from our focus on semiconductors.

1 How has the Kobelco Group been involved in the semiconductor industry?

With the rise of AI, data centers, and autonomous driving, the semiconductor industry is drawing attention as a growth market. The Group has long supported the semiconductor industry from both its materials and machinery businesses. Let's begin by exploring our connections to the semiconductor sector.

Kadowaki Our Group's involvement in the semiconductor industry is not a recent development. We engaged in semiconductor manufacturing through a joint venture in the 1990s, and even before that, we had built connections in various forms, such as providing materials and inspection equipment. In the 1980s, our

advanced materials business began supplying copper materials for lead frames¹ used in IC packaging, and today, we are focusing on materials for power semiconductors as well. Although our Group may not be seen as a semiconductor manufacturer, it is true that we have been involved in various aspects of the supply chain.

Sarumaru Our machinery businesses have been developing equipment for the semiconductor industry since the 1990s. The lineup included etching equipment, cleaning equipment using supercritical CO₂, high-pressure annealing equipment—products that were quite forward-looking at the time. Some of these innovations were ahead of their time and did not go on the market. Still, the technology and talent we developed back then now form the foundation of our

current initiatives.

Kadowaki A key feature of our Group today is our involvement across a broad spectrum of semiconductor manufacturing processes. We have touchpoints throughout the supply chain—from upstream to downstream—including machinery products such as wafer² inspection equipment, the High-purity Hydrogen Oxygen Generator (HHOGTM), and chambers, as well as aluminum materials and fabricated components used in manufacturing equipment, and copper materials used in the mounting process. Since we go beyond specializing in any single part of process, we are able to engage with customers from multiple perspectives. I believe this versatility is one of our Group's strength.

Sakamoto The growth potential of the semiconductor market itself is certainly very attractive. With ongoing

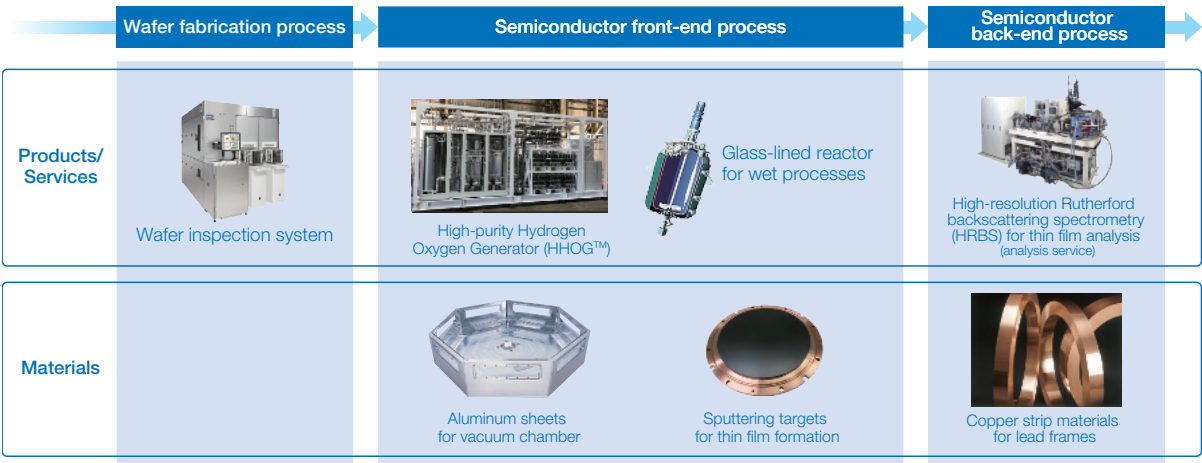
Roundtable Discussion on Semiconductor Market Strategy



advancements in AI data centers, edge AI, and autonomous driving, we believe that demand for semiconductors will continue to grow. Moreover, the industry's technological directions—such as miniaturization, multilayering, and stacking—are relatively clear, along with a well-defined development roadmap. While competition is intense, the market is fairly predictable in terms of upcoming challenges and long-term trajectory. This foreseeability allows our Group to more easily identify where we can add value and where we should focus our efforts.

For more details, please see our corporate website. <https://www.kobelco.co.jp/english/products/industry/semiconductor/>

Examples of the Group's Products Used in the Semiconductor Manufacturing Process



1. Lead frame: A metal component used to connect a semiconductor chip to an external circuit. It conducts electricity within the semiconductor package.
2. Wafer: A thin, disc-shaped material used as the substrate of semiconductor chips, mainly made of silicon.

2 Why is Groupwide collaboration needed now?

The discussion so far has clarified that our Group has diverse touchpoints with the semiconductor industry. The next question is: Why is Groupwide collaboration needed now? The key is that customers' challenges have evolved to a level where they can no longer be solved by individual business divisions alone.

Iritani The first point is how we view our relationships with customers. In the conventional approach, staff from each business division or Group company engaged with customers separately. While this had its merits, addressing increasingly complex challenges—especially in advanced fields like semiconductors—has become difficult through individual optimization alone. Our solution is to shift our perspective and see customers not as belonging to a single division, but as customers of the entire Kobelco Group. This Groupwide mindset enables us to tackle challenges collectively, and it is at this point that the integration of technologies can truly make an impact.

Kadowaki In that sense, sharing customer information is also important. We need to connect the information available within the Group and use it to explore what we can offer as the Kobelco Group.

Sarumaru One symbolic example of this is wafer inspection equipment. Kobelco Research Institute, Inc. has long operated in this field by providing equipment for wafer manufacturers. Looking ahead, demand will increase not only for wafer inspection, but also for a broader range of measurements throughout the device manufacturing process. To address this, we are working to integrate the measurement technologies of Kobelco Research Institute with the manufacturing technologies

Roundtable Discussion on Semiconductor Market Strategy

of Kobe Steel's machinery business to meet new market demands. This collaborative project is finally starting to gain momentum.

Iritani The Semiconductor Working Group is a framework designed to elevate these efforts from the individual level to the entire Company. Business divisions, the head office, technical development departments, and Group companies come together to share information, accelerate decision-making, and discuss the direction the Group should take as a whole. Although there have been interdepartmental collaborations to address individual issues in the past, what sets this initiative apart is that the entire Company is now working collectively to tackle a wider range of challenges faced by the semiconductor industry, spanning everything from idea generation to commercialization.

Sarumaru It has been about four years since we launched the Semiconductor Working Group, and we are finally establishing a framework for commercialization. We have defined specific themes, each structured as a series of steps. At every phase, we offer support and make decisions as needed to ensure effective progress. Among these, one concept that has begun to take shape is the high-durability component. When the internal components of etching equipment are exposed to increased plasma density and energy for higher productivity, they inevitably become more prone to damage. This leads to more frequent replacements and a greater likelihood of generating fine debris known as particles⁴. To address this, we are attempting to create new solutions that combine the film deposition technology of the machinery division, the aluminum substrate and surface treatment technologies of the advanced materials division, and the precision cleaning

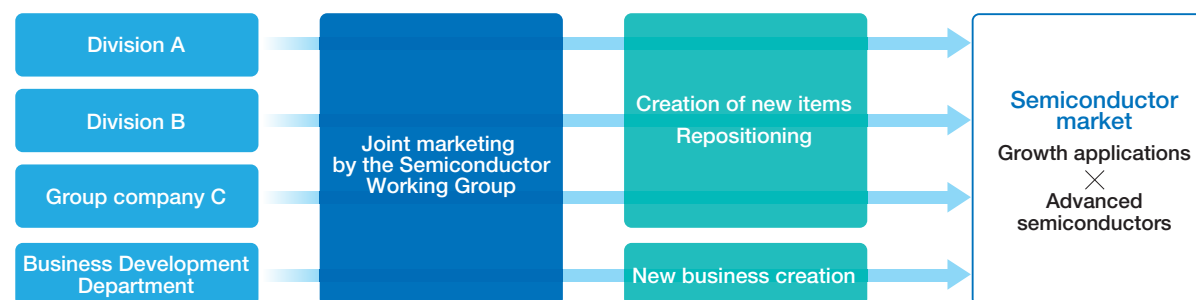
technologies from a Group company. We have now progressed to the stage of presenting samples, with commercialization in sight.

Kadowaki I believe that progress on this theme was made possible because we worked on it Companywide. If we had only approached it from the machinery business perspective, it might have ended as just a contract film coating work. Similarly, if we had sought solutions only from the materials business perspective, we might not have taken it this far. By starting from the customers' challenges, we came to recognize that "this is a theme the Kobelco Group should address together." That realization was significant.

Sakamoto Another example is the high-cooling component. The base plate that holds the wafer during the etching process must simultaneously meet multiple requirements, including low thermal expansion, high thermal conductivity, workability, and bonding capability. Challenges like these simply cannot be solved with a single technology alone. We first break down the necessary requirements and then identify the technologies that can address each one. After that, we reassemble them to form a solution. The answer can



only be found through this back-and-forth process. I believe that is where Kobelco Group's uniqueness lies. In the development of high-durability components, the combination of physical vapor deposition (PVD)⁵ coating and surface technologies including anodizing⁶ is a crucial element. It is only by integrating materials, surface treatment, film deposition, and cleaning that our proposal comes together as a complete solution. This integration across different technologies is where the Group's strengths truly shine.



4. Particles: Fine debris and foreign matter generated during the manufacturing process. In semiconductors, particles can significantly affect quality and yield.

5. PVD: A type of coating technology that creates a thin film on the surface by evaporating material.

6. Anodizing: A surface treatment that creates an oxide layer on the surface of aluminum to enhance its durability and functionality.

Roundtable Discussion on Semiconductor Market Strategy

3 How will the Kobelco Group transform through taking on challenges in the semiconductor field?

Beyond addressing the semiconductor industry, how will these initiatives transform the Kobelco Group as a whole? What stands out is not only the integration of technologies, but also a fundamental shift in mindset and organizational culture.

Kadowaki From the perspective of the materials business, the value-driven approach has been a significant learning experience. Previously, we tended to focus on manufacturing costs when considering pricing. In the components and machinery businesses, however, the start point is the value delivered to the customer, and everything is worked backward from there. This shift in perspective is now spreading in the material segments as well, and I believe it is one of the key outcomes of this initiative.

Sakamoto Even in the age of AI, it is people who must define the questions to pursue. It's important not only to focus on technology, but also to maintain interest in the



business, markets, and customers—and to formulate questions from those multiple angles. I believe that fostering this culture will become increasingly important moving forward.

Sarumaru I think it is essential to create an environment where staff members involved can engage in open, daily conversations across divisional boundaries, asking each other, “Can we do this?” or “Is that possible?” Which business division ultimately takes charge may be decided later. What matters is starting with how to solve customer's challenges. I hope this mindset becomes the norm.

Iritani These experiences should not be limited to the semiconductor business. The same approach can be applied to other areas such as energy, hydrogen, and building materials. While the semiconductor industry is growing rapidly and currently leading the way, we can extend the successful experiences, decision-making processes, and collaborative networks gained here to future growth fields as well. In addition, from a management perspective, we place great importance on quantitatively assessing the value we provide to our customers. It is not just about whether the technology is superior, but also how much it contributes to improving yield⁷ and reducing replacement frequency, and how much economic value it generates. Without this level of analysis, we cannot make decisions about pricing or business scale. The semiconductor business is a

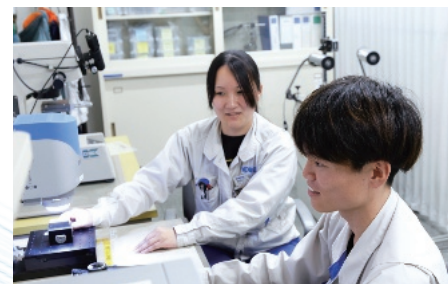
Our efforts in the semiconductor business represent not only a challenge to enter a growth market, but also a challenge to revitalize our Group's collective strengths, leveraging our technologies, human resources, and operation bases. It's not just about bringing together individual strengths, but about connecting them from the perspective of the customer's challenges and transforming them into new value. This initiative, starting from the semiconductor industry, is steadily expanding into new growth areas and driving changes in organizational culture.



growth market, which is why we need to evaluate it objectively. We make a point of thinking from a value-based perspective and implementing systems for objective, step-by-step evaluation, such as the stage-gate process⁸. We expect that this approach, developed in the semiconductor business, will lead to tangible results and expand to drive our Group's next stage of growth.

7. Yield: The percentage of manufactured products that meet quality standards.

8. Stage-gate: A method for evaluating business development at each stage to determine whether to proceed to the next process.



02

Management
Strategy for
Value Creation

Assessment of Changes in the Business Environment

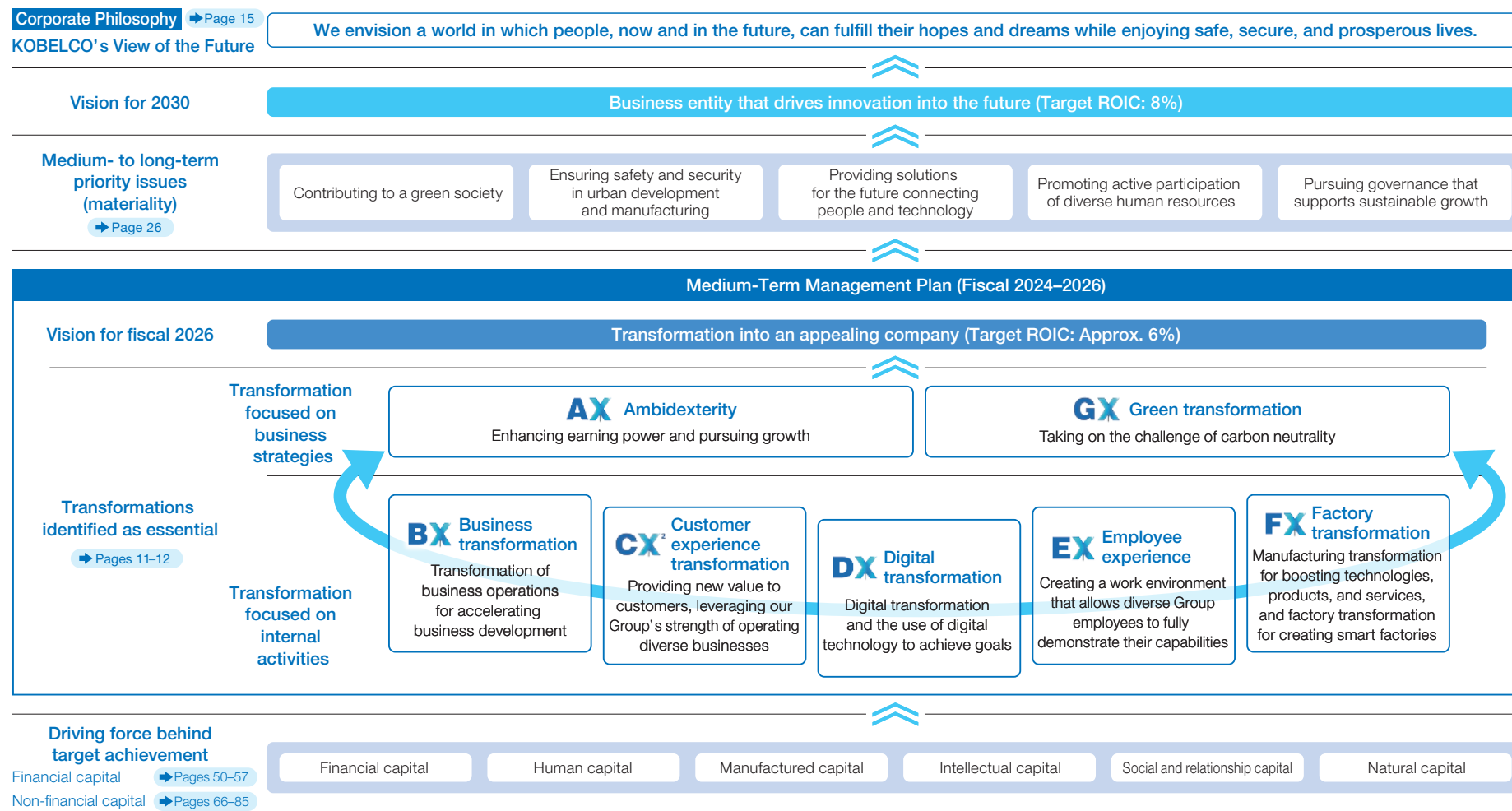
While medium- to long-term megatrends remain largely unchanged since the formulation of our Medium-Term Management Plan, short-term demand for materials, particularly steel, continues to be low and is further declining.

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

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

Transformation for the Future We Envision

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



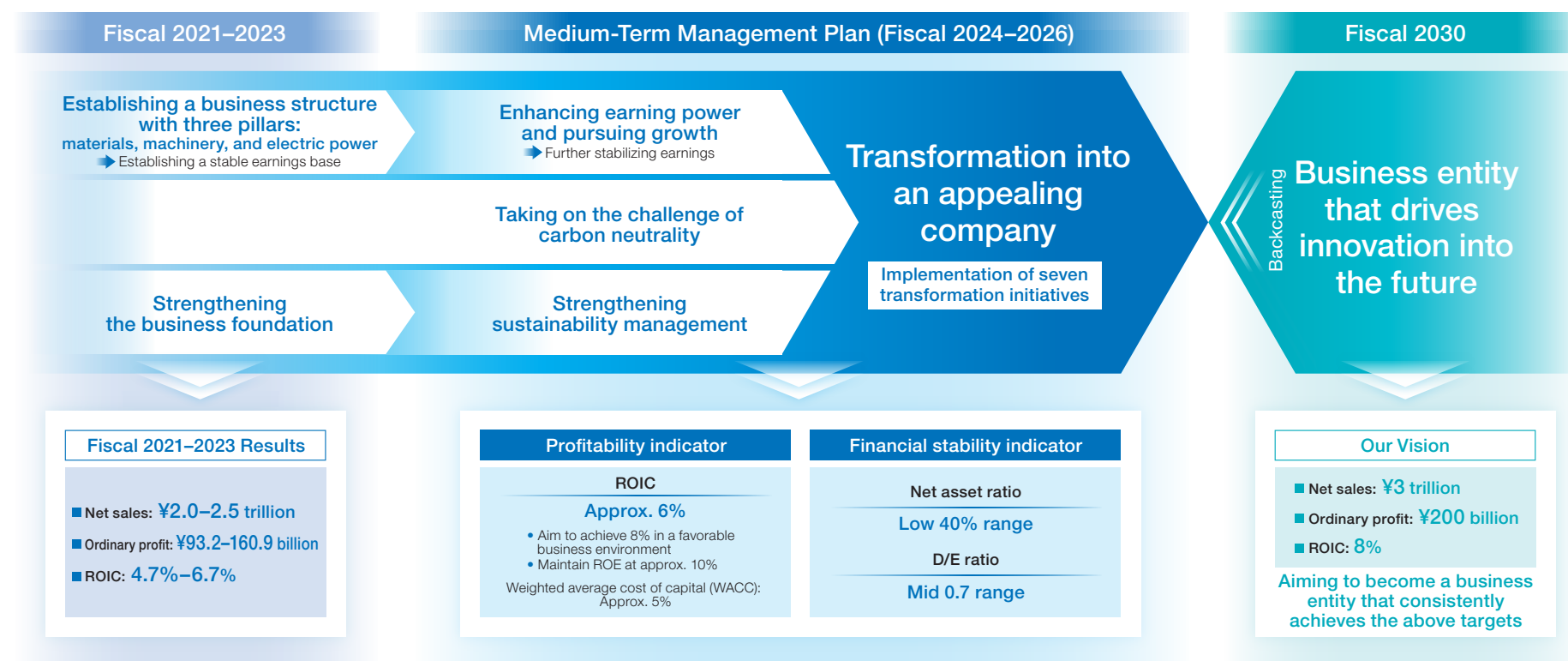
Medium-Term Management Plan (Fiscal 2024–2026)

—Transforming into an Appealing Company

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

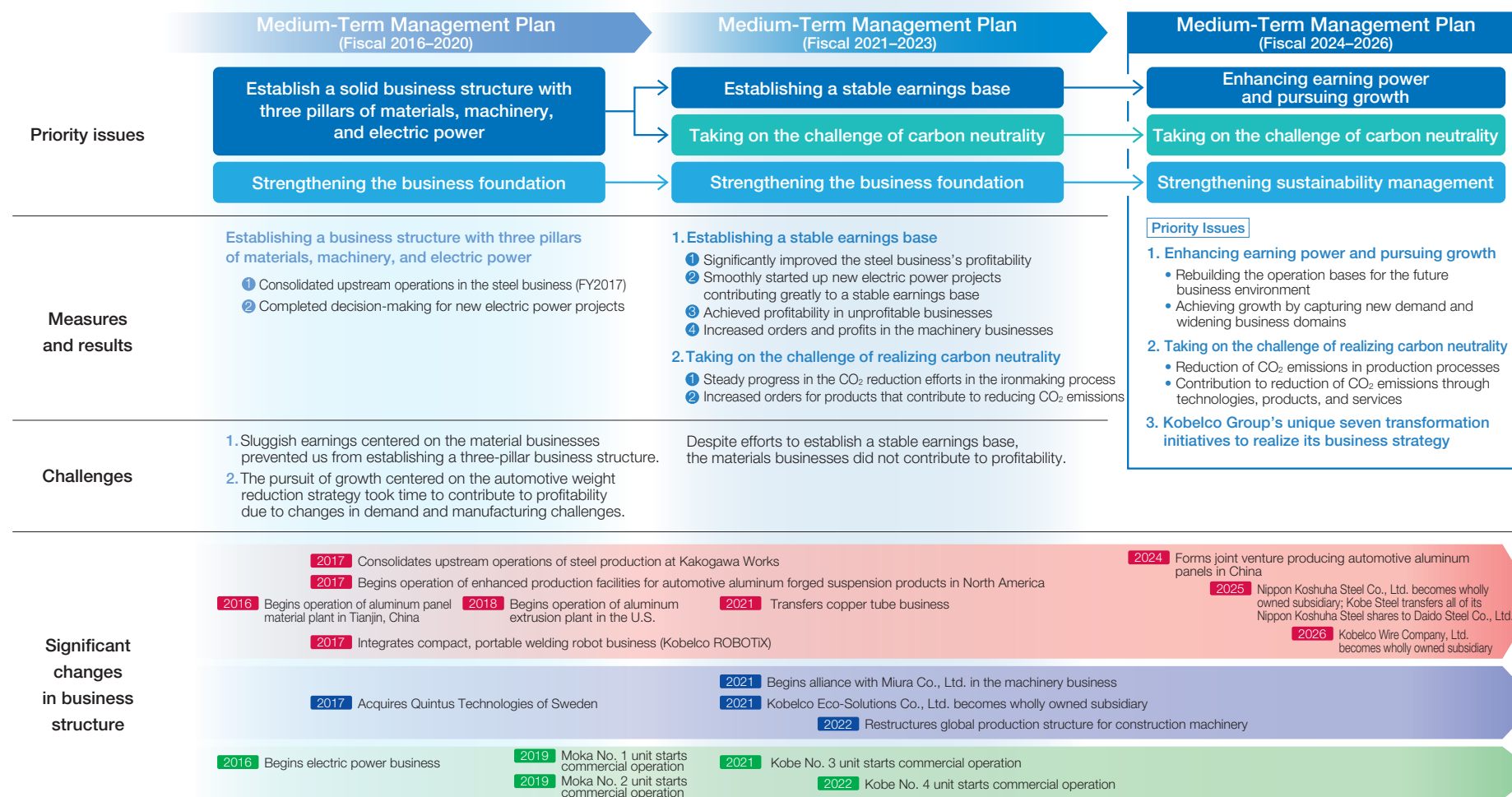
pursuing growth, (2) Taking on the challenge of realizing carbon neutrality, and (3) Strengthening sustainability management.

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



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

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



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

Actions Toward Becoming an Appealing Company

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

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

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

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

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

AX Ambidexterity: Enhancing Earning Power and Pursuing Growth

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

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



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

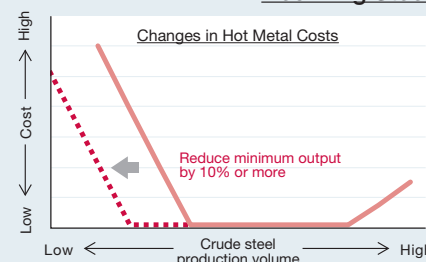
AX Ambidexterity: Enhancing Earning Power and Pursuing Growth

Materials businesses Progress Until Fiscal 2025

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



Advancing Production Technology to Prepare for Gradually Declining Steel Demand



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

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

Expanding Solutions in the Welding Business

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

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

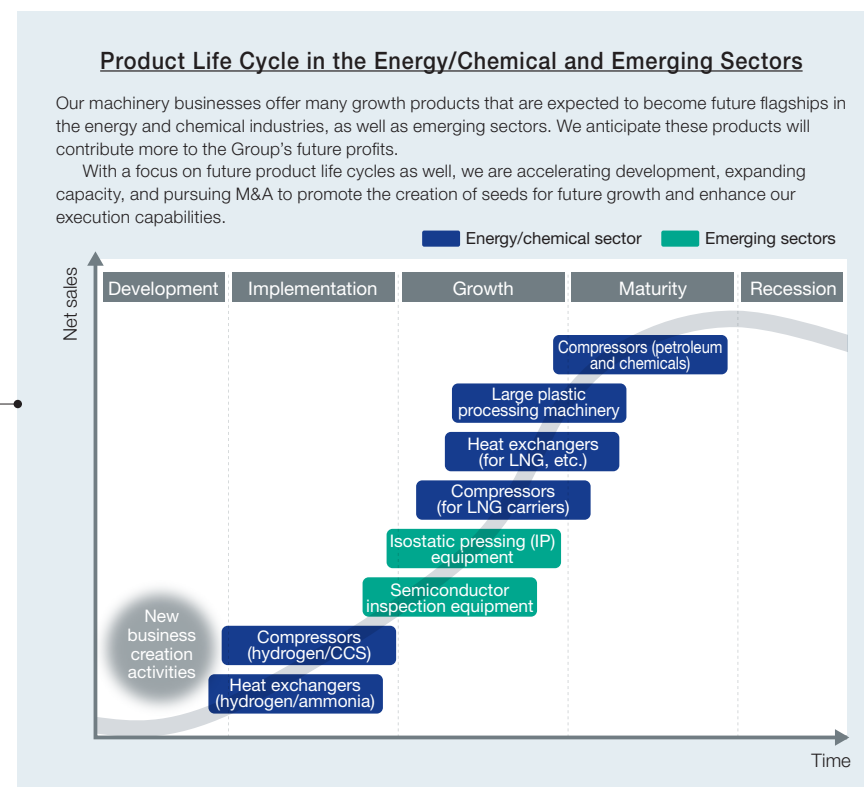
In May 2025, we reached an agreement with Panasonic Connect Co., Ltd. to collaborate on the sales and development of new arc welding methods and welding materials, aiming to expand into the steel sheet market.



AX Ambidexterity: Enhancing Earning Power and Pursuing Growth

Machinery businesses Progress Until Fiscal 2025

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



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

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

2030 Target		2050 Vision
Reduction of CO ₂ emissions in production processes	30% (compared to fiscal 2013) ¹	Taking on the challenge of realizing carbon neutrality
Contribution to reduction of CO ₂ emissions through technologies, products, and services ²	78.0 million tons (Net sales: 550 billion yen)	100 million tons or more

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

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

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

CO₂ Reduction in the Ironmaking Process: Current Situation and Challenges

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

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

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

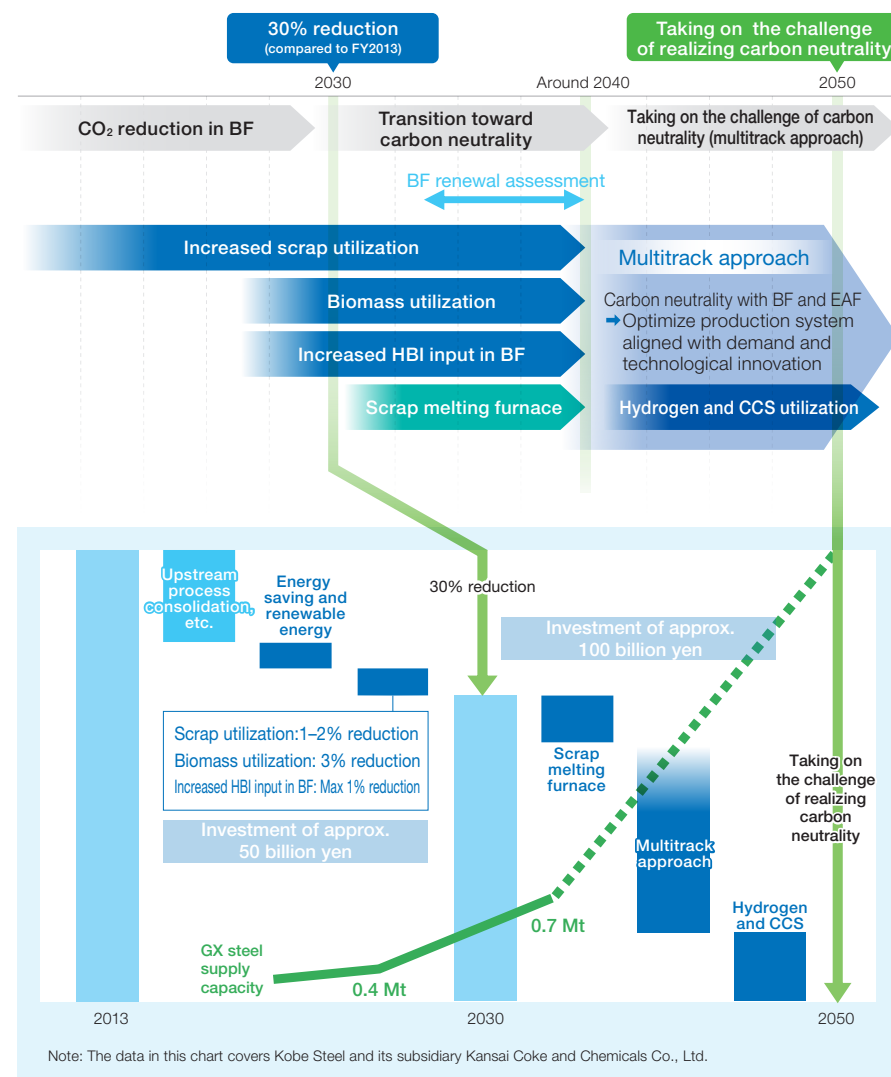
Looking ahead to 2030 and beyond, we are working to introduce a scrap melting furnace as a transitional measure to promote carbon neutrality while continuing to utilize existing blast furnaces. This initiative will enhance our supply capacity of GX Steel and contribute to the expansion of the GX Steel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

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

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

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

Roadmap for Reducing CO₂ Emissions in the Ironmaking Process

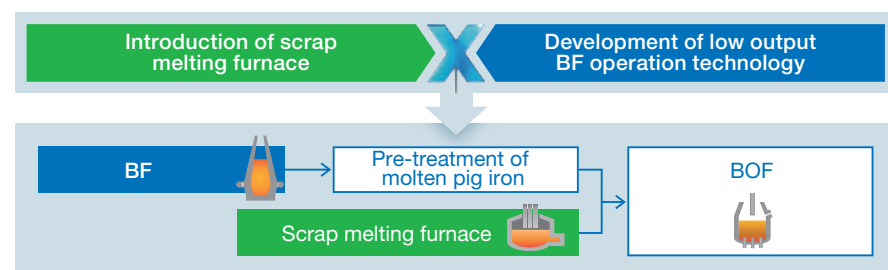


GX Green Transformation: Taking on the Challenge of Realizing Carbon Neutrality

■ Aim of Introducing Scrap Melting Furnace

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

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



■ Taking on the Challenge of Realizing Carbon Neutrality by 2050

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

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

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

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

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

■ Initiatives to Reduce CO₂ Emissions from Aluminum Materials

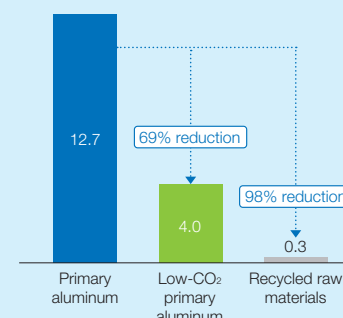
For aluminum products, most CO₂ emissions occur during the raw materials production stage (Scope 3, Category 1), making it important to select low-CO₂ raw materials.

Low-CO₂ raw materials include:

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

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

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



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

Measures to Reduce CO₂ Emissions from Aluminum Materials

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

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

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



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

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

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

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

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

■ Initiatives for Hydrogen Utilization

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

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



Production and Storage

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



Utilization

Demonstration of fuel cell electric excavators started in 2025.



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

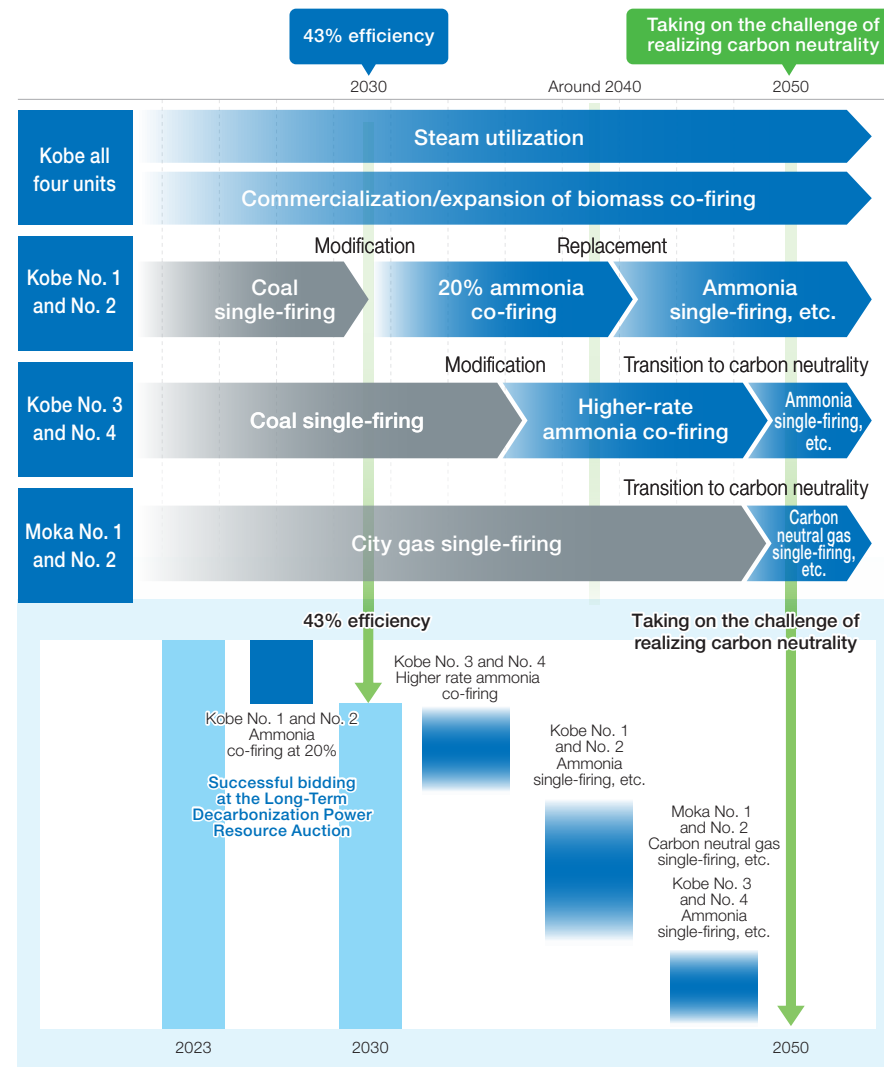
Utilization

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



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

■ Roadmap for Reducing CO₂ Emissions in the Electric Power Business



Climate-Related Disclosures Based on TCFD Recommendations

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

Basic Concept

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

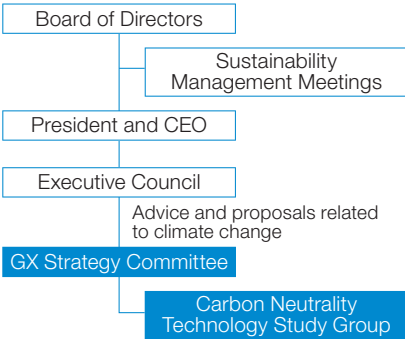
Going forward, our Group will continue to pursue reduction of CO₂ emissions in order to contribute to the realization of a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as envisioned in KOBELCO's View of the Future.

Governance and Risk Management

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

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

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



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

GX Strategy Committee Chair: Director, Executive Officer Kazuhiko Kimoto

Strategy

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

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

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

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

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

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

Climate-Related Disclosures Based on TCFD Recommendations

Scenario Analysis Results

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

Climate-Related Disclosures Based on TCFD Recommendations

Metric A | Reduction of CO₂ Emissions in Production Processes

Target

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

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

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

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

Trends in CO₂ Emissions

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

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

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

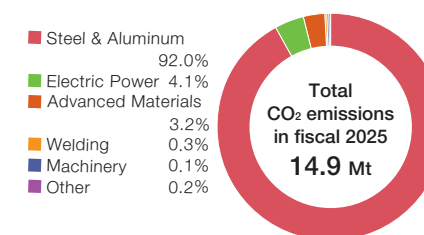
Energy-Derived CO₂ Emissions

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

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

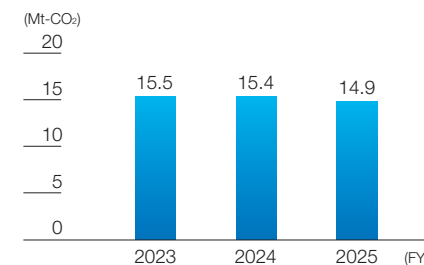
Energy-Derived CO₂ Emissions

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



Energy-Derived CO₂ Emissions by Year

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



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

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

Climate-Related Disclosures Based on TCFD Recommendations

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

Target

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

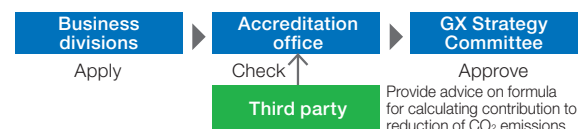
Regarding the contribution to reduction of CO₂ emissions through technologies, products, and services, the Group has an internal accreditation system in place. For the formulas used in accreditations, we receive advice from Kiyotaka Tahara, the Director of the Research Laboratory for IDEA at the Research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

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

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

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

Accreditation Flow



Contribution to Reduction of CO₂ Emissions

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

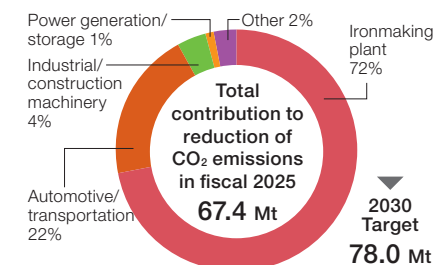
Technologies, Products, and Services		Contribution to Reduction (Million tons/year)	CO ₂ Reduction Concept
Ironmaking plant	MIDREX™ Process	48.51	Direct reduction ironmaking process with low-CO ₂ emissions
Automotive/transportation	Ultra-high-tensile strength steel for automobiles, welding materials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

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

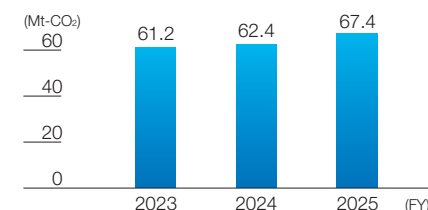
Other Significant Technologies, Products, and Services That Contribute to CO₂ Reductions

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

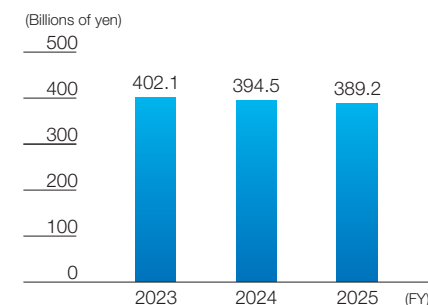
Total Contribution to Reduction of CO₂ Emissions



Contribution to Reduction of CO₂ Emissions by Year



Net Sales of Related Products



Financial and Capital Strategy to Accelerate Growth

Message from the CFO

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

Kazuhiko Kimoto
Director, Executive Officer



Steady Progress in Securing Stable Earnings and Strengthening Financial Foundation

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

Our financial results for fiscal 2025 were: net sales of

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

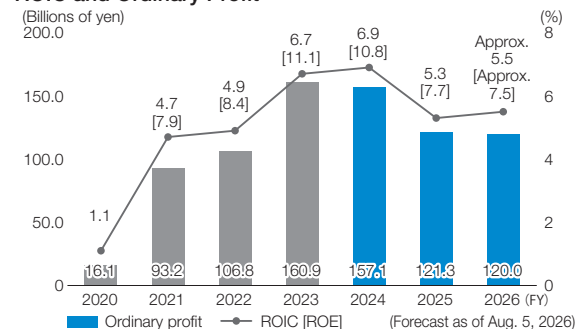
The fiscal 2026 forecast projects net asset ratio of approximately 49% and D/E ratio of approximately 0.55. We maintained solid performance even in an

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

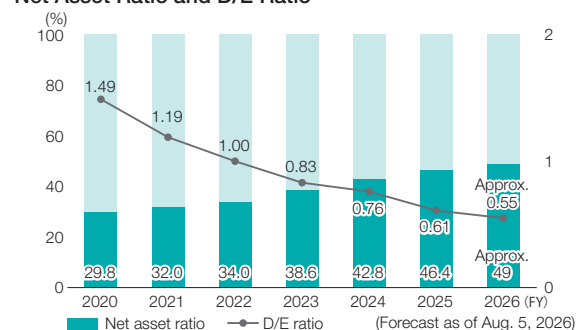
Financial and Capital Strategy to Accelerate Growth

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

ROIC and Ordinary Profit



Net Asset Ratio and D/E Ratio



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

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

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

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

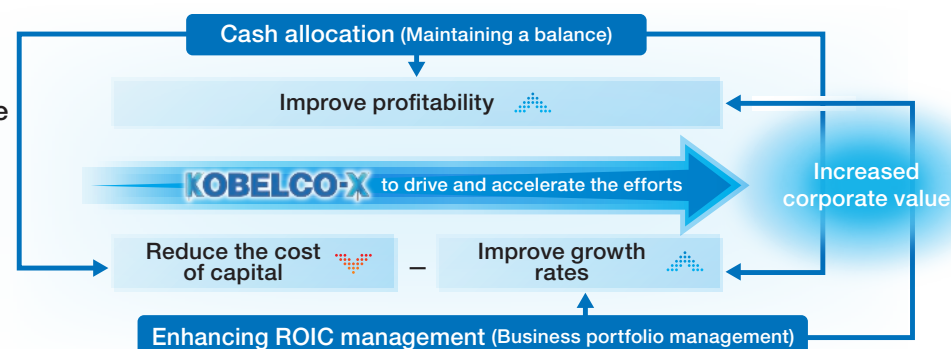
We will continue examining how to position and strengthen each business, as well as how to leverage their respective strengths and interconnections to further

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

Our Approach to Financial and Capital Strategy for Enhancing Corporate Value

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

Mechanism for Increasing Corporate Value



Financial and Capital Strategy to Accelerate Growth

Enhancing Quality of Management Decisions by Using ROIC as Common Language

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

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

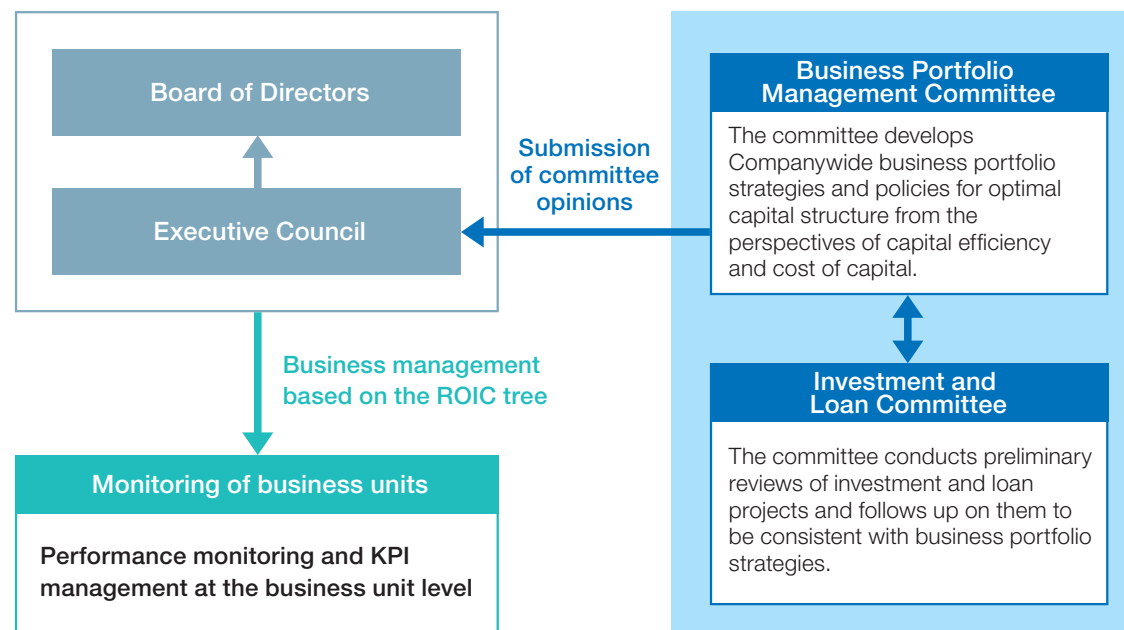
Since the introduction of ROIC, we have focused on deepening understanding among senior management by systematically sharing the definition of ROIC and methods for its application. At the operational level, we have also fostered understanding of the ROIC concept, returns on invested capital, and specific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

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

capital efficiency.

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

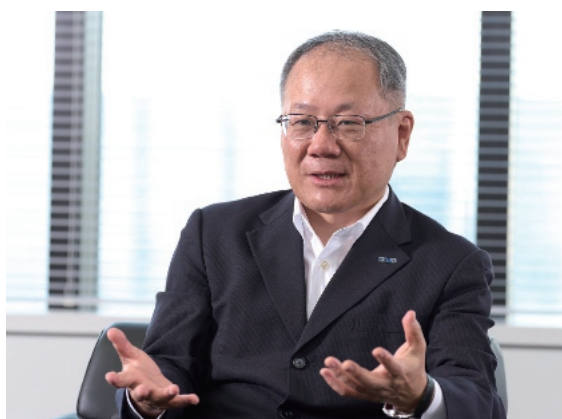
ROIC-Centered Business Portfolio Management Structure



Financial and Capital Strategy to Accelerate Growth

Initiatives for Business Portfolio Transformation

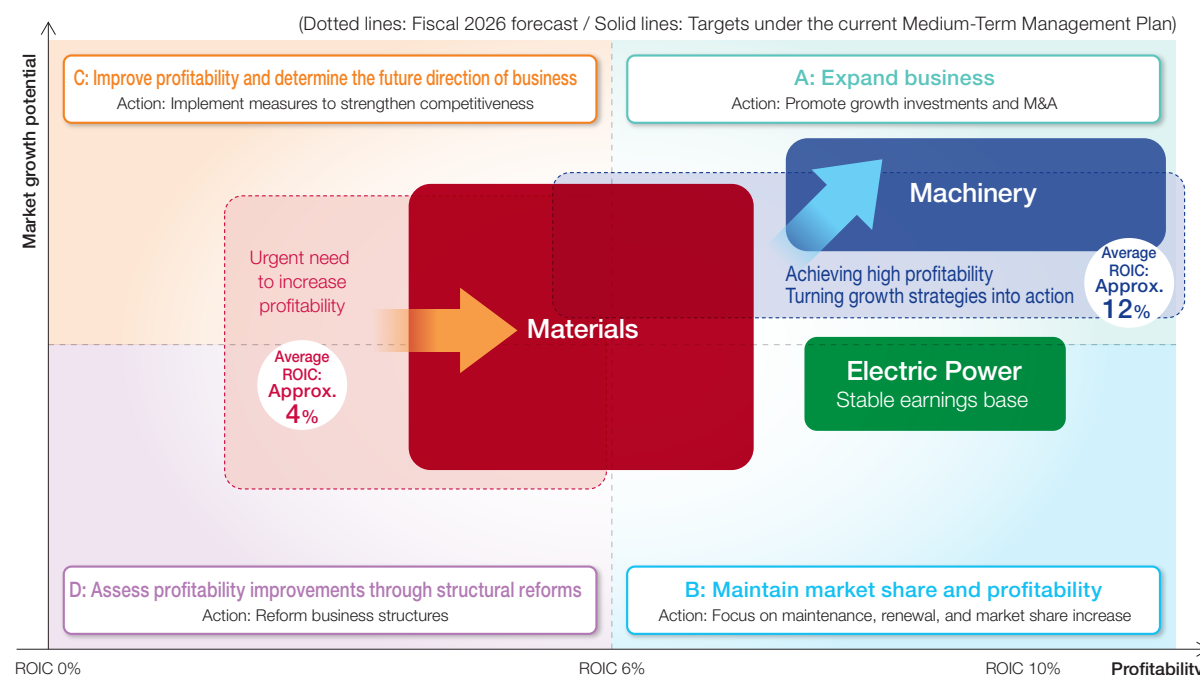
Alongside promoting the advancement of business management centered on ROIC, our Group is also working to transform its business portfolio. For each business area—materials, machinery, and electric power—we clarify their positioning based on profitability, growth potential, and business characteristics,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



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

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

Future Business Model (As of May 2026)



Financial and Capital Strategy to Accelerate Growth

Cash Allocation to Accelerate Growth Investments

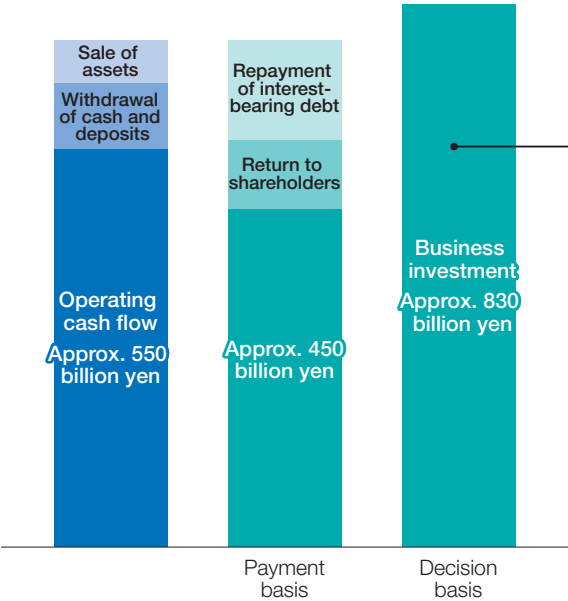
Under the current Medium-Term Management Plan, we anticipate 120 billion yen for investments in enhancing earning power and 70 billion yen for investments in pursuing growth. Backed by the financial base we have built over the years, we have now entered the final stage of fully executing growth investments.

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

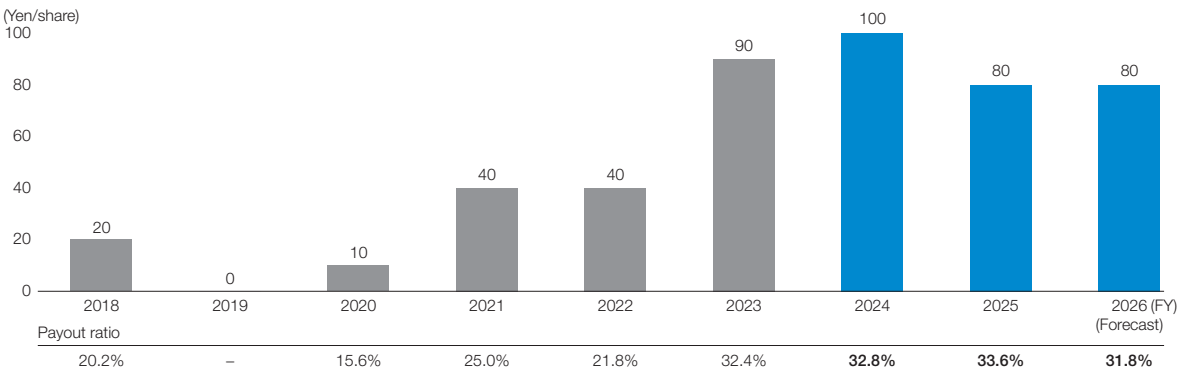
Looking ahead to the next Medium-Term Management Plan, we plan to expand growth investments focused on the machinery businesses, including M&As, while also continuing to invest in our existing businesses.

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

Fiscal 2024–2026 (Total for 3 years)



Dividend Trends



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

	Previous (May 2025)	Current (May 2026)
Investment in carbon neutrality	Approx. 150	Approx. 170
Investment in enhancing earning power	Approx. 120	Approx. 120
Investment in pursuing growth	Approx. 70	Approx. 70
Investment in human capital [workplace improvement and staff shortages]	Approx. 60	Approx. 60
Investment in rationalization, renewal, etc. (incl. DX)	Approx. 350	Approx. 410
Total	Approx. 750	Approx. 830

Investment in enhancing earning power

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

Investment in pursuing growth

- Accelerating studies for the next medium term

Investment in carbon neutrality

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

Carbon neutrality-related investments: Approx. 300 billion yen

Financial and Capital Strategy to Accelerate Growth

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

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



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

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

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

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

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

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

Dialogue with the Capital Market

Discrepancy with Market Evaluation —Market Concerns

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

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

Efforts to Resolve the Discrepancy

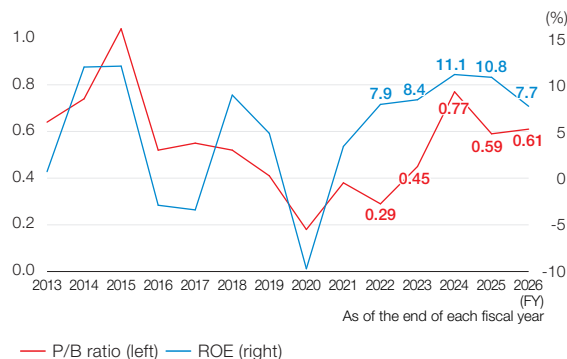
① Improving Profitability and Growth Rates

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

② Reducing the Cost of Capital

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

P/B Ratio and ROE Trend



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

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

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

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

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

Enhancing Recognition of Our Distinctive Business Structure

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

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

Figure 1. Changes in Consolidated Ordinary Profit by Segment

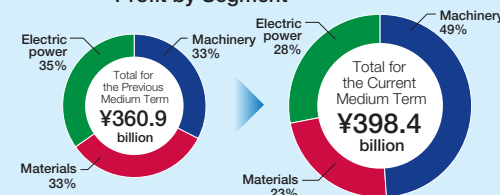
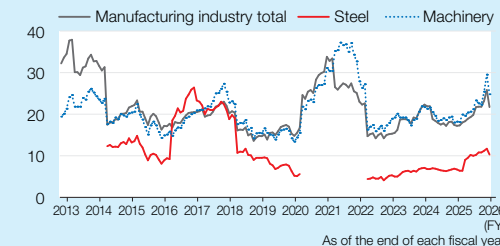


Figure 2. P/E Ratio by Sector



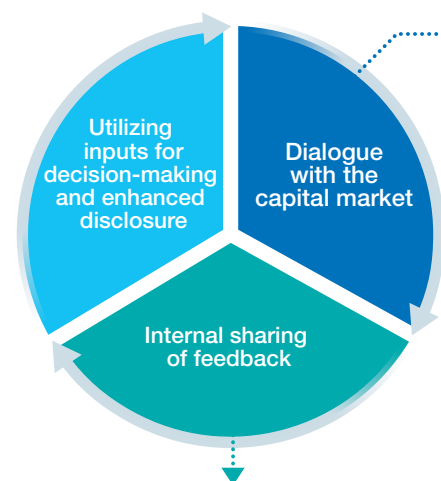
Note: A negative P/E ratio is not indicated in the line graph.

Source: Japan Exchange Group

Dialogue with the Capital Market

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

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



Overview of Dialogue Activities

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

Reference: Information Disclosed Since Fiscal 2025

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

Main Topics of Dialogue and Feedback Internally Shared

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

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

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

Transforming Kobelco Group's

Unique Integration into a Growth Driver

—Charting Value Creation Through

Dialogue with Capital Market



Hajime Nagara
Executive Vice President
and Representative Director

Shinsuke Kitagawa
Independent Director

Yoshie Tsukamoto
Independent Director

Kenji Nakada
• Project Research Associate,
Graduate School of Economics,
The University of Tokyo
• Former Director of Investment
Stewardship at BlackRock
Japan Co., Ltd.

Capital Market Focus Shifts from Efficiency Improvement to Value Creation

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

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

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

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

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

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

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

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



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

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

Leveraging Diverse Technologies to Solve Global Challenges

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

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

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

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

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

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

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

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

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

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



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

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

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

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

Tsukamoto I believe that everything about KOBELCO-X



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

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

initiatives and the results will further improve.

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

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

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



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

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

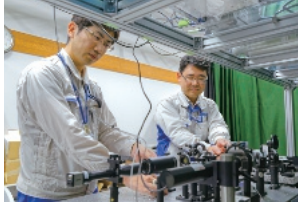
Nagara To prevent the executive team from becoming complacent, the perspectives and feedback provided by independent directors are crucial. Through the unique perspectives independent directors provide—highlighting points that internal directors may overlook—we hope to foster discussions at Board meetings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

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

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

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

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



03

Business Foundation for
Value Creation

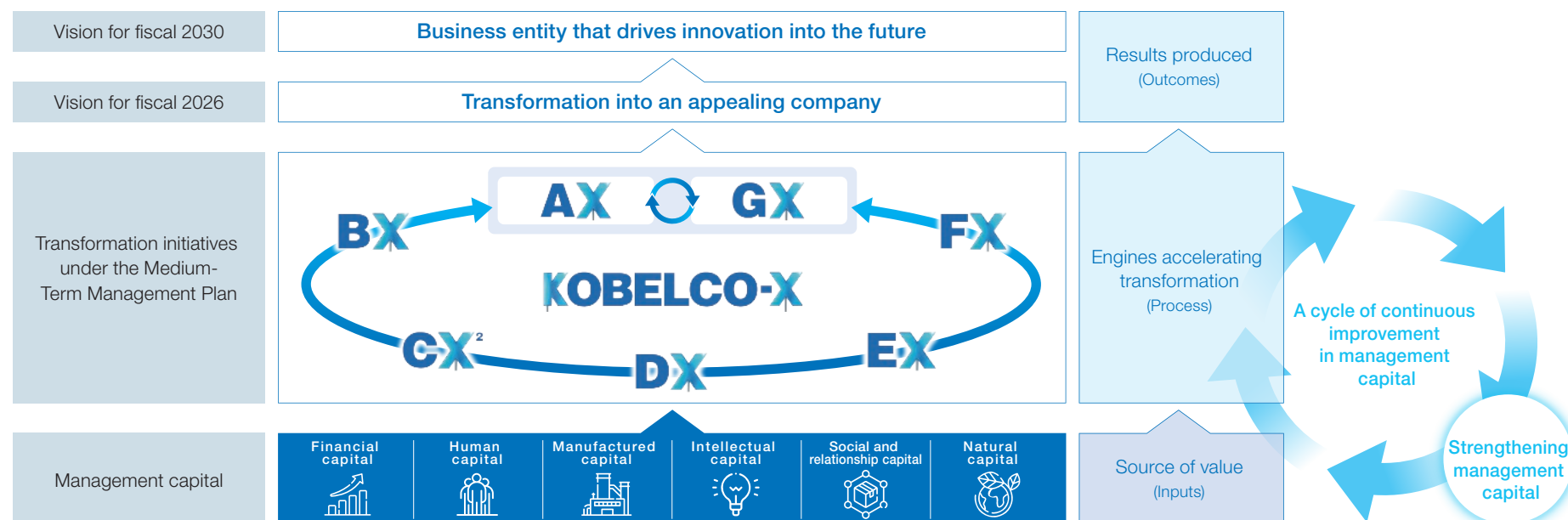
Leveraging Non-Financial Capital to Achieve Business Strategy



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

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

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



Materiality-Related Non-Financial KPIs

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

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

Materiality-Related Non-Financial KPIs

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

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

⁶ At Kobe Steel, managers or higher positions are defined as managerial positions.

⁷ The number of companies that implement human rights due diligence as of fiscal 2026.

Natural capital

Environmental Management

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

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

Basic Environmental Management Policy

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

Basic Environmental Management Policy

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

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

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

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

Response to Resource Recycling (Appropriate Management of Water Resources)

Basic Policy

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

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

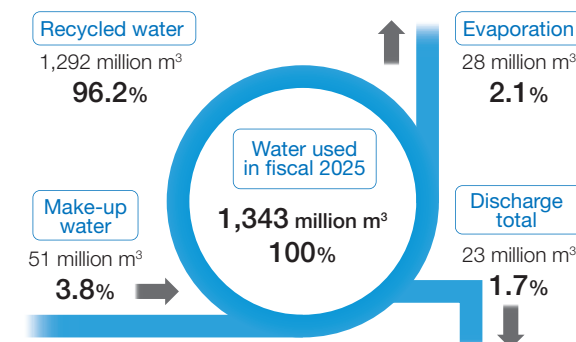
regulations but also strive to reduce pollutant discharge into public water areas by cleaning up wastewater from the production process with a treatment system suitable for its specific characteristics.

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

Targets and Results

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

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



Water Recycling Rate and Wastewater Pollution Load

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

Natural capital

Biodiversity

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

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

Governance

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

Strategy

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

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

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

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

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

Management of Risks and Impacts

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

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

* Impact levels:

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

Human capital

EX Human Resources Strategy and Employee Experience Improvement

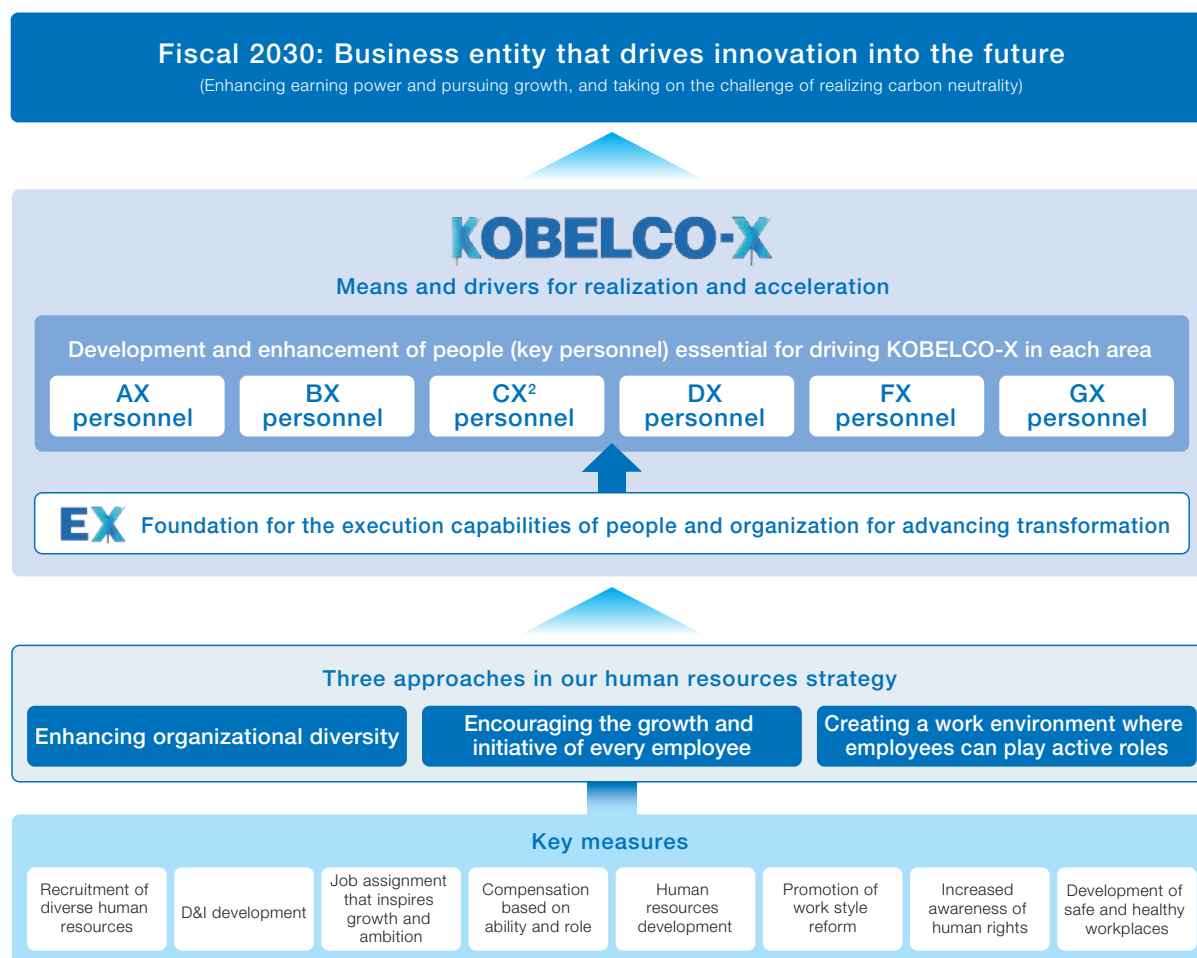
Our Group is driving KOBELCO-X transformation initiatives to achieve the Medium-Term Management Plan. Among these initiatives, EX (human resources strategy and employee experience improvement) is positioned as an area focused on enhancing the execution capabilities of our people and organization to support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

Kobelco Group's Human Resources Strategy

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

Three Approaches in Our Human Resources Strategy

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



EX Human Resources Strategy and Employee Experience Improvement

People Essential for Driving KOBELCO-X

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

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

Development of DX Personnel

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

IT evangelists	Personnel who drive DX through IT tool utilization (1,041 employees trained)
Data scientists	Personnel who drive DX through data analysis and utilization (195 employees trained)

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

EX Human Resources Strategy and Employee Experience Improvement

Enhancing Organizational Diversity

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

Human Rights and D&I Month

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

Human Rights and D&I Month Events

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

Encouraging the Growth and Initiative of Every Employee

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

Career Self-Development System

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

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

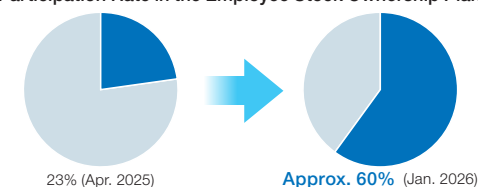
Creating a Work Environment Where Employees Can Play Active Roles

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

Stock Incentive Scheme for Employees

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

Participation Rate in the Employee Stock Ownership Plan

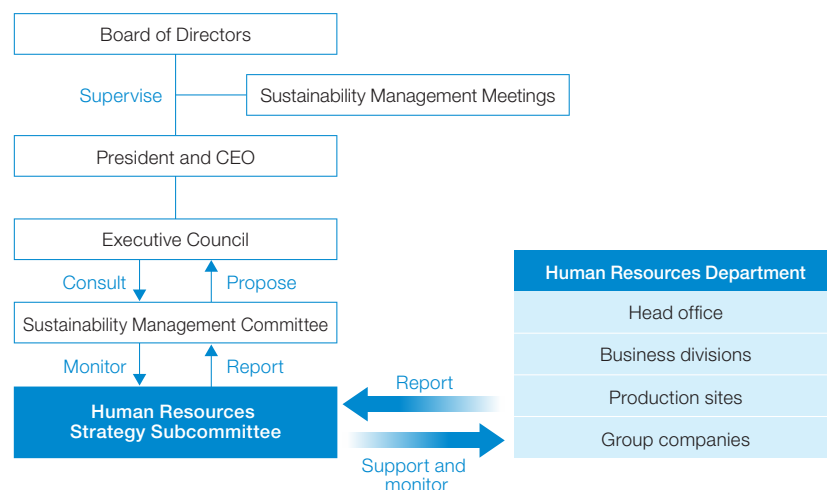


EX Human Resources Strategy and Employee Experience Improvement

Governance for Implementing Human Resources Strategies

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

Human Resources Strategy Implementation Structure



Response to Risks in Promoting Human Resources Strategies

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

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

Metrics and Targets for Realizing Materiality

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

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

Interview



Nobuko Sekiguchi
Independent Director
(Audit & Supervisory
Committee Member)

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

Human capital

BX Business Transformation

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

What Is BX in KOBELCO-X?

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

BX: Transformation of specific tasks

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

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

Each employee's BX initiatives also contribute to customer experience transformation (CX²), factory transformation (FX), employee experience (EX), and more.

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

Business Process Transformation and Behavioral Change

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

Business process transformation

Transformation of organizational structures, including the introduction of new systems



Behavioral change

Transformation in individual awareness and actions

BX Initiative Example

As part of our CX² efforts, we have introduced a Companywide business card management system and customer relationship management (CRM) system, enabling centralized, cross-functional management of customer contact data across all business divisions. This is an example of major process transformation, providing open access to customer contact information gathered from all segments.

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

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

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

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

The Aim of BX

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

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

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

Human Rights

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

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

Basic Policy on Human Rights

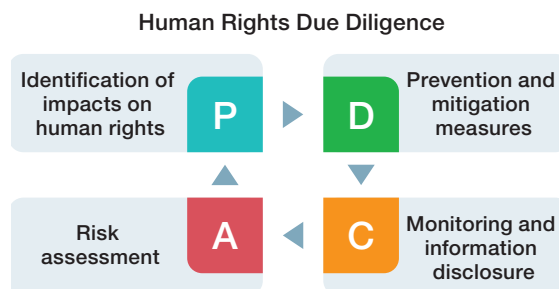
As global awareness of human rights grows, we examined our Basic Policy on Human Rights and updated it into the Kobelco Group Basic Policy on Human Rights in December 2022, in accordance with the United Nations Guiding Principles on Business and Human Rights. Based on this policy, we are stepping up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

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

Human Rights Due Diligence

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

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



Human Rights Risk Assessment Results

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

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

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

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

Manufactured capital

FX Factory Transformation

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

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

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

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

Major Initiatives

Advancing Kobelco Group's Unique FX

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

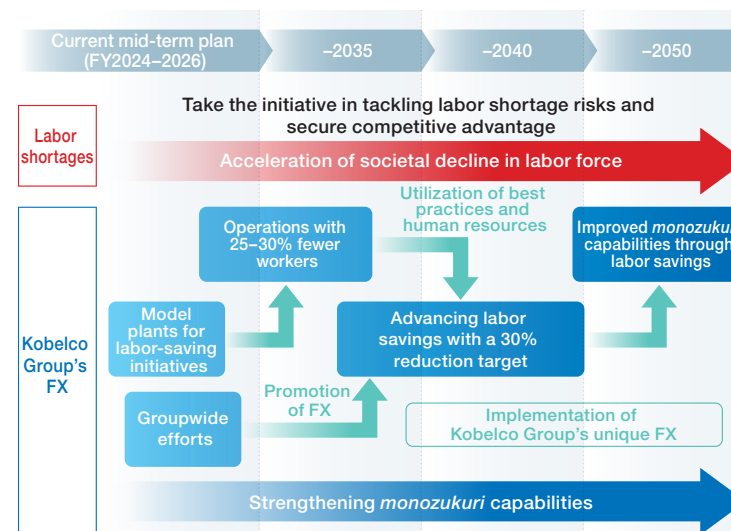
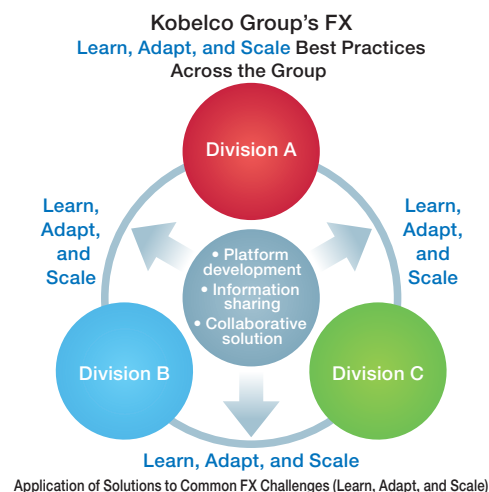
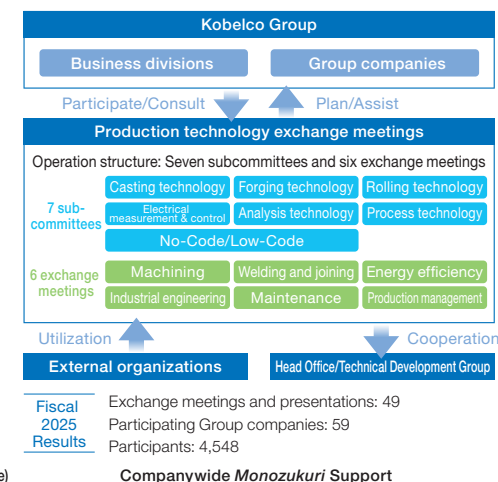
Promoting Labor-Saving Model Plants

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

Groupwide *Monozukuri* Support

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

The Aim of Kobelco Group's FX



Quality

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

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

Basic Policy

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

Quality Charter

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

Companywide Policy on Quality Improvement

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

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

Implementation Structure

Quality Management Committee

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

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

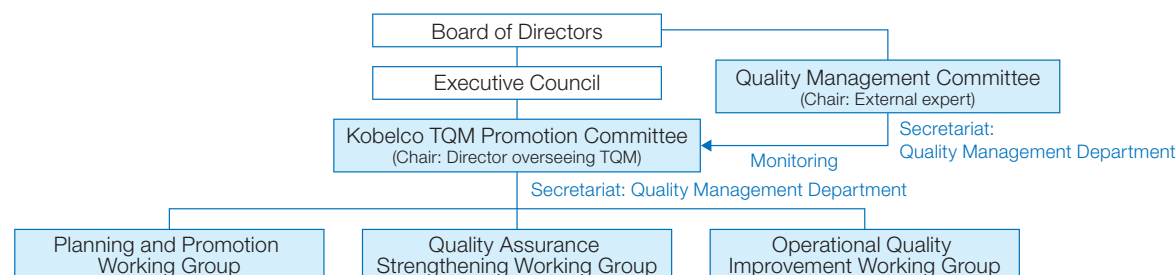
Kobelco TQM Promotion Committee

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

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

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

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



Safety and Health

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

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

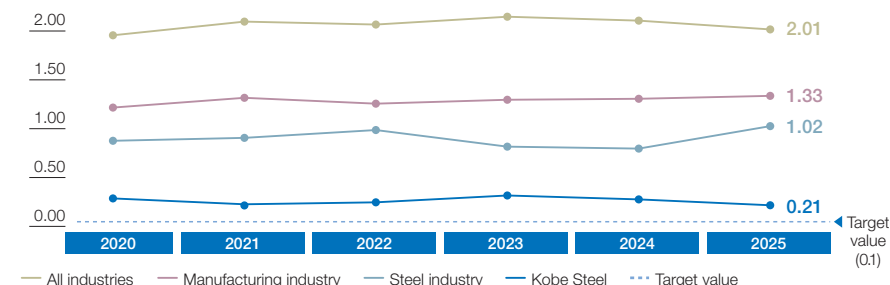
Safety Code of Conduct Based on the Core Values of KOBELCO

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

Key Objectives (Fiscal 2026)

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

Lost Time Injury Frequency Rate



Notes:

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

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

mechanisms to prevent their recurrence.

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

Key Activities in Fiscal 2026

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

Introduction of Accident Analysis and Search System Using Generative AI

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

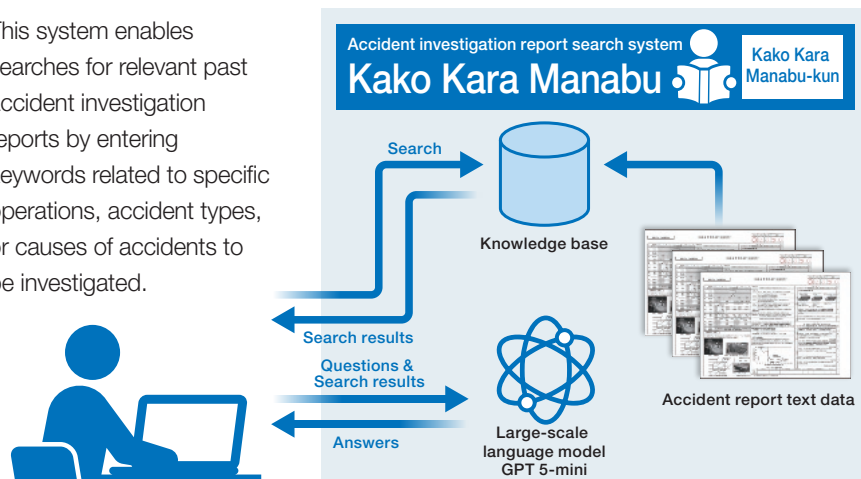
The system makes it easy for employees to learn about past accident cases related to their own work and workplaces, and is being used as an educational tool to improve workers' ability to predict danger. It also contributes to further improvements in safety awareness by increasing opportunities to share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

Manufactured capital

Safety and Health

Development of Accident Investigation Report Search System

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



Health and Productivity Management

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



Mental Health Initiatives

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

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

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

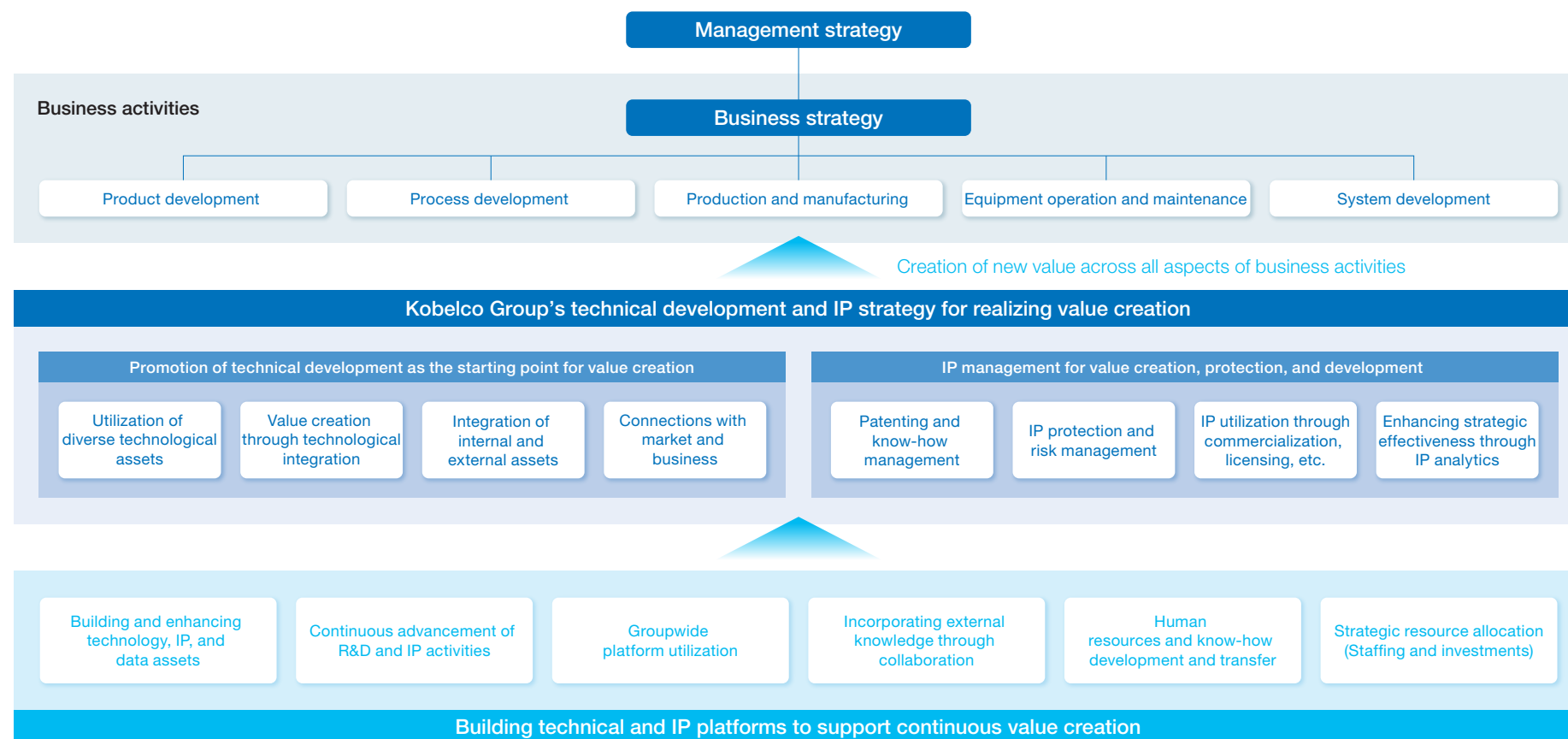
Activities to Help Employees Maintain and Improve Their Health (in cooperation with Health Insurance Association)

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

Technical Development and Intellectual Property Strategy

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

Overview of Our Technical Development and IP Strategy



Technical Development Strategy

Driving New Business Value Creation Originating from Diverse Technological Assets

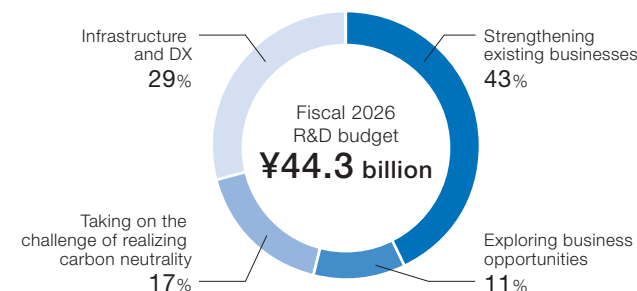
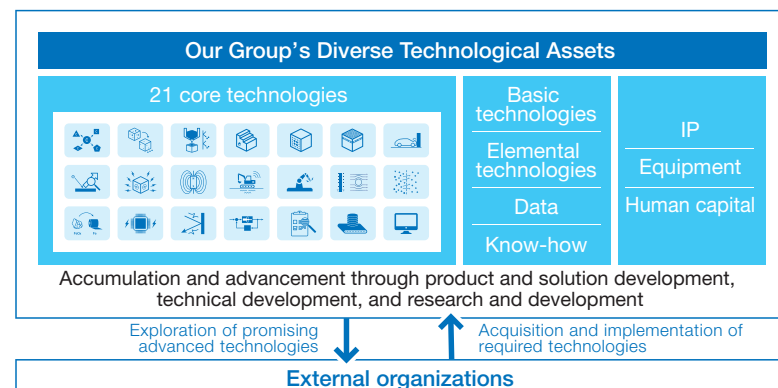
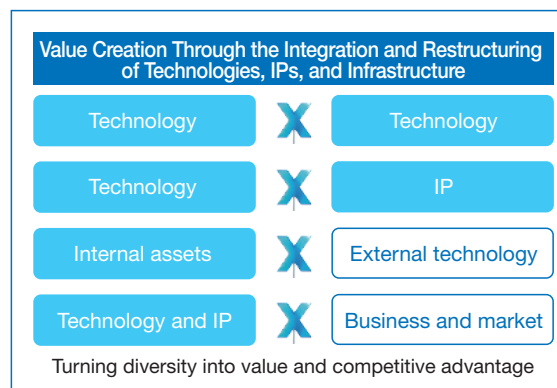
Our Group operates a diverse range of businesses, encompassing materials, machinery, and electric power, and has accumulated a wide variety of technological assets—such as core technologies, basic technologies, elemental technologies, data, and know-how—cultivated in each field. These technological assets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

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

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

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

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



Intellectual Property Strategy

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

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

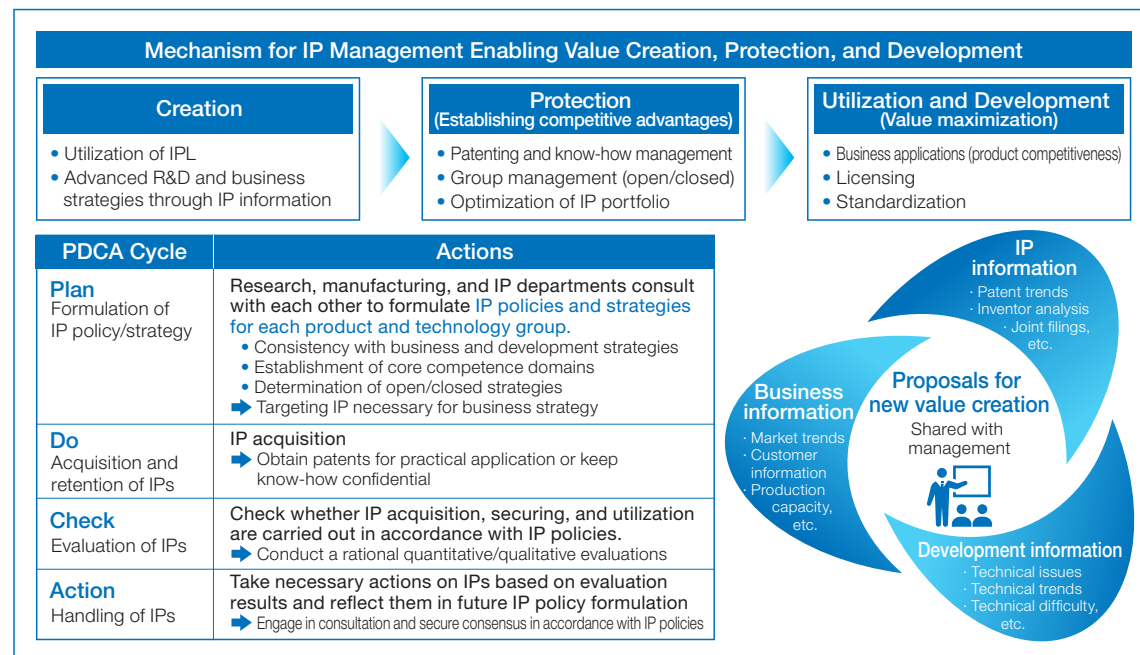
Based on our overall strategy—designed to integrate management/business strategies, technology development strategies, and IP strategies through the utilization of IP Landscape (IPL)—we are implementing initiatives to create new value, enhancing the efforts aimed at strengthening existing businesses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

technologies, while advancing further sophisticated, Companywide utilization.

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

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

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



DX Digital Transformation

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

Kobelco Group's Basic Policy on DX Strategy

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

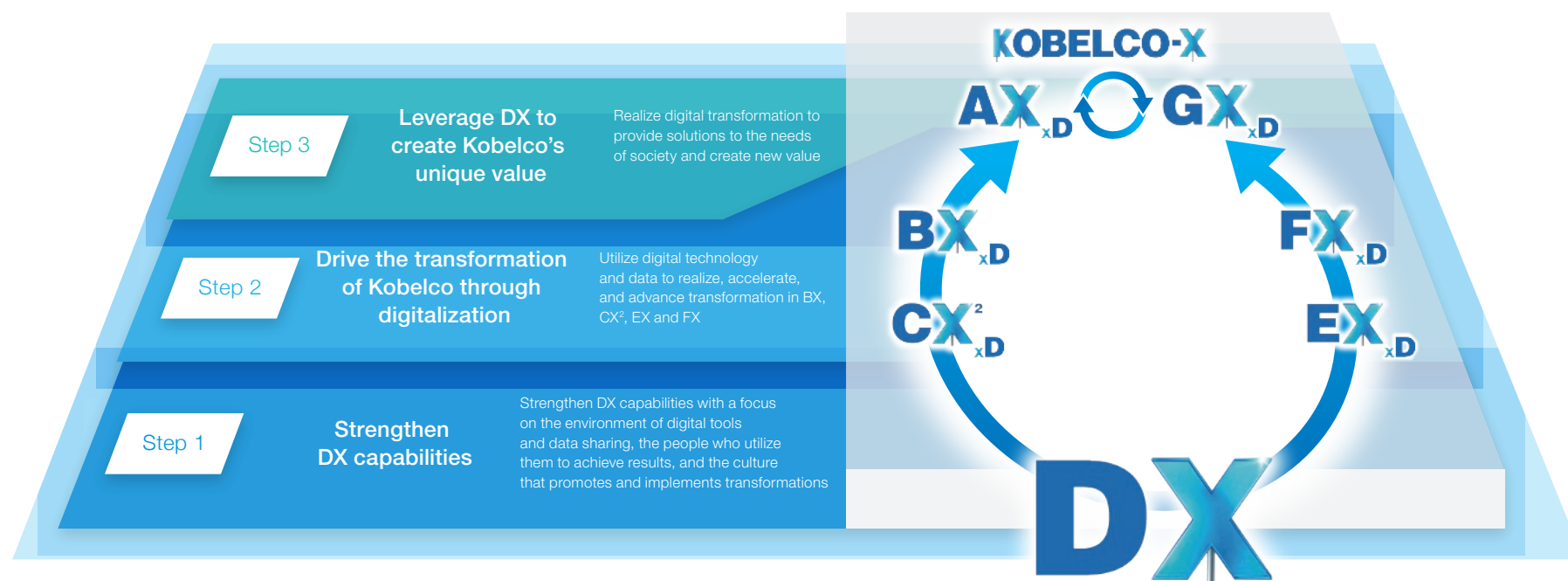
The Group's DX strategy is to realize, accelerate and advance BX, CX², EX and FX through KOBELCO-X by utilizing digital technology and data (collectively referred to as xD), making it linked to AX and GX through providing solutions to the needs of society and creating new value.

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

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

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

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



Intellectual capital

DX Digital Transformation

Our DX Initiatives

Step 1 Strengthening DX Capabilities

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

Environment

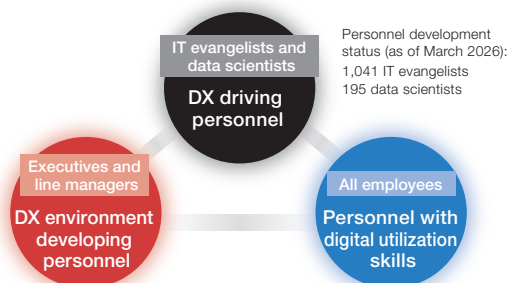
In fiscal 2025, we conducted a large-scale demonstration test of Microsoft 365 Copilot (paid version) to thoroughly evaluate the use of generative AI. The test confirmed that generative AI effectively improved efficiency and the quality of deliverables across all aspects of daily operations, reducing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

People

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

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

Definition of DX Personnel

**Culture**

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

Step 2 Spreading Internal Transformations Through Digital Technology and Data

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

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

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

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

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

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

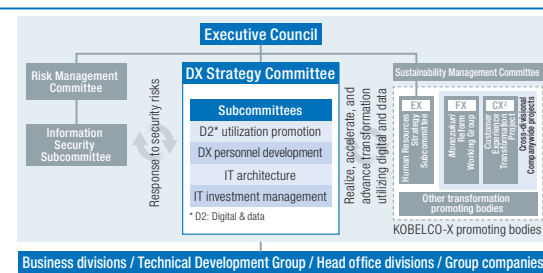
By developing and accelerating various internal transformations generated in Step 2, Kobelco Group's DX aims to enhance the earning power of our existing businesses, while working to provide new value to customers and create new businesses through the utilization of digital technology and data.

We have commercialized Japan's first low-CO₂ blast furnace steel product Kobenable™ Steel by integrating the steel and engineering businesses' technologies with AI-based blast furnace operation technology. As of July 2026, Kobenable™ Steel has been adopted in 16 commercial-use cases, contributing to the realization of a carbon neutral society.

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

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

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



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

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

CX² 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 CX² in KOBELCO-X?

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

Customer experience transformation (CX²) 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, CX² has presented a new concept of customers who are viewed as customers of the entire Kobelco Group, not just particular business segments. In addition to improving customer trust, we are working to transform our customer engagement alongside customer experience. The term CX² was chosen to convey two meanings: multiplying (x) the CX efforts of each business unit and transforming customer experience (CX).

Customer Experience Transformation Project, Driving and Enhancing CX² Efforts

To promote CX², we had to renew the previous customer information management system by each business unit with one that allows for the centralized management of information across all businesses. To this end, we launched the Customer Experience Transformation Project under the Executive Council in fiscal 2023. The project developed a CRM system as a platform for sharing customer information, with operations commencing in fiscal 2024. In some

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

The aim and goal of CX² cannot be achieved by simply having a system or a shared platform. To increase the momentum within business divisions, the Customer Experience Transformation Project has appointed the head of each business division as the person responsible for promoting CX² and around 100 people as evangelists across the Company to support users of the platform.

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

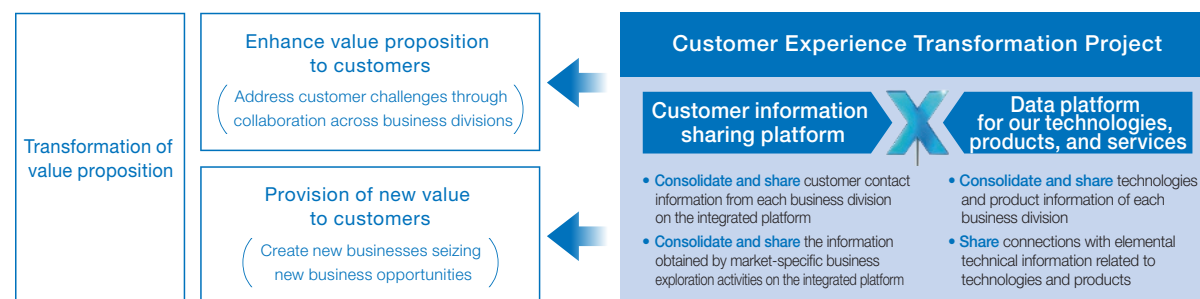
awareness of CX² creation.

In fiscal 2026, as the next phase of the Customer Experience Transformation Project, efforts will begin to facilitate information sharing across business divisions by visualizing Kobelco Group's technologies, products, and services that address customer challenges, with the aim of further accelerating CX² initiatives.

AX and the Transformation of Customer Experience Value

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

We will continue to realize CX²—transformation of customer experience value—through Kobelco Group's unique problem-solving across business segments.



Building Responsible Supply Chains

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

Basic CSR Procurement Policy

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

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

Basic Procurement Policy

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

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

Requests to Our Business Partners

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

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

Implementation Structure

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

Action Agenda

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

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

Main Initiatives in Fiscal 2025

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

Initiatives for Fiscal 2026 and Beyond

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

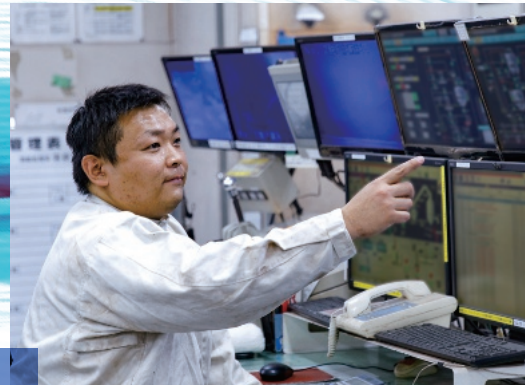
For details, please see Building Responsible Supply Chains on pages 73–76 of ESG Data Book 2026.

Providing Value and Communicating with Stakeholders

For details, please see our ESG Data Book 2026.

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

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



04

Governance for
Value Creation

Message from the Chair of the Board of Directors



Shinsuke Kitagawa
Independent Director
Chair of the Board of Directors

Shaping a Board of Directors That Refines the Group's Growth Story

Since becoming an independent director of the Company in 2022, I have observed a steady evolution in discussions at Board of Directors' meetings. Previously, discussions sometimes centered on individual projects or performance improvements for the following fiscal year or beyond. Today, however, we are able to engage in discussions from a medium- to long-term perspective, considering how each initiative and business connects to the Medium-Term Management Plan and overall growth story, as well as the broader direction that the entire Kobelco Group aims to pursue.

The Board of Directors comprises internal and independent directors who bring diverse experiences and expertise. Together, they have steadily fostered a shared understanding of the Company's overall sustainable growth. This progress is due to increased opportunities to share information and insights in advance, through forums held outside formal Board

Laying Foundation for Kobelco Group's Global Strength by Deepening Board Discussions with Focus on Medium- to Long-Term Growth

settings—such as offline Board of Directors' meetings and Sustainability Management Meetings. This helps independent directors understand and fully assimilate the background and inherent challenges of each project undertaken by business segments before attending Board of Directors' meetings. As a result, we are now able to engage in more in-depth discussions. Shifting from simply addressing one-off agenda items, the Board is gradually adopting a mindset that integrates each discussion into the broader context of the Group's growth story.

The Group has a diverse range of stakeholders, including shareholders and investors, customers, employees, business partners, and members of the local community. The Board of Directors does not exist in isolation, but rather acts within the context of its relationships with the Company, Group companies, and all stakeholders, providing guidance on management direction and supporting the achievement of intended goals.

I have recently been appointed as the Chair of the Board of Directors of the Company, serving as an independent director. My role as chair is to further advance the changes that have been implemented by the Board so far and to ensure that diverse perspectives are incorporated into discussions in a fair and constructive manner.

I encourage comments from a perspective that is not bound by the positions of specific businesses or organizations, or by past circumstances, so that internal directors find easier to express their views freely. Considering that the Group has experienced quality-related misconduct in the past, it is also

meaningful to visibly demonstrate that we are effectively incorporating external perspectives into management and are committed to open governance. As chair, I intend to create a forum where both internal and independent directors can fully leverage their unique experiences and knowledge and engage in deeper discussions while respecting each other's opinions.

In conducting discussions, what I particularly value is maintaining an attitude of continuously asking questions such as, "Why are we doing this in the first place?", "Is there a rational basis for this?", and "Is this fundamentally the right direction?" The role of an independent director is not limited to simply agreeing or disagreeing with the explanations provided by management. Rather, it is to reexamine assumptions that are taken for granted within the Company from an external perspective, thereby improving the quality of management decisions.

Every organization has an inertia that makes it inclined to follow established ways of doing things. Even if certain practices are considered normal internally, they may not always be rational when viewed in light of societal changes and the expectations of stakeholders. For example, when discussing businesses that are faced with challenges in improving profitability, it is necessary not only to discuss improvement plans for the coming fiscal years, but also to consider their position and future potential within the Group's business portfolio. Through persistent questioning by independent directors and the sincere engagement of management with these issues, I feel that the Company's approach to its business operations is steadily evolving.

Message from the Chair of the Board of Directors

The same applies to the response to carbon neutrality. Previously, the Company's approach in this area tended to be passive, but now we are seeing more proactive discussions about leveraging the technologies and expertise of each business segment, especially in the machinery sector, to create new business opportunities and competitive advantages. I believe that the Board of Directors is not only responsible for overseeing management, but also for questioning management's assumptions and fixed ideas from an external perspective, thereby encouraging changes in the Company's mindset and actions.

I believe that the effectiveness of the Board of Directors should be evaluated based on how its performance is reflected in management outcomes, such as improvements in the Group's profitability and value creation capabilities, as well as the effective functioning of governance and compliance.

Strategies and Group Governance Supporting Overseas Growth



The current Medium-Term Management Plan is now in its final year. While the plan is important for clarifying management direction, the business environment is constantly changing even after its formulation. Given this, it is essential for the Board of Directors not only to monitor the progress of the plan, but also to ensure that the Company responds flexibly to such changes and takes necessary actions.

There has also been steady progress in areas such as the restructuring of subsidiaries and efforts to develop new businesses. The electric power business has become a stable source of earnings, forming an integral part of the Group's strengths as it moves forward with its next growth strategy and ventures into new businesses. To leverage this strength for sustainable growth, it is necessary to allocate management resources strategically with a long-term perspective.

Since the Kobelco Group is a manufacturing-based company, its future competitiveness depends on investment in research and development, as well as in new products and businesses. At the same time, it is also necessary to invest in human resources who can translate these efforts into value creation for customers and society. This includes creating opportunities and environments that enable diverse individuals to take on new challenges and building an organization where they can leverage their unique experiences and perspectives. Furthermore, it is vital to allocate sufficient resources to foundational areas that support corporate value, such as safety, quality control, and inspection facilities, in order to maintain and strengthen systems for preventing risks before they arise. Rather than viewing each element—such as technological development, human resources, and the foundations supporting corporate value—as separate, we should consider them as integrated investments aimed at realizing a sustainable

growth strategy.

While strengthening these business foundations, we must explore our overseas strategy as a key theme for deeper discussion as we look toward the next stage of growth. Overseas sales account for approximately one-third of the Group's total sales, but each business division currently operates independently, focusing on its respective areas of expertise in various countries. Going forward, I believe it is crucial not only to expand individual businesses, but also, as a Group, to identify which countries, regions, and markets should be designated as priority areas, and to develop an overall strategy for allocating management resources accordingly.

Rather than simply following the strategies of other companies, it is important to develop a unique growth strategy that leverages the Group's own technologies and customer base. In this regard, I believe that further growth and expansion of the machinery segment, which already has strong competitiveness and a proven track record overseas, should be considered one of the potential growth drivers.

Expanding business overseas requires not only developing a growth strategy but also strengthening Group governance to support it. Business practices, cultures, and values vary from country to country and region to region. Unilaterally imposing head office perspectives or Japanese approaches will not lead to establishing operations that are truly rooted in the local market. It is important to build business operations and governance models, in a way that aligns with the realities of each country and region, while respecting the insights of executives and local employees at overseas subsidiaries and partner companies. To this end, management must visit local sites in person and engage in direct dialogue. This provides an opportunity to share the Group's vision for overseas business development,

Message from the Chair of the Board of Directors

while enabling the head office to accurately understand recent local developments and challenges and reflect them in management decisions. By building up this kind of two-way communication, I believe it becomes possible for the Group to operate business in a way that balances its overall direction with the realities of each local market.

Furthermore, in the future, the Group's overseas regional headquarters are expected not only to serve administrative functions but also contribute to the formulation of head office strategies based on local information and expertise. Looking ahead to the next Medium-Term Management Plan, I believe that overseas strategy is a key theme that should be discussed in conjunction with the growth strategy and Group governance.

Encouraging New Challenges and Assessing Risks

Achieving sustainable growth and increasing profitability is a crucial responsibility for a company. However, every company faces limitations in the management resources it can utilize. Our Group possesses advanced technological capabilities, excellent human resources, and a certain degree of financial strength, but these are by no means unlimited. Thus, it is imperative that the Group accurately assess its own strengths and management resources and develop a growth strategy that maximizes those strengths.

With this in mind, the Board of Directors intends to actively support new initiatives proposed by the executive team, provided they have the potential to enhance corporate value and drive growth, and their rationality and feasibility are confirmed. Although independent directors have a supervisory role, simply pointing out risks is not enough to achieve growth. It is important to thoroughly discuss what risks are

anticipated and the extent to which they can be tolerated, and to distinguish between risks that should be taken and those that should be avoided. Supporting challenges through these discussions embodies the ideal approach for a board of directors that seeks to balance supervision and support.

Decision-making regarding business withdrawal also requires careful and thorough consideration. Continuing businesses with no prospect of improved profitability can hinder the Company's overall growth. On the other hand, there are employees at the manufacturing sites who have been involved in the businesses for many years with a sense of fulfillment. While placing importance on capital efficiency is a due responsibility, our decisions should not be based solely on that criterion. We must make responsible decisions aimed at increasing corporate value, while also taking proper care of the lives and well-being of employees.

To improve the quality of such difficult decision-making, it is necessary to broaden the range of information and perspectives available to the Board of Directors. Dialogue with shareholders and investors provides independent directors with opportunities to directly receive their feedback and expectations. Similarly, engaging in dialogue with employees from various generations and workplaces, as well as those on the production floor, help us grasp insights and challenges that may not be visible from management-provided information alone. I believe these dialogue sessions not only improve the quality of the Board of Directors' decision-making, but also deepen trust with the executive team and serve as a driving force in supporting new challenges.

What we hope to encourage through these discussions is the full demonstration of the Group's inherent strengths. The Group operates multiple



businesses, including materials, machinery, and electric power. By leveraging the technologies, human resources, and customer base developed in each business, we can create value that could not be generated by a single business alone—a unique strength of a conglomerate.

Under a corporate culture of integrity and steadfastness, the Group has been developing businesses that support social infrastructure for over 120 years since its founding. It possesses numerous technologies and businesses that are globally competitive, such as those in the machinery sector. On the other hand, the Group has not always been adept at proactively articulating its own strengths and potential. That is why it is essential to reassess the Group's own capabilities and value, and to communicate more clearly both internally and externally how these strengths are creating value.

With a sense of responsibility and pride in supporting social infrastructure, the Kobelco Group strives to grow as a company that supports the lives of people around the world by leveraging its unique strengths. To achieve this, the Board of Directors will strongly encourage the challenges undertaken by the executive team while pursuing more in-depth discussions.

Directors



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

2 Executive Vice President and Representative Director
Hajime Nagara
Compliance Committee Member
Corporate Governance Committee Member

3 Director, Executive Officer
Koichi Sakamoto
Quality Management Committee Member

4 Director, Executive Officer
Kazuhiko Kimoto
Corporate Governance Committee Member

5 Director, Executive Officer
Kazuo Iritani

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

7 Independent Director
Yoshie Tsukamoto
Corporate Governance Committee Member

8 Independent Director
Akihiro Nakanishi
Corporate Governance Committee Member (Chair)

9 Director (Audit & Supervisory Committee Member, full time)
Gunyu Matsumoto

10 Director (Audit & Supervisory Committee Member, full time)
Yuichiro Goto

11 Independent Director (Audit & Supervisory Committee Member)
Nobuko Sekiguchi

12 Independent Director (Audit & Supervisory Committee Member)
Hisae Kitayama
Chair of the Audit & Supervisory Committee
Nomination & Compensation Committee Member
Corporate Governance Committee Member

13 Independent Director (Audit & Supervisory Committee Member)
Tomoko Sakamoto
Compliance Committee Member (Chair)

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



Corporate Governance

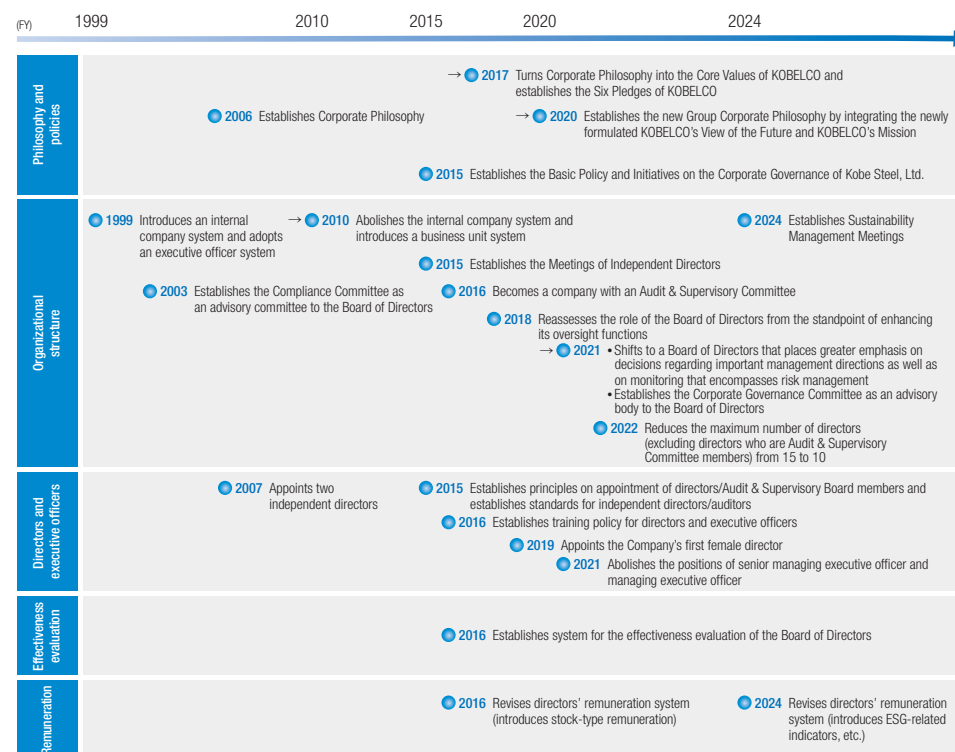
Basic Approach to Corporate Governance

The Kobelco Group recognizes that corporate value encompasses not only business results and technological capabilities but also our approach to 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 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/kobesteel/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.

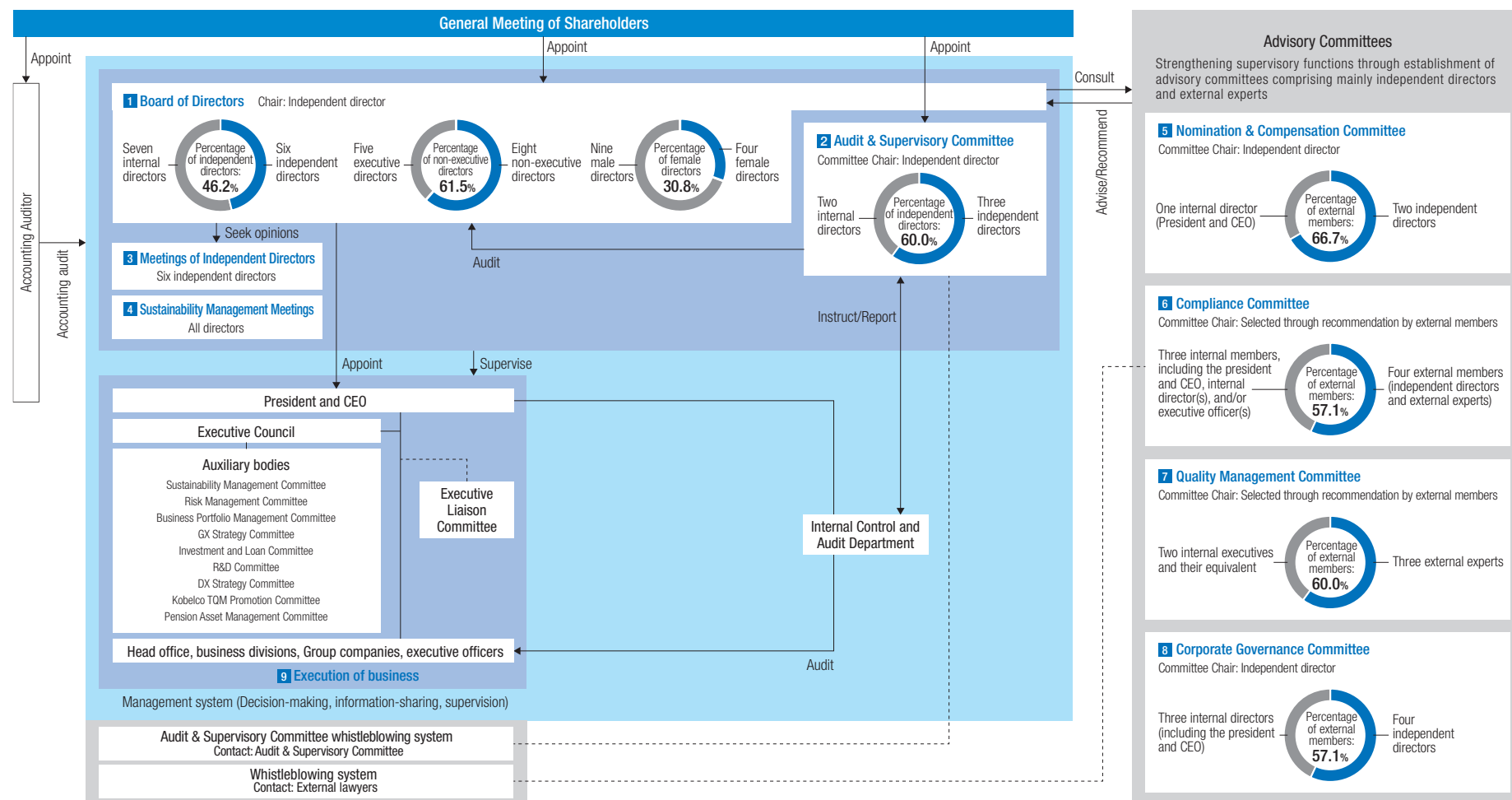
Furthermore, the Company believes it is necessary for the Board of Directors to hold active discussions and make appropriate decisions regarding the risk management and the distribution of management resources for a wide range of businesses, and at the same time, to flexibly supervise business execution. 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.

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. 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



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 2025

In fiscal 2025, 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 on our priority issues—enhancing earning power and pursuing growth, as well as taking on the challenge of realizing carbon neutrality—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 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 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 our 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 2025

The committee deliberated on matters such as the nomination of directors for fiscal 2026 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)

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. Items in each area of knowledge, experience, and skills are reviewed as necessary in response to changes in the business environment, the formulation of new management plans, and other circumstances. In light of recent developments in the external environment, we have defined the necessary knowledge, experience, and skills as outlined below, and have also revised part of the skills matrix.

Group Corporate Philosophy	Materiality	Knowledge, Experience, and Skills	Reason for Selection	Reference: Relevant Initiatives Under KOBELCO-X (Up to Four Ticks)						
				AX	GX	BX	CX [*]	DX	EX	FX
<div>KOBELCO's View of the Future</div> <div>KOBELCO's Mission</div>	Contributing to a green society	Business management and administration	As our Group operates diverse businesses both domestically and internationally, skills in business management and administration are fundamental for optimizing our portfolios and resource allocation, as well as for demonstrating decision-making competency through the development and implementation of medium- to long-term growth strategies on a global scale, aimed at maximizing corporate value.	●	●			●		●
	Ensuring safety and security in urban development and manufacturing	Environmental strategy	Our Group recognizes environmental issues as important medium- to long-term challenges. Environmental strategy skills are essential for advancing initiatives that address both risks and opportunities in the pursuit of a sustainable society. This includes responding to climate change and promoting resource circulation, as well as expanding products and services that contribute to CO ₂ emission reduction.		●	●	●	●		
	Providing solutions for the future connecting people and technology	Sales strategy and marketing	A market-oriented perspective is required to ensure competitive advantages throughout the Group's business operations. Skills in sales strategy and marketing are essential for swiftly responding to changes in the global market environment and creating customer value.	●		●	●	●		
	Promoting active participation of diverse human resources	Technical development, intellectual property, and production technology	As technological innovation becomes an increasingly important source of competitiveness, skills in technology development, intellectual property, and production technology are essential for developing and implementing technical strategies that promote differentiation and improve profitability, including enhancing existing technologies, products, and services, as well as driving innovation.	●	●			●		●
	Pursuing governance that supports sustainable growth	Digital, IT, and DX	Skills in digital, IT, and DX are essential for not only improving operational efficiency but also for innovating business models. These capabilities are crucial for gaining competitive advantages in the market, thereby accelerating the creation of new value.			●	●	●	●	
		Human resources strategy	Human resources strategy skills are essential for maximizing human capital and enhancing organizational strengths by promoting diversity, fostering a fulfilling workplace, and developing the next generation of talent. These efforts contribute to achieving sustainable corporate growth.			●		●	●	●
		Finance and accounting	Maintaining a sound financial structure and improving capital efficiency form the foundation for enhancing corporate value. Finance and accounting skills are essential for the optimal utilization of management resources in areas such as investment decisions and capital policies.	●	●	●		●		
		Governance and risk management	Skills in corporate governance and risk management are essential for directors to ensure the soundness and transparency of management, the validity of management strategies, and the appropriateness of business execution. These skills also enable directors to accurately grasp and manage various risks, supporting the sustainable enhancement of corporate value.	●	●	●		●		

Corporate Governance

The table below shows the areas of knowledge, experience, and skills that we particularly expect each director to demonstrate. Each item has been determined after discussion at the Corporate Governance Committee and the Nomination & Compensation Committee, taking into consideration the Company's business strategy and business characteristics, as well as the business environment and the Company's management plan.

	Name			Gender	Years of service as director	Attendance at Board of Directors' Meetings	Attendance at Audit & Supervisory Committee Meetings	Matters Concerning Overall Management	Value creation area							Business foundation area	Insights into Other Industry Sectors
									Business management and administration	Sales strategy and marketing	Technical development, intellectual property, and production technology	Digital, IT, and DX	Environmental strategy	Human resources strategy	Finance and accounting		
Directors	Yoshihiko Katsukawa	Inside	Executive	Male	8	16/16 (100%)	—	●	●			●		●	●		
	Hajime Nagara	Inside		Male	6	16/16 (100%)	—	●				●	●		●		
	Koichi Sakamoto	Inside		Male	3	16/16 (100%)	—	●		●	●	●			●		
	Kazuhiro Kimoto	Inside		Male	2	16/16 (100%)	—	●	●		●	●		●			
	Kazuo Iritani	Inside		Male	—	—	—	●	●	●	●	●					
	Shinsuke Kitagawa	Outside/Independent Director	Non-executive	Male	4	16/16 (100%)	—			●		●	●		●	●	
	Yoshie Tsukamoto	Outside/Independent Director		Female	2	16/16 (100%)	—	●	●	●	●					●	
	Akihiro Nakanishi	Outside/Independent Director		Male	—	—	—	●	●					●	●	●	
Directors who are Audit & Supervisory Committee Members	Gunyu Matsumoto	Inside	Non-executive	Male	3	16/16 (100%)	20/20 (100%)	●					●	●	●		
	Yuichiro Goto	Inside		Male	2	16/16 (100%)	20/20 (100%)		●	●	●	●					
	Nobuko Sekiguchi	Outside/Independent Director		Female	4	16/16 (100%)	20/20 (100%)				●		●	●		●	
	Hisae Kitayama	Outside/Independent Director		Female	—	—	—	●					●	●	●	●	
	Tomoko Sakamoto	Outside/Independent Director		Female	—	—	—					●		●	●	●	

Note: This matrix does not present all the knowledge, experience, and skills that each person possesses, but rather maximum five ticks (●) are given for areas that are particularly expected.

Corporate Governance

Initiatives to Ensure the Effectiveness of the Board of Directors

Our Company carries out the following initiatives 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 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 ensure 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 2025

Evaluators	All 13 directors
Implementation process	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.
Evaluation items	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
Evaluation method	<ul style="list-style-type: none">• 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.• 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.

Summary of Evaluation Results

- Our Company believes that the Board of Directors has continuously improved its effectiveness. One of the issues identified in the effectiveness evaluation conducted in the previous fiscal year was the need to further enhance the provision of information to independent directors, consistent with the strengthened Board of Directors' monitoring function.
- In response, in fiscal 2025, the Company not only set annual agenda items but also expanded opportunities for preliminary briefings and discussions on large-scale investment projects by utilizing offline meetings. As a result, many of the directors commented that they gained a deeper understanding of the background of these investments and relevant internal issues. This feedback suggests that the Board of Directors' function as a monitoring board has been further strengthened.

- In addition, the results of effectiveness evaluations conducted over the past several years indicate that the Board of Directors has been making ongoing improvements. In fiscal 2026, the Company will continue these initiatives and strive to further enhance the Board of Directors' effectiveness.
- In fiscal 2026, with an eye on formulating the next Medium-Term Management Plan, our Company recognizes the need for continuous and in-depth discussions on key themes that contribute to increased corporate value. We will continue to promote discussions through the Sustainability Management Meetings and offline meetings.
- Furthermore, in light of the appointment of several new independent directors, we will also work to enhance the provision of information to help them gain a deeper understanding of the Company.

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, our Company offers various training programs as opportunities to acquire and appropriately update the necessary knowledge, supporting the expenses for training.

- At the time of appointment, directors and executive officers receive sufficient explanation from the relevant departments, including the Company's business and financial situation. If needed, the Company also provides opportunities for directors and executive officers to acquire knowledge and information through visits to manufacturing sites and other means.
- In particular, for newly appointed directors and executive officers from within the Company, the Company provides opportunities for training on the roles and responsibilities of directors and executive officers, as well as legal affairs and corporate governance.
- The Company holds training sessions several times a year, inviting instructors from inside and outside the Company for the purpose of helping directors and executive officers acquire various knowledge on legal revisions and corporate management, etc., and update it as appropriate.
- The Company holds the Compliance Top Seminar once a year as an opportunity to learn from outside instructors about what is required of top management for compliance.
- In addition, the Company facilitates and encourages directors and executive officers to take external training on management strategy, finance and accounting, and organization, etc., providing support for it.
- The status of attendance at these training sessions is checked once a year and reported to the Board of Directors.

Approach to Developing CEO Successors

- The Company recognizes that the development of successors to the CEO is one of the most important issues for its management. The qualities and human resources required to address 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.
- The appointment of the CEO is determined by the Board of Directors after deliberations at the Nomination & Compensation Committee taking into account the Company's business environment and the implementation of management plans, etc., which are reported to the Board of Directors.
- In developing CEO successors, the Company selects multiple candidates from among directors and executive officers and appoints them to important management roles after discussion at the Nomination & Compensation Committee.
- The Company provides directors and executive officers with training opportunities to acquire the knowledge and qualities necessary for the management of the Company. The Corporate Governance Committee examines the training menu in light of the Company's business environment and other factors and reports to the Board of Directors every fiscal year.
- The training status of each director and executive officer is checked by the Corporate Governance Committee once a year.

Calculation Method for the Portion Linked to Division Performance of Performance-Based Compensation

$$\text{Performance-based compensation (portion linked to division performance)} = \text{Standard pay amount for each rank and remuneration rank}^1 \times \text{Coefficient based on evaluation indicators}^2$$

1 The standard pay amount for each rank and remuneration rank is set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.

2 The coefficient is calculated based on the following formula using the ROIC over the given period as the evaluation indicator. The applicable business division for the portion linked to division performance shall be determined for respective prospective recipients based on their assigned duties. In addition, in the case where the assigned duties to a director are performed in the head office divisions (including the Technical Development Group) or the Electric Power Business division, the said director's performance-based compensation shall not include the portion of compensation linked to division performance and shall be calculated by multiplying the portion linked to Companywide performance by a factor of 1.0 [Portion linked to Companywide performance $\times$ 1.0] regardless of the following formula.

$$\begin{aligned} \text{Coefficient based on evaluation indicators (\%)} &= \text{(A) Portion linked to Companywide performance (\%)} \times 0.7 + \text{(B) Portion linked to division performance (\%)} \times 0.3 \\ \text{(A) Portion linked to Companywide performance (\%)} &= \left[100/3 \times \text{Companywide consolidated ROIC} - 2/3 \right] \times 100 \\ \text{(B) Portion linked to division performance (\%)} &= \left[100/3 \times \text{Consolidated ROIC for each business division} - 2/3 \right] \times 100 \end{aligned}$$

Note: Decimal points are rounded off in the figures for the portion linked to Companywide performance and the portion linked to division performance. In the event that the value falls below 0%, it will be defined as 0%. In the event that the value goes above 200%, it will be defined as 200%.

Medium- to Long-Term Incentive Compensation

1. 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 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, an FTSE ESG score of 3.9 or higher, and an MSCI ESG rating of AAA.

2. 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.
3. 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.

Calculation Method of Points to Grant Medium- to Long-Term Incentive Compensation

$$\text{Number of points to be provided} = \text{Base point number for each rank and remuneration rank}^1 \times \text{Coefficient based on evaluation indicators}^2$$

1 The base point number for each rank and remuneration rank is set forth in the Detailed Rules on Remuneration Regulations for Directors and Executive Officers.

2 The coefficient is determined based on dividends, profit, and performance against ESG-related indicators.

Corporate Governance

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

1. The system aims to secure talented human resources who can contribute to the Company's sustainable development, and appropriately compensate for such efforts.
2. The system aims to share values widely with stakeholders and promote not only short-term growth but also medium- to long-term growth.
3. 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.
4. 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

1. 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.
2. 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.
3. 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.
4. 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.

President, CEO and Director	Approx. 53%	Approx. 32%	Approx. 16%
Executive Vice President and Director	Approx. 56%	Approx. 28%	Approx. 17%
Director, Executive Officer	Approx. 61%	Approx. 24%	Approx. 15%
Director who is an Audit & Supervisory Committee Member	100%		
Independent Director	100%		

Basic remuneration Performance-based compensation Medium- to long-term incentive compensation

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. Remuneration for Director, Executive Officer above is based on a standard remuneration rank.

③ Performance-Based Compensation

1. 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.
2. 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.

3. 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.
4. 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 a focus on cost of capital 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 88 of ESG Data Book 2026.

Corporate Governance

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 89 of ESG Data Book 2026.

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 FY2025	8.0%	79.4 billion yen	A	3.9 or higher	AAA
Actual values for FY2025	5.3%	93.7 billion yen	A	4.3	AAA

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 announced as of the end of fiscal 2025.

Remuneration for Directors in Fiscal 2025

Category	Number of Payees (Persons)	Amount (Millions of yen)	Breakdown of Total Amount by Type of Remuneration (Millions of yen)		
			Basic remuneration	Performance-based compensation	Medium- to long-term incentive compensation
Directors excluding Audit & Supervisory Committee members (of which, outside directors)	8 (3)	501 (48)	285 (48)	133 (—)	83 (—)
Directors, Audit & Supervisory Committee Members (of which, outside directors)	5 (3)	123 (51)	123 (51)	— (—)	— (—)
Total	13	625	409	133	83

Remuneration for Accounting Auditor in Fiscal 2025

Category	Payments (Millions of yen)
Remuneration and other amounts payable to the accounting auditor by the Company	208
Total amount of money and other financial interests payable by the Company and its subsidiaries	607

Corporate Governance

Strategic Holdings of Shares

Basic Policy

For our basic policy on strategic holdings of shares, please see page 90 of ESG Data Book 2026.

Criteria for Exercising Voting Rights

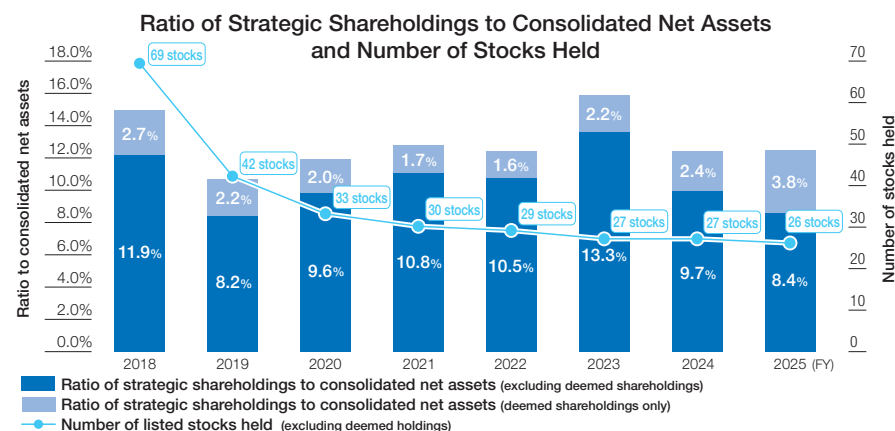
For our criteria for exercising voting rights of strategic holdings of shares, please see page 90 of ESG Data Book 2026.

Verification Results Regarding Strategic Holdings of Shares (As of March 31, 2026)

Targets	All the strategic holdings of shares that the Company holds in listed companies as of March 31, 2026 (26 stocks)
Verification details	<p>We assessed whether each shareholding contributes to strengthening the Company's business foundation and enhancing its corporate value over the medium to long term, based on the following evaluation items, and made a comprehensive judgment on the reasonableness of each shareholding.</p> <p>Evaluation items</p> <ul style="list-style-type: none"> ① Scale and importance as a business partner (volume of transactions, share of transactions, and stable procurement) ② Relationship as an alliance partner (economic effect of the alliance) ③ Dividend yield

Verification Results

- As of March 31, 2026, the Company holds 26 stocks. These holdings have been deemed reasonable based on their contribution to strengthening the Company's business foundation and enhancing its corporate value over the medium to long term. This assessment considers the scale and importance of each company as a business partner—focusing on factors such as transaction volume, transaction share, and stable procurement—as well as the nature of relationships as alliance partners.
- The Company will continue to verify the necessity of its strategic shareholdings, and will reduce those holdings that are judged to have diminished significance through sale or other measures.



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. Kobelco Wire Company, Ltd., a subsidiary that was listed on the Tokyo Stock Exchange Standard Market until August 28, 2026, became a wholly owned subsidiary of Kobe Steel as of September 1, 2026. This decision was made with the aim of expanding into new fields by combining our material manufacturing capabilities and knowledge base with Kobelco Wire's processing and development technologies, strengthening our overseas strategy through collaboration with our overseas bases and partner trading companies, and further expanding our business through closer cooperation with other secondary processing manufacturers. By fully integrating our capital with Kobelco Wire, we can maximize the mutual use of management resources and promptly and flexibly execute these initiatives, which we believe is the best option for the sustainable growth and enhancement of corporate value for both companies.

Listed Affiliated Companies

Shinsho Corporation, one of our affiliated companies, is a listed company that operates independently in accordance with Shinsho Group's corporate philosophy and code of conduct, as it is not subject to 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 35.93% of the company's voting rights (including the portion held through the retirement benefit trust) as of March 31, 2026, 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.

Message from the Chair of the Audit & Supervisory Committee



Role of the Audit & Supervisory Committee Chair

Audit and supervisory committees' mission is to contribute to the sustainable growth of corporate groups, the enhancement of corporate value over the medium to long term, and the establishment of a high-quality corporate governance system that earns societal trust, through auditing directors' execution of their duties. As committee chair, I strive to enhance management transparency and strengthen compliance and risk management from an independent and objective standpoint.

In addition, by linking the issues identified through audit activities to management improvements and strategy implementation, I hope the committee will contribute not only to "defensive" governance but also to "proactive" governance that fosters growth.

Future Focus Areas Based on Governance Enhancements to Date

The Company has so far strengthened the monitoring

Contributing to Enhanced Corporate Value Through Audit Effectiveness Improvements

function of the Board of Directors by transitioning to a company with an Audit & Supervisory Committee and appointing an independent director as chair of the Board of Directors. These measures have prompted active and thorough deliberations, focused on key topics, at Board meetings, demonstrating improved effectiveness.

Going forward, we will continue to promptly share with the Board of Directors any issues identified through dialogue with business divisions, the internal audit department, and accounting auditors, as well as through on-site inspections. I hope this will lead to early improvements and further advance our management practices.

Key Themes Closely Monitored by the Audit & Supervisory Committee

During the period of the current Medium-Term Management Plan, we have identified four key audit priorities: enhancing earning power and pursuing growth, taking on the challenge of realizing carbon neutrality, strengthening sustainability management, and strengthening the business foundation. Among these, our top priority is "strengthening the business foundation," which includes reinforcing risk management and quality management capabilities across the Group and on a global scale.

We will strengthen the Company's audit system through collaboration among the three lines of audit—Audit & Supervisory Committee, the internal audit department, and accounting auditors—while monitoring the progress of internal promotion activities to strengthen the business foundation. Additionally, we will oversee

efforts toward sustainable growth by tracking the progress of ROIC management and business portfolio transformation.

Collaboration with Internal Audit and Risk Management Departments

The Audit & Supervisory Committee monitors whether the internal control system is functioning properly to help improve its effectiveness. To this end, we ensure that each of the business divisions, divisions under the head office, and the internal audit department is fulfilling their respective roles, while also closely monitoring the management status of the entire Group, including subsidiaries.

In addition, we strive to improve the effectiveness and efficiency of audits by conducting on-site inspections and visits to various locations to understand actual conditions in the field, and by strengthening collaboration among the three lines of audit and with auditors at subsidiaries.

The Audit & Supervisory Committee promotes the lawful, proper, and efficient execution of duties, supporting a balanced governance structure that combines proactive and defensive measures. While incorporating societal perspectives, we will monitor the effectiveness of governance, risk management, and internal controls, and encourage initiatives aimed at enhancing earning power and pursuing growth.

Looking ahead, we will continue to contribute to the sustainable growth and enhancement of the Group's corporate value with passion and a strong sense of commitment to fulfilling our role in corporate governance, as we strive to support appropriate information disclosure and foster dialogue with stakeholders.

Compliance

For details, please see Compliance on pages 92–95 of ESG Data Book 2026.

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 strengthen the organizational structure to 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.

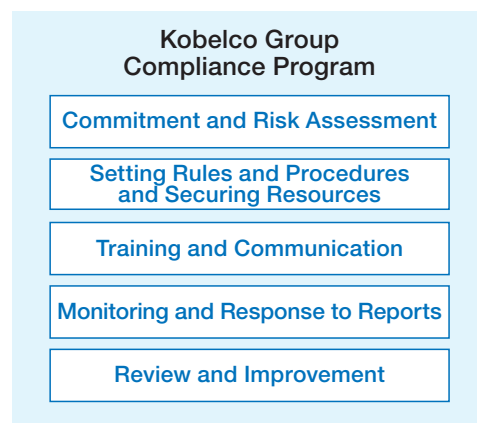
Compliance Structure and Activities

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's 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 on the right.



Commitment

We recognize 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.

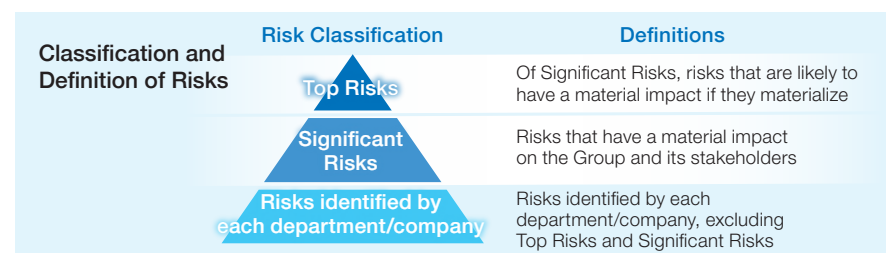
Risk Management

For details, please see Risk Management on pages 96–97 of ESG Data Book 2026.

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 international standards—The Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidance—as reference materials, in accordance with 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

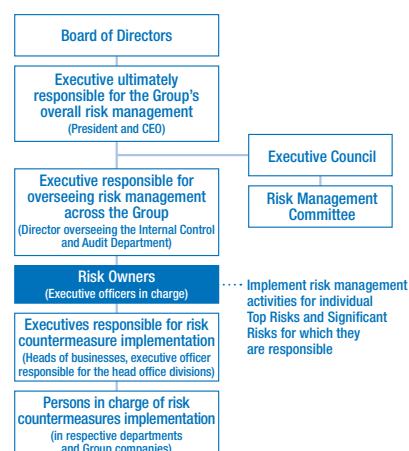
The president and CEO is the person ultimately responsible for the Group's overall risk management, and the director who oversees the Internal Control and Audit Department is the person responsible for overseeing risk management across the Group. Individual risks are managed by the Risk Owners who are 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, while all 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.

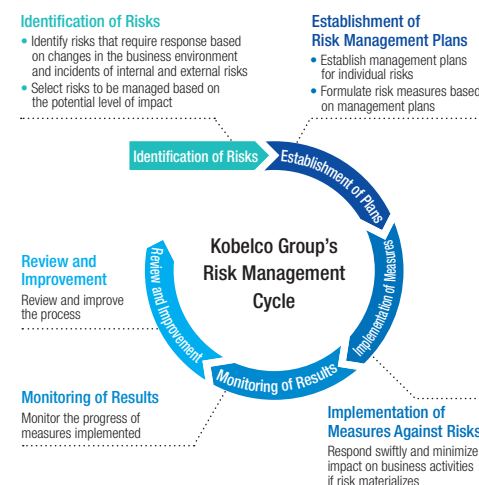
Under the direction of the Risk Owners, the management of individual risks is carried out by the person in charge of risk countermeasures implementation in each division in the following cycle: identifying risks, formulating plans, implementing measures, assessing results, and finally, reviewing and 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

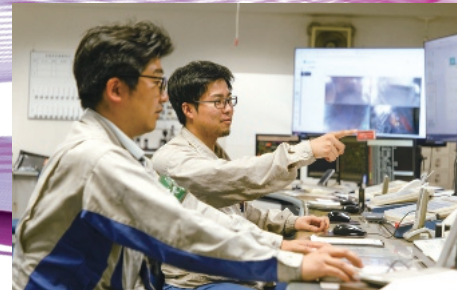


Risk Management Cycle



05

Operating Results by Segment



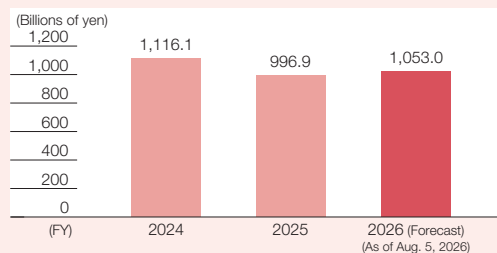
Materials: Steel & Aluminum Business



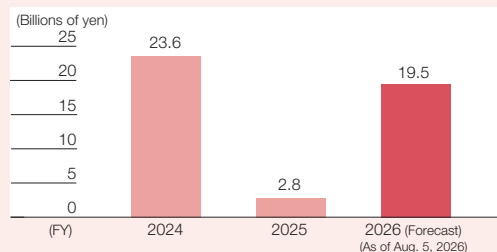
Shoji Miyazaki

Executive Vice President
Head of the Steel &
Aluminum Business

Net Sales



Ordinary Profit



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

Fiscal 2025 Progress and Challenges

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

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

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

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

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

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

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

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

Impacts on Business Operations

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

Key Medium- to Long-Term Actions

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

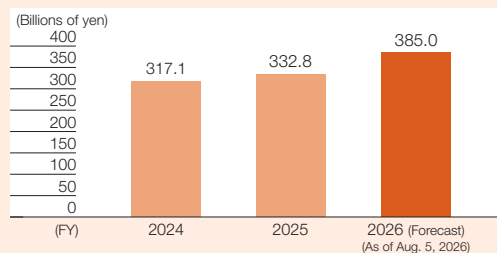
Materials: Advanced Materials Business



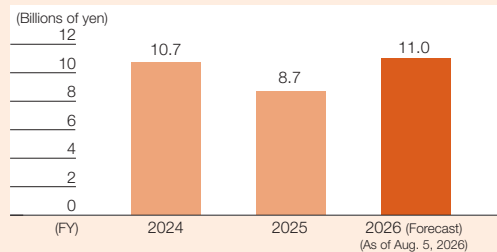
Ryosaku Kadowaki

Executive Officer
Head of the Advanced
Materials Business

Net Sales



Ordinary Profit



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

Fiscal 2025 Progress and Challenges

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

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

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

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

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

Impacts on Business Operations

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

Key Medium- to Long-Term Actions

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

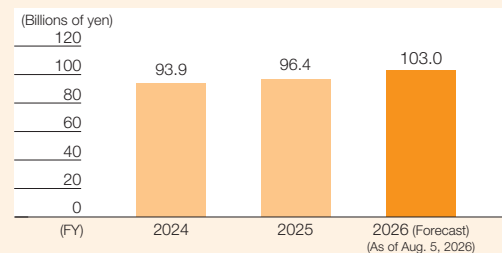
Materials: Welding Business



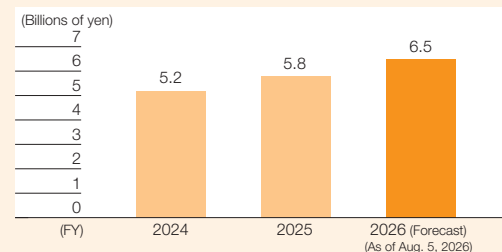
Kazuyuki Suenaga

Executive Officer
Head of the Welding
Business

Net Sales



Ordinary Profit



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

Fiscal 2025 Progress and Challenges

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

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

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

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

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

Impacts on Business Operations

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

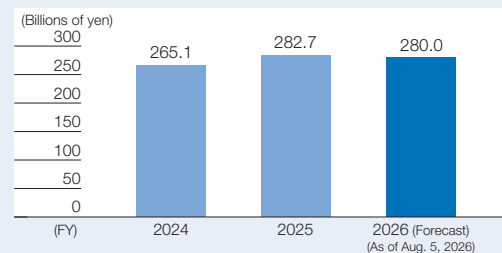
Key Medium- to Long-Term Actions

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

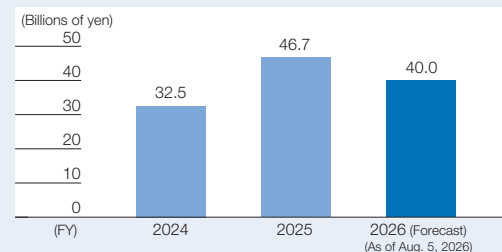
Machinery: Machinery Business



Net Sales



Ordinary Profit



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

Fiscal 2025 Progress and Challenges

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

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

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

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

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

Impacts on Business Operations

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

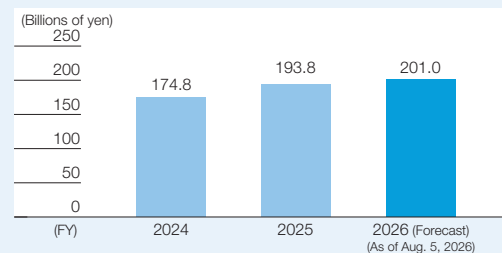
Key Medium- to Long-Term Actions

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

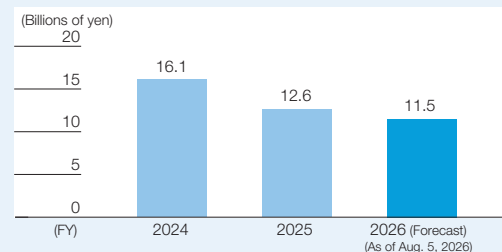
Machinery: Engineering Business



Net Sales



Ordinary Profit



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

Fiscal 2025 Progress and Challenges

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

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

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

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

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

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

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

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

Impacts on Business Operations

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

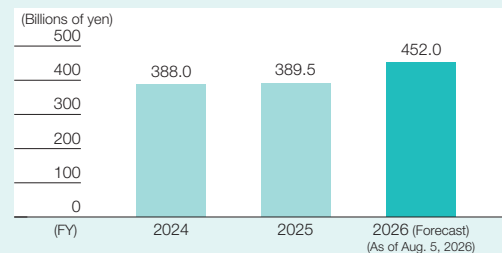
Key Medium- to Long-Term Actions

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

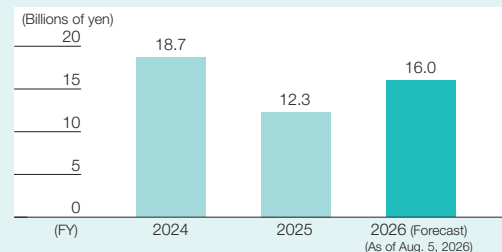
Machinery: Construction Machinery Business



Net Sales



Ordinary Profit



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

Fiscal 2025 Progress and Challenges

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

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

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

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

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

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

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

Impacts on Business Operations

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

Key Medium- to Long-Term Actions

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

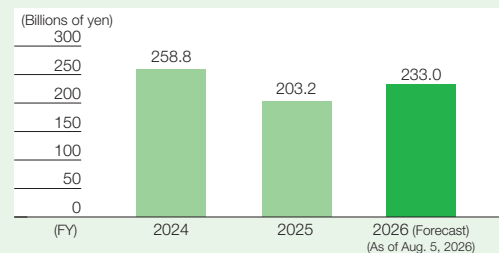
Electric Power Business



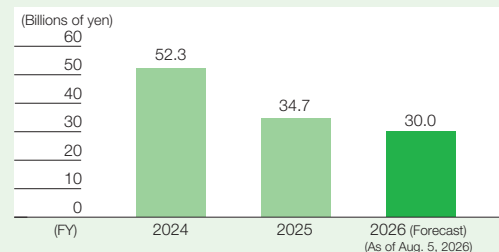
Kunihiko Yoshitake

Executive Officer
Head of the Electric Power
Business

Net Sales



Ordinary Profit



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

Fiscal 2025 Progress and Challenges

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

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

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

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

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

Business Environment and Key Medium- to Long-Term Actions

Business Environment and Challenges

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

Impacts on Business Operations

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

Key Medium- to Long-Term Actions

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

10-Year Financial and Non-Financial Data

Fiscal year		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
For the fiscal year (Millions of yen)	Net sales	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	2,436,581
	Operating profit	9,749	88,913	48,282	9,863	30,398	87,622	86,365	186,628	158,721	129,883
	Ordinary profit (loss)	(19,103)	71,149	34,629	(8,079)	16,188	93,233	106,837	160,923	157,192	121,336
	Profit (loss) attributable to owners of parent	(23,045)	63,188	35,940	(68,008)	23,234	60,083	72,566	109,552	120,180	93,717
	Cash flows from operating activities	141,716	190,832	67,136	27,040	194,798	168,809	119,692	205,284	148,261	201,683
	Cash flows from investing activities	(137,833)	(161,598)	(28,603)	(218,986)	(141,853)	(161,510)	(97,267)	(53,724)	(113,873)	(73,659)
	Cash flows from financing activities	16,545	(66,598)	(9,561)	140,589	118,444	(69,143)	(85,564)	(81,213)	(96,227)	(162,410)
	Capital expenditures	160,297	128,653	133,471	239,816	185,091	108,139	97,302	105,214	115,893	128,562
	Depreciation	96,281	102,032	102,589	105,346	100,856	105,147	112,505	119,084	122,439	123,948
	Research and development expenses	30,102	32,014	34,495	35,890	31,008	33,244	36,702	40,416	43,598	46,682
At fiscal year-end (Millions of yen)	Total assets	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	2,865,184
	Net assets	729,404	790,984	803,312	716,369	769,375	872,346	977,653	1,127,346	1,237,059	1,330,453
	Interest-bearing debt, including leases	825,452	763,174	785,665	930,527	1,057,168	973,843	917,263	873,504	886,332	769,917
Per share data* (Yen)	Net profit (loss)	(63.5)	174.4	99.2	(187.5)	64.0	160.2	183.8	277.3	304.6	237.8
	Net assets	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	3,189.56
	Cash dividends	—	30.00	20.00	0.00	10.00	40.00	40.00	90.00	100.00	80.00
Financial indicators	Return on assets (ROA) (%)	(0.8)	3.1	1.5	(0.3)	0.6	3.5	3.8	5.6	5.4	4.2
	Return on equity (ROE) (%)	(3.4)	8.9	4.8	(9.7)	3.4	7.9	8.4	11.1	10.8	7.7
	Return on invested capital (ROIC) (%)	0.8	4.5	2.8	0.9	1.1	4.7	4.9	6.7	6.9	5.3
	Net asset ratio (%)	31.6	33.6	33.7	29.7	29.8	32.0	34.0	38.6	42.8	46.4
	Equity ratio (%)	29.2	31.6	31.0	27.2	27.5	29.9	31.8	36.2	40.2	44.0
	D/E ratio	1.22	1.03	1.06	1.42	1.49	1.19	1.00	0.83	0.76	0.61
	Dividend payout ratio (%)	—	17.2	20.2	—	15.6	25.0	21.8	32.4	32.8	33.6
Number of shares issued (in thousands)		364,364	364,364	364,364	364,364	364,364	396,346	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 2016.

10-Year Financial and Non-Financial Data

Fiscal year		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Non-financial data											
Environmental	Reduction of CO ₂ emissions in production processes (compared to fiscal 2013) (%) ^(Note)					21	16	20	20	20 ¹	23
	Contribution to reduction of CO ₂ emissions through technologies, products, and services (in million tons) ^(Note)			36.74	42.14	40.77	44.91	58.91 ²	61.18 ²	62.35 ²	67.42 ²
	Water recycling rate (%) ^(Note)			96.0	95.9	95.9	95.7	96.2	95.9	96.0	96.2
	By-product recycling rate (%)			99.3	98.5	98.9	99.3	99.2	99.1	99.4	98.4
Social	Employees:										
	Consolidated	36,951	37,436	39,341	40,831	40,517	38,106	38,488	38,050	39,294	38,614
	Non-consolidated	11,034	11,191	11,401	11,560	11,837	11,296	11,368	11,534	11,895	12,253
	Male	10,241	10,304	10,422	10,528	10,750	10,231	10,284	10,428	10,687	10,986
	Female	793	887	979	1,032	1,087	1,065	1,084	1,106	1,208	1,267
	Non-Japanese	60	70	69	85	87	76	74	87	109	118
	Percentage [number] of female managers (non-consolidated) ³ (%) ^(Note)	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]	3.8 [93]
	Percentage [legal employment rate] of people with disabilities (non-consolidated) (%)	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]	2.63 [2.5]
	Number of new graduate hires (non-consolidated)										
	Male	344	421	350	315	349	254	224	234	280	311
	Female	50	64	50	52	38	39	25	37	50	42
	Number of employees taking childcare leave (non-consolidated) ⁴										
	Male	7	8	13	35	48	82	142	183	181	247
	Female	54	40	40	58	63	49	31	73	35	43
	Percentage of employees returning from childcare leave (non-consolidated) (%)	96.0	96.7	98.2	100.0	99.1	99.0	99.4	99.6	100.0	98.6
	Turnover of employees with less than 3 years of service (non-consolidated) ⁵ (%)	12.8	10.7	15.3	16.6	11.9	17.7	16.2	17.8	19.9	15.2
	Turnover of employees with less than 10 years of service (non-consolidated) ⁶ (%)	13.1	13.4	18.9	19.1	15.8	19.5	20.0	21.1	22.4	24.0
	Overtime (non-consolidated) (hours per month/employee)	16.5	18.4	18.4	17.7	16.6	17.2	16.5	16.1	16.5	15.5
	Number of annual paid leave days taken (non-consolidated) (days per year/person) ^(Note)	14.9	15.5	16.3	17.0	11.0	13.9	17.0	18.0	16.8	17.3
	Total hours worked (non-consolidated)				2,080.0	1,978.0	2,057.0	2,050.1	2,050.4	2,030.7	2,014.3
	Employee training (non-consolidated)										
	Total hours of training (across all employees)					364,545	349,585	408,216	380,056	525,795	617,818
	Average hours of training per employee ^(Note)					30.8	30.9	35.9	33.0	44.2	50.4
	Safety and health										
	Lost time injury frequency rate ^(Note)	0.26	0.31	0.26	0.19	0.28	0.22	0.24	0.31	0.27	0.21
Governance	Compliance										
	Number of whistleblowing cases				119	112	113	111	117	118	106

Note: Indicators and targets for materiality. For some items, data for fiscal 2020 or earlier are also retroactively listed.

1 Beginning in fiscal 2025, the calculation method for energy activity at certain sites has been revised to enhance accuracy. This change has been applied retroactively to previous fiscal years.

2 The latest values have been used in the calculation of contributions to reduction of CO₂ emissions through technologies, products, and services.

3 At Kobe Steel, managers or higher positions are defined as managerial positions.

4 The period of the Company's childcare leave is up to three years. The number 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 2023 and fiscal 2024 show the percentage of those who left the Company as of the end of fiscal 2025.

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.

Results by Operating Segment (Fiscal 2021–2025)

Steel & Aluminum					
Fiscal year	2021	2022	2023	2024	2025
Net sales (Billions of yen)	914.9	1,105.1	1,082.7	1,116.1	996.9
Ordinary profit (Billions of yen)	37.5	41.9	16.1	23.6	2.8
Total assets (Billions of yen)	1,089.0	1,185.4	1,126.5	1,203.0	1,168.5
Depreciation (Billions of yen)	57.4	57.6	58.4	61.8	61.4
Research and development expenses (Billions of yen)	6.2	6.3	6.2	7.2	8.2
Capital expenditures (Billions of yen)	27.1	33.4	52.9	57.2	68.0
Number of employees (consolidated)	11,828	12,268	12,145	13,338	12,562
Crude steel production, incl. Takasago Works (Mt)	6.59	6.19	5.97	5.96	5.81
Sales volume of steel products (Mt)	5.27	4.98	4.69	4.72	4.63
Average steel selling price (thousand yen per ton)	105.6	140.1	142.7	144.0	132.8
Sales volume of aluminum rolled products (Kt)	343	337	314	307	263

Advanced Materials					
Fiscal year	2021	2022	2023	2024	2025
Net sales (Billions of yen)	333.2	277.7	298.1	317.1	332.8
Ordinary profit (Billions of yen)	5.1	0.9	3.2	10.7	8.7
Total assets (Billions of yen)	244.4	270.4	241.5	279.0	307.3
Depreciation (Billions of yen)	11.3	10.5	10.7	8.7	9.6
Research and development expenses (Billions of yen)	2.5	1.6	2.3	2.2	2.1
Capital expenditures (Billions of yen)	8.2	8.0	13.1	13.2	11.9
Number of employees (consolidated)	4,469	4,489	4,595	4,706	4,686
Sales volume of aluminum extrusions (Kt)	36	34	37	38	36
Sales volume of copper rolled products (Kt)	60	54	52	53	54

Welding					
Fiscal year	2021	2022	2023	2024	2025
Net sales (Billions of yen)	76.9	88.4	93.5	93.9	96.4
Ordinary profit (Billions of yen)	2.7	2.8	4.9	5.2	5.8
Total assets (Billions of yen)	79.4	86.4	90.2	95.8	106.6
Depreciation (Billions of yen)	2.5	2.3	2.3	2.4	2.4
Research and development expenses (Billions of yen)	3.1	3.8	3.4	4.2	4.8
Capital expenditures (Billions of yen)	1.3	1.6	1.8	2.2	4.0
Number of employees (consolidated)	2,445	2,384	2,390	2,355	2,355
Sales volume of welding materials (Kt)	258	248	242	227	227

Machinery					
Fiscal year	2021	2022	2023	2024	2025
Net sales (Billions of yen)	166.8	203.4	234.5	265.1	282.7
Ordinary profit (Billions of yen)	12.5	15.7	29.6	32.5	46.7
Total assets (Billions of yen)	190.9	225.9	245.1	270.8	2,90.9
Depreciation (Billions of yen)	5.2	5.9	6.3	6.9	7.2
Research and development expenses (Billions of yen)	3.6	6.0	6.2	6.2	6.5
Capital expenditures (Billions of yen)	4.0	6.8	10.2	8.5	15.6
Number of employees (consolidated)	4,716	5,996	6,113	6,224	6,316
Orders (Billions of yen)	206.6	265.9	273.7	262.5	270.1

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 and subsequent years have been adjusted.

Results by Operating Segment (Fiscal 2021–2025)

Engineering					
Fiscal year	2021	2022	2023	2024	2025
Net sales (Billions of yen)	135.6	145.2	170.6	174.8	193.8
Ordinary profit (Billions of yen)	7.7	4.1	12.4	16.1	12.6
Total assets (Billions of yen)	132.5	144.9	158.5	179.5	202.3
Depreciation (Billions of yen)	1.6	1.5	1.8	2.6	2.8
Research and development expenses (Billions of yen)	2.3	3.5	4.6	3.8	5.0
Capital expenditures (Billions of yen)	1.4	2.8	3.4	3.1	3.0
Number of employees (consolidated)	3,553	3,772	3,920	3,780	3,746
Orders (Billions of yen)	208.5	157.5	214.3	164.7	132.1

Construction Machinery					
Fiscal year	2021	2022	2023	2024	2025
Net sales (Billions of yen)	371.6	381.7	404.0	388.0	389.5
Ordinary profit (Billions of yen)	12.0	12.3	9.1	18.7	12.3
Total assets (Billions of yen)	361.9	408.5	417.7	387.6	407.5
Depreciation (Billions of yen)	13.8	12.5	12.2	12.4	11.0
Research and development expenses (Billions of yen)	8.4	9.1	10.4	12.9	11.7
Capital expenditures (Billions of yen)	9.8	13.8	17.9	19.4	13.2
Number of employees (consolidated)	7,829	7,550	6,849	6,894	6,872
Unit sales of hydraulic excavators (Thousands of units)	–	–	24.6	20.3	21.0
Unit sales of crawler cranes (units)	321	289	315	374	329

Note: The calculation method for hydraulic excavator sales volumes has been changed starting in fiscal 2023.

Electric Power					
Fiscal year	2021	2022	2023	2024	2025
Net sales (Billions of yen)	109.8	324.3	315.9	258.8	203.2
Ordinary profit (Billions of yen)	13.2	24.5	85.7	52.3	34.7
Total assets (Billions of yen)	397.8	470.2	450.0	375.2	359.0
Depreciation (Billions of yen)	10.3	19.5	24.7	24.7	24.2
Research and development expenses (Billions of yen)	0.1	0.2	0.1	0.1	0
Capital expenditures (Billions of yen)	52.9	27.8	2.1	2.4	8.8
Number of employees (consolidated)	272	287	303	335	376

Other Businesses					
Fiscal year	2021	2022	2023	2024	2025
Net sales (Billions of yen)	28.8	10.9	10.8	8.9	5.8
Ordinary profit (Billions of yen)	7.0	4.8	4.8	3.8	5.0
Total assets (Billions of yen)	59.8	45.5	49.7	44.4	46.4
Depreciation (Billions of yen)	0.5	0.2	0.2	0.3	0.2
Research and development expenses (Billions of yen)	0.7	0.1	0.1	0	0
Capital expenditures (Billions of yen)	0.5	0.3	0.3	0.2	0.4
Number of employees (consolidated)	1,542	317	304	195	192

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 and subsequent years have been adjusted.

Corporate Profile and Stock Information (As of March 31, 2026)

Corporate Profile

Company name:	Kobe Steel, Ltd. (Japanese name: Kabushiki Gaisha Kobe Seikoshu)
Group brand:	KOBELCO
Founded:	September 1, 1905
Incorporated:	June 28, 1911
Capital:	250.9 billion yen
Total assets:	2,865.1 billion yen
Employees:	38,614 (consolidated) 12,253 (non-consolidated)

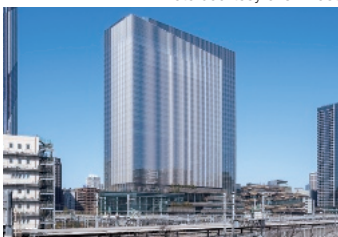
KOBELCO is an international unified trademark established in 1979 to represent the Kobe Steel Group with the aim of giving form to the Group Corporate Philosophy, and thereby fostering a sense of solidarity within the Group, while building greater recognition and trust among stakeholders.

Stock Information

Authorized:	600,000,000 shares
Issued:	396,345,963 shares
Number of shareholders:	257,212
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
Accounting auditor	KPMG AZSA LLC



Kobe Head Office
2-4 Wakinohama-Kaigandori 2-chome,
Chuo-ku, Kobe, Hyogo



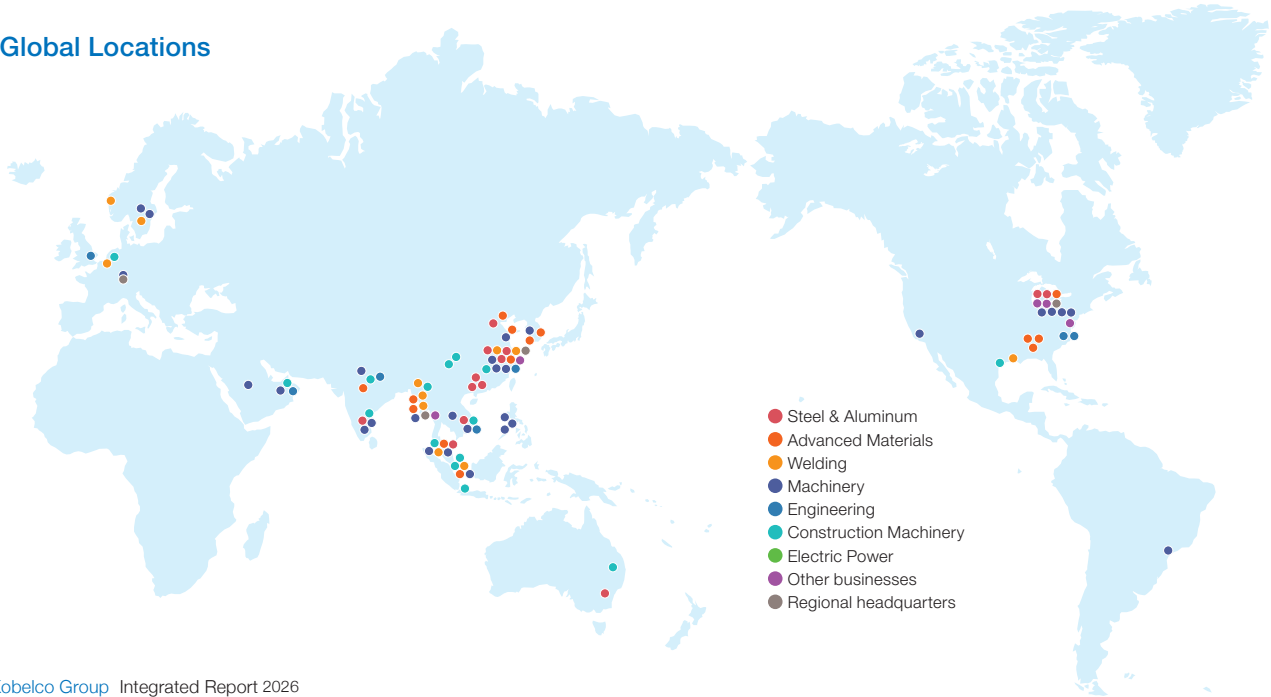
Tokyo Head Office
THE LINKPILLAR 2, 2-22-1 Takanawa,
Minato-ku, Tokyo

Photo courtesy of JR East

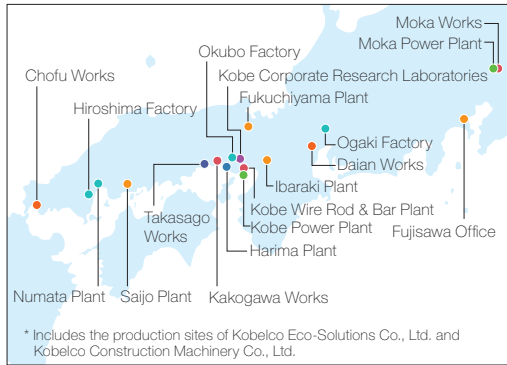
For more details,
please visit our
corporate website:

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>

Global Locations



Main domestic production sites*



* Includes the production sites of Kobelco Eco-Solutions Co., Ltd. and Kobelco Construction Machinery Co., Ltd.

External Evaluations (Listed below are only major ones as of August 2026)

- FTSE4Good Index Series
- FTSE JPX Blossom Japan Index
- FTSE JPX Blossom Japan Sector Relative Index
- S&P/JPX Carbon Efficient Index
- MSCI Japan Empowering Women (WIN) Select Index
- MSCI Japan ESG Select Leaders Index
- Included in the CDP A list for climate change
- Platinum Kurumin
- Gold and Rainbow Certification in 2025 PRIDE Index
- Certified as a 2026 Outstanding Organization of KENKO Investment for Health for the 10th time
- Recognized as a “company with particularly advanced environmental initiatives” under the DBJ Environmentally Rated Loan Program



FTSE4Good



FTSE JPX Blossom Japan Index



FTSE JPX Blossom Japan Sector Relative Index



Kobe Steel received “A” rating for climate change

Participation in Initiatives (Listed below are major initiatives as of August 2026)

- Sustainable Development Goals (SDGs)
- White Logistics Movement
- #HereWeGo203030 (Challenge Initiatives for 30% of Executives to be Women by 2030)
- United Nations Global Compact
- Leaders Coalition for Empowerment of Women
- Declaration of Partnership Building
- GX Future Consortium

About Our ESG Data Book

For more details on our ESG 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/>



Please let us hear your comments on this integrated report.

Questionnaire



Contact: General Administration and CSR Department, Kobe Steel, Ltd.

KOBELCO