



# Progress on the Kobelco Group Medium-Term Management Plan (Fiscal 2024-2026)

May 19, 2026  
Kobe Steel, Ltd.

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## Overall

- The initiative to transform into an appealing company during this mid-term period is in progress.
- Steadily turning “growth potential” into concrete results.

## Earning power

- Achieved a certain level of profit and ROIC even in an challenging business environment.
- Focusing on the recovery of the materials businesses along with the growth of the machinery business.

## Financial base

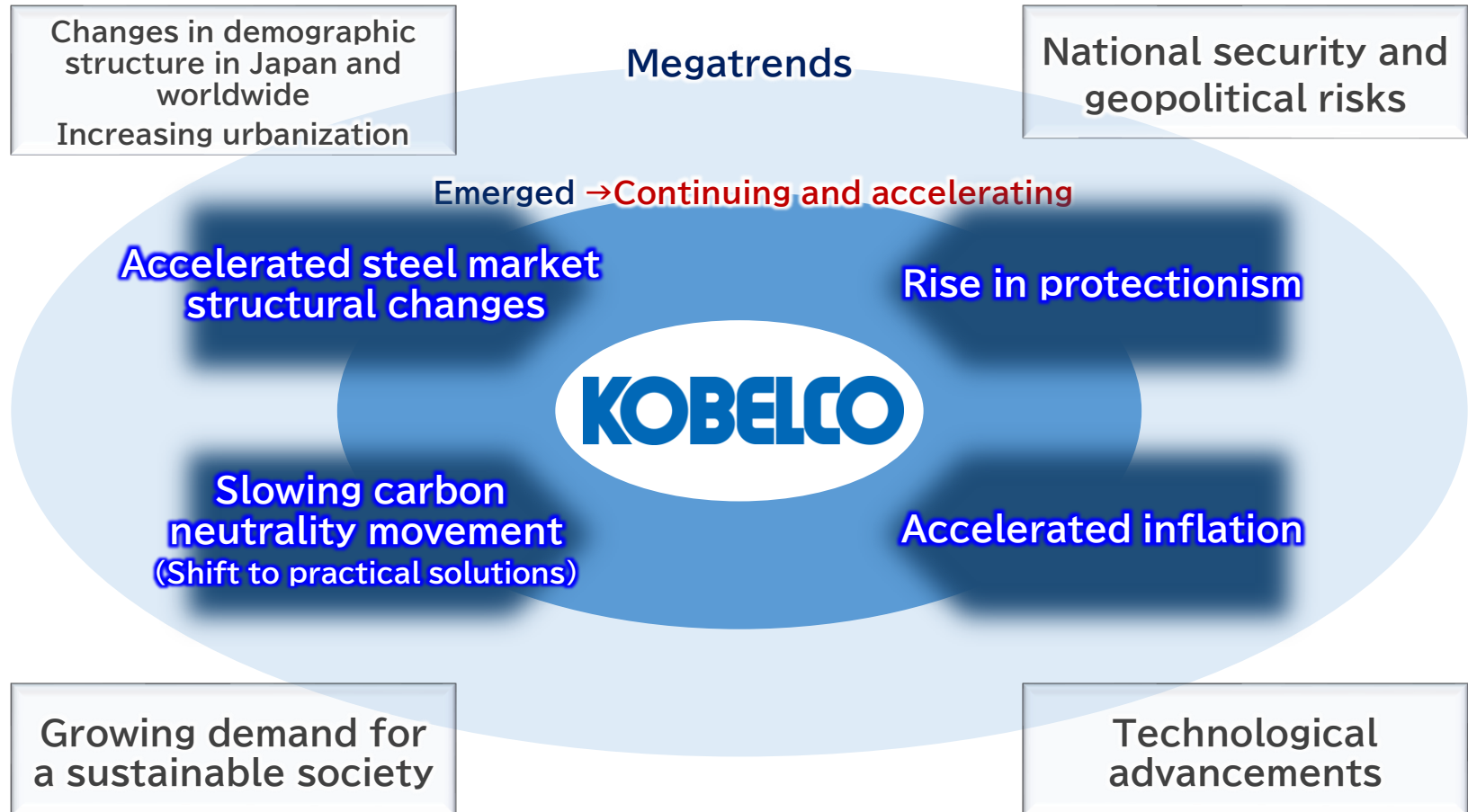
- Achieved the mid-term targets for financial stability indicators ahead of schedule.
- Preparing for future investments in carbon neutrality and growth with financial discipline maintained.

1. Recognition of the business environment
2. Progress on the priority issues
3. Financial status
4. Strengthening sustainability management

# Recognition of the Business Environment

## No structural changes since the past year

- ▶ Medium- to long-term megatrends remain unchanged since the formulation of the current plan.
- ▶ In the short term, the low demand environment for steel and other materials continues and is accelerating.







## Impact of Escalating Tensions in the Middle East

- Potential risks are expected to have an estimated annual impact of negative 20 billion.
- ➔ Assuming the current situation continues through the end of the first half of fiscal 2026, **our fiscal 2026 forecast incorporates an earnings risk of negative 10 billion yen.**

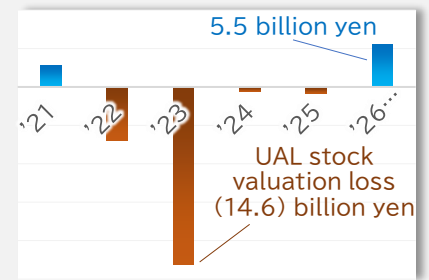
Potential risks	Estimated annual impact (Billions of yen)	Related segments						
		Steel & Aluminum	Advanced Materials	Welding	Machinery	Engineering	Construction Machinery	Electric Power
(1) Middle East-related sales declines and timing delays in the machinery businesses	(6.0)				●	●	●	
(2) Higher procurement costs for alternative raw materials in the aluminum businesses	(1.0)	●						
(3) Elevated crude oil price, driving higher logistics costs, rising energy and other material prices and cost pass-through pressures	(10.0)	●	●	●	●	●	●	
(4) Reduced supply of oil-related products and logistics disruptions, leading to increased constraints in our production and shipment	(TBD)	Each segment is evaluating potential impacts, with particular focus on the risks of a prolonged situation.						
(5) Emergence of negative impacts on the production and sales activities of customers and business partners								

# Progress of Priority Issues

Priority issues	Progress	Evaluation
<p><b>Enhancing earning power</b></p> <p><b>Rebuilding the operation base for the future business environment</b></p> <ul style="list-style-type: none"> <li>— Restructuring the aluminum rolled products and aluminum advanced materials businesses</li> <li>— Maintaining global competitiveness in the steel and welding businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Despite a trend of improving profitability, aluminum rolled products <b>recorded losses for four consecutive years</b>.</li> <li>• Aluminum suspensions in advanced materials <b>continue to improve profitability</b>, while extrusions <b>remain in a challenging position</b>.</li> <li>• Efforts to maintain global competitiveness has seen little progress and <b>continues to be an ongoing issue</b>.</li> </ul>	 <p>Fair</p>
<p><b>Pursuing growth</b></p> <p><b>Achieving growth by capturing new demand and widening business domains</b></p> <ul style="list-style-type: none"> <li>— Acquiring new business opportunities such as energy transition</li> <li>— Developing customer experience-oriented business and solution business</li> </ul>	<ul style="list-style-type: none"> <li>• The machinery and engineering segments <b>achieved high profitability</b>.</li> <li>• K-DIVE® in the construction machinery segment and the portable welding robot ARCMAN™ (Ishimatsu) in the welding business are <b>expanding overseas</b>.</li> <li>• Future growth initiatives, including new businesses and M&amp;A, <b>require further development</b>.</li> </ul>	 <p>Fair</p>
<p><b>Taking on the challenge of realizing carbon neutrality</b></p> <p><b>Reducing CO<sub>2</sub> emissions in production processes</b></p>	<ul style="list-style-type: none"> <li>• For the ironmaking process, we are on track to achieve the fiscal 2030 target of <b>reducing CO<sub>2</sub> emissions by 30% (compared to fiscal 2013)</b>. The electric power segment is <b>continuing efforts</b> to attain 20% ammonia co-firing.</li> <li>• We are implementing measures for GX-ETS (Japan's green transformation emissions trading system) as required.</li> </ul>	 <p>Good</p>
<p><b>Strengthening sustainability management</b></p> <p><b>Strengthening sustainability management through transformation</b></p>	<ul style="list-style-type: none"> <li>• Mindshift and initiatives centered on KOBELCO-X are <b>progressing across the entire group</b>.</li> <li>• <b>Ongoing efforts</b> are being made to strengthen the Board of Directors' monitoring functions.</li> <li>• Management continues to <b>promote operations focused on the cost of capital</b>.</li> </ul>	 <p>Good</p>

## Aluminum rolled products

- The aluminum rolled product business aims to achieve stable profitability by establishing a cost structure that reflects the current business environment from fiscal 2026 onward.
  - China's KBAA has yet to make its earnings contribution. It aims to improve profits by expanding sales through Baosteel's sales network.
- ➔ Targeting early achievement of a 6% ROIC from fiscal 2027 onward.



Ordinary Profit (Loss) for Aluminum Rolled Products

## Aluminum extrusions

- While price improvements in the aluminum extrusion business are proceeding as planned, profitability has deteriorated due to a decline in orders.
- To address anticipated weak domestic and overseas demand, the business takes steps to lower the break-even point through cost reductions, including downsizing at North America's KPEX company, aiming to improve profitability in fiscal 2026.
- To enhance business competitiveness over the medium to long term, a variety of options, including collaboration with other companies, are being considered.



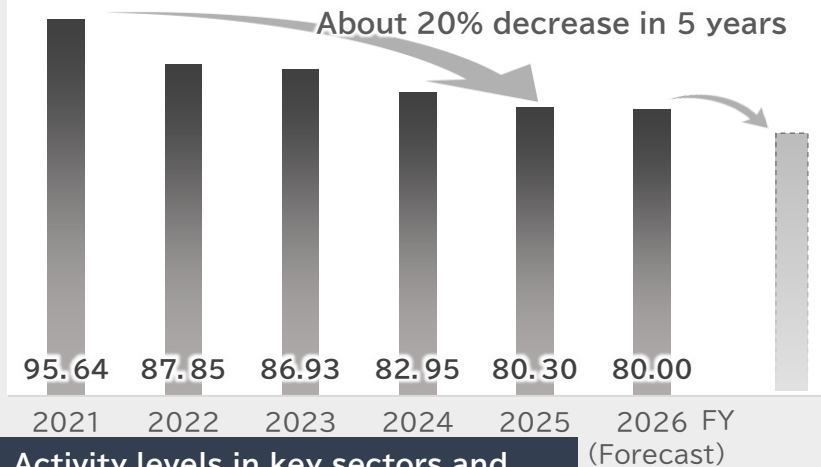
## Aluminum suspensions

- North American KAAP has made progress in productivity and cost improvements since fiscal 2024. In fiscal 2025, the aluminum suspension business further increased profitability and achieved full-year profitability through continued stable production and significant price improvements.
- While pursuing growth with KAAP, a key player in the North American market, the aluminum suspension business— together with Daian Works in Japan and KAAP-C in China—is focusing on enhancing competitiveness by optimizing the order mix, increasing productivity, and reducing costs.



## Ongoing Proactive Efforts to Address the Gradual Decline in Demand for Steel Products

Domestic crude steel production  
(Million tons/year)



Activity levels in key sectors and domestic steel demand

Item	Unit	FY 2023	FY2024	FY2025	FY2026 Outlook
Domestic auto production	Million units	8.73	8.54	8.49	8.51
Shipbuilding completions	Million GT	9.9	9.1	10.1	10.0
Housing starts	Thousand units	800	816	707	742
Non-residential floor area	Million m <sup>2</sup>	42.80	38.73	36.82	36.82
Domestic steel demand	Million tons	51.70	49.22	48.47	48.40

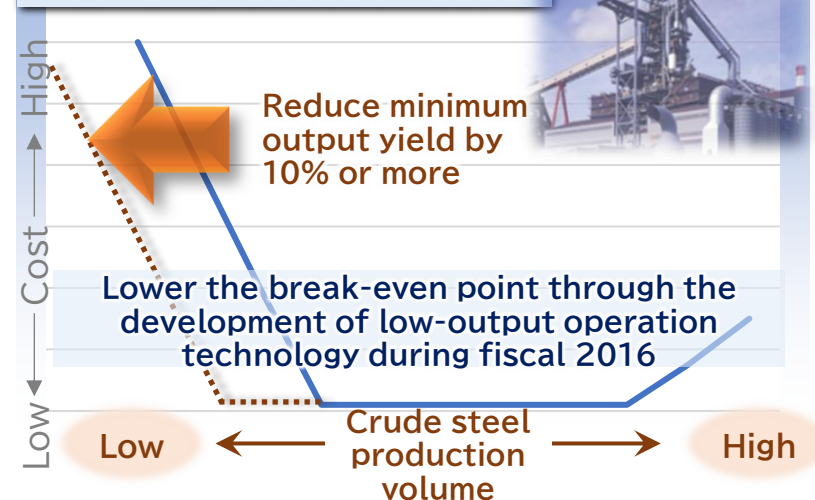
### ◆ Rebuilding the global operation base

Area strategies aligned with megatrends are being examined.

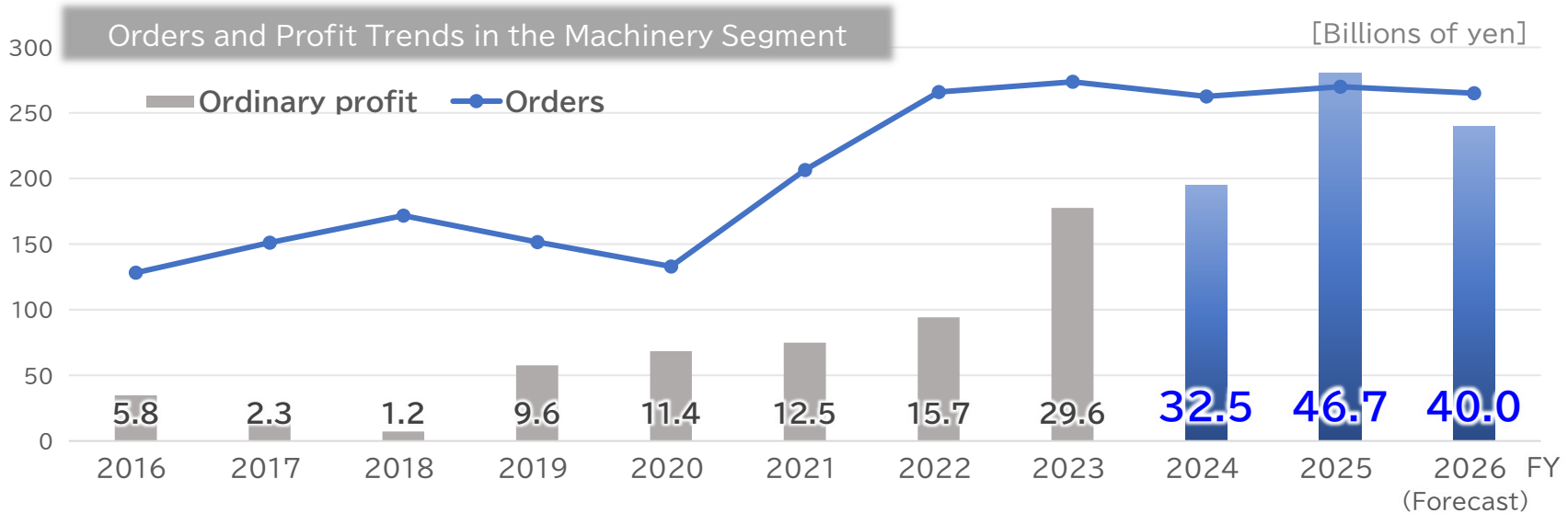
- ▶ Japan      Enhancing product mix
  - ➔ In-house production of KOBEMAG® to begin
- ▶ China      Future direction to be determined
- ▶ Asia & North America      Pursuing business expansion
  - ➔ Under consideration

### ◆ Lowering the break-even point

Pig iron production costs



# Pursuing Growth: Initiatives in the Machinery Business (1)



Exploring a wide range of sectors



Gaining high market share in specific domains

Diverse customers supporting industrial infrastructure

Product lineup

Establishing first-choice status



- Oil and gas
- Petrochemicals
- Power generation

- Non-standard compressors
- Heat exchangers and vaporizers
- Mixing and pelletizing systems



ORV (vaporizer)

50% global market share



- Automotive
- Factory utilities
- Steel and nonferrous metals

- Rubber mixers
- Standard compressors
- Steelmaking machinery



Rubber mixer

90% domestic market share



- Ceramics
- Semiconductors
- Others

- IP equipment
- Inspection equipment
- Coating equipment

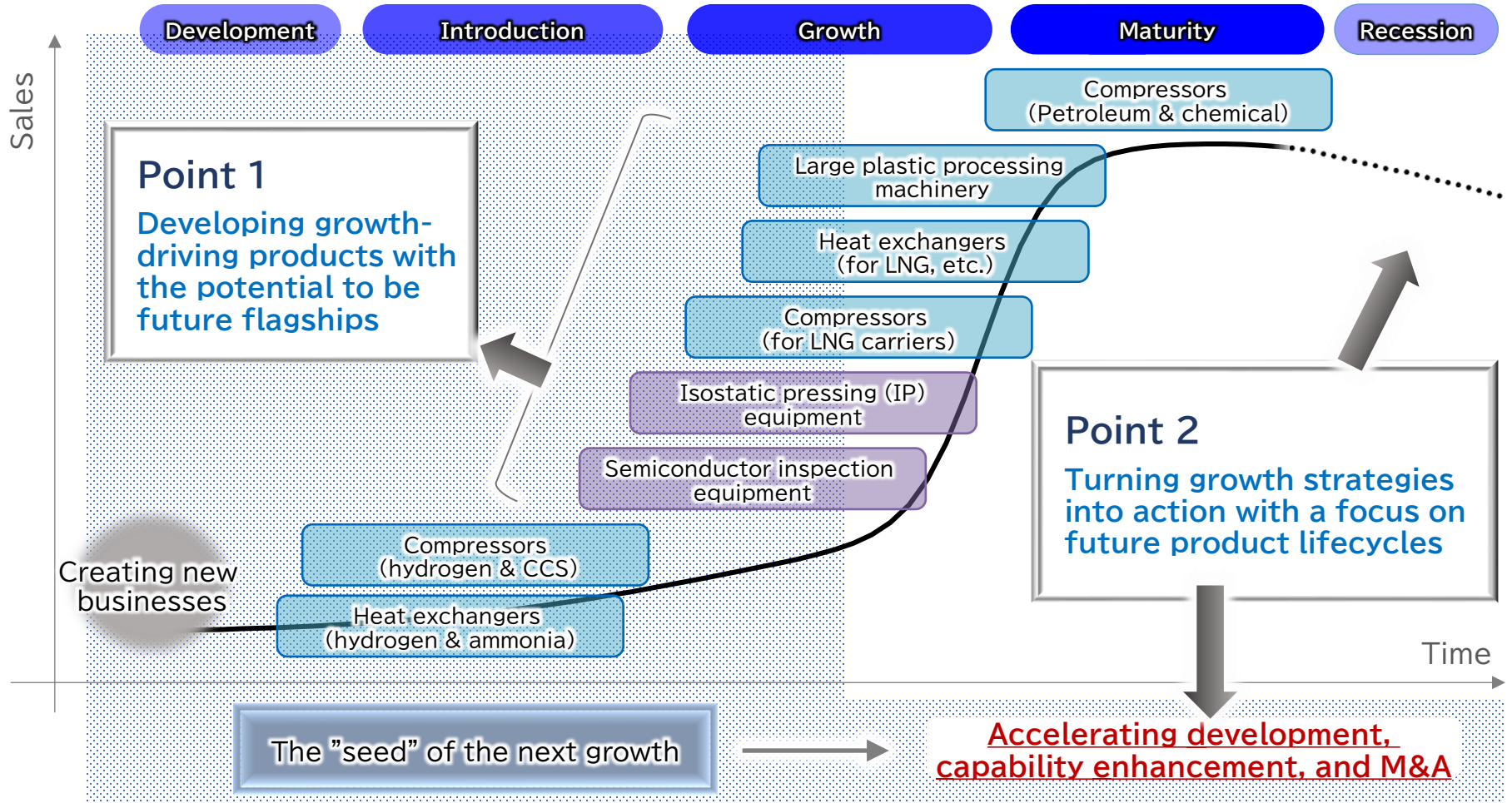





Isostatic pressing (IP) equipment

60% global market share

## Driving Sustainable Growth Through Portfolio Transformation Focused on Product Lifecycle

### Products in the "Energy & Chemical Sector" and "New Fields" by Product Life Cycle (PLC) Stage



	Materials					Machinery			
	Aluminum rolled products	Titanium	Aluminum forgings & castings	Copper rolled products	High-function steel products	IP equipment	Semiconductor inspection equipment	Welding systems	K-DIVE®
 <p>Aviation, space, and defense</p>		●	●			●			
 <p>Semiconductor</p>	●		●	●		●	●		
 <p>Solutions for labor shortages</p>					●		●	●	

Capturing demand in growth markets through initiatives across business divisions/units

Megatrends:  
National Security and Geopolitical Risks

- Strengthening marketing, focusing on advanced materials (titanium and aluminum castings/forgings)
- These sectors require IP equipment (HIP) in the production process  
→ Capture the maximum share of growing demand

Megatrends:  
Technological advancements

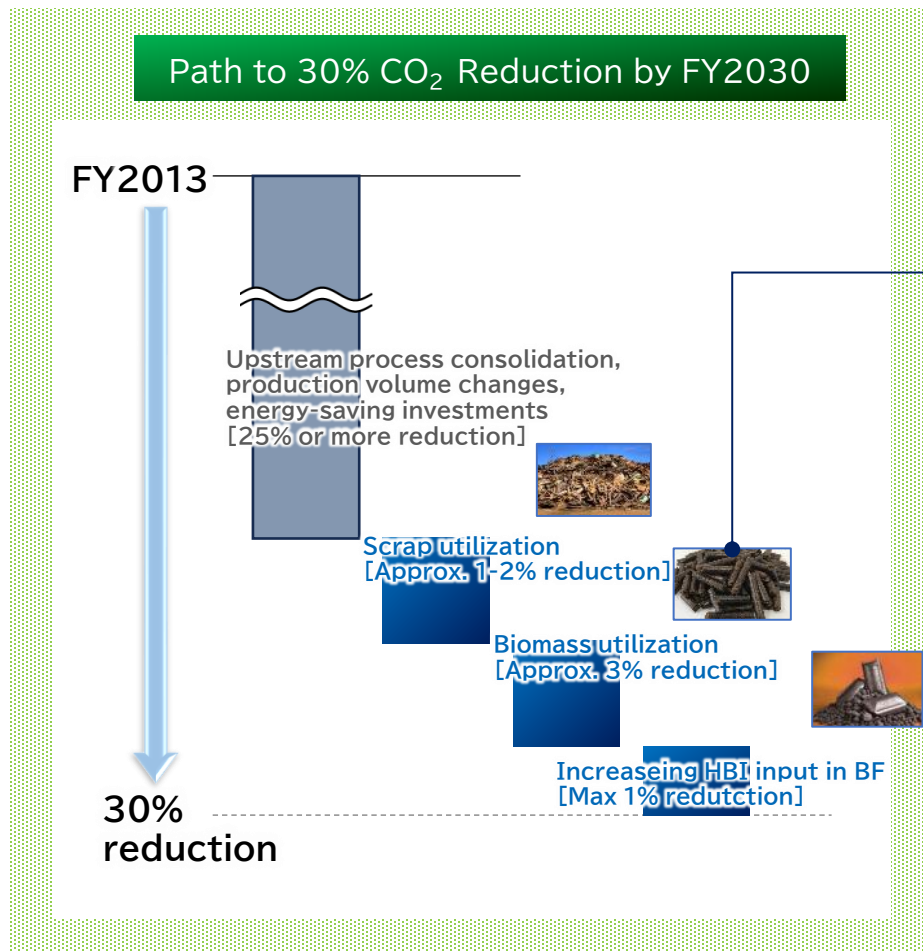
- Our product lineup covers various stages of semiconductor manufacturing
- Cross-sectoral semiconductor workig group is driving organizational collaboration.
- Promoting the expansion of existing lineups, along with the exploration of new businesses

Megatrends:  
Changes in demographic structure

- K-DIVE® has expanded overseas, including use in Ukraine's reconstruction.
- Promoting the welding solution business, integrating the sale of welding consumables and robots with welding services.
- Expanding sales of high-function steel products that help streamline customer manufacturing processes, including heat treatment.

## Progressing toward the FY2030 target (30% CO<sub>2</sub> reduction compared to FY2013)

- ▶ Targeting a 30% CO<sub>2</sub> reduction by optimizing production volume, investing in energy-saving measures, expanding scrap and biomass use, and increasing HBI input in the blast furnace.



### Progress in Biomass Utilization Study

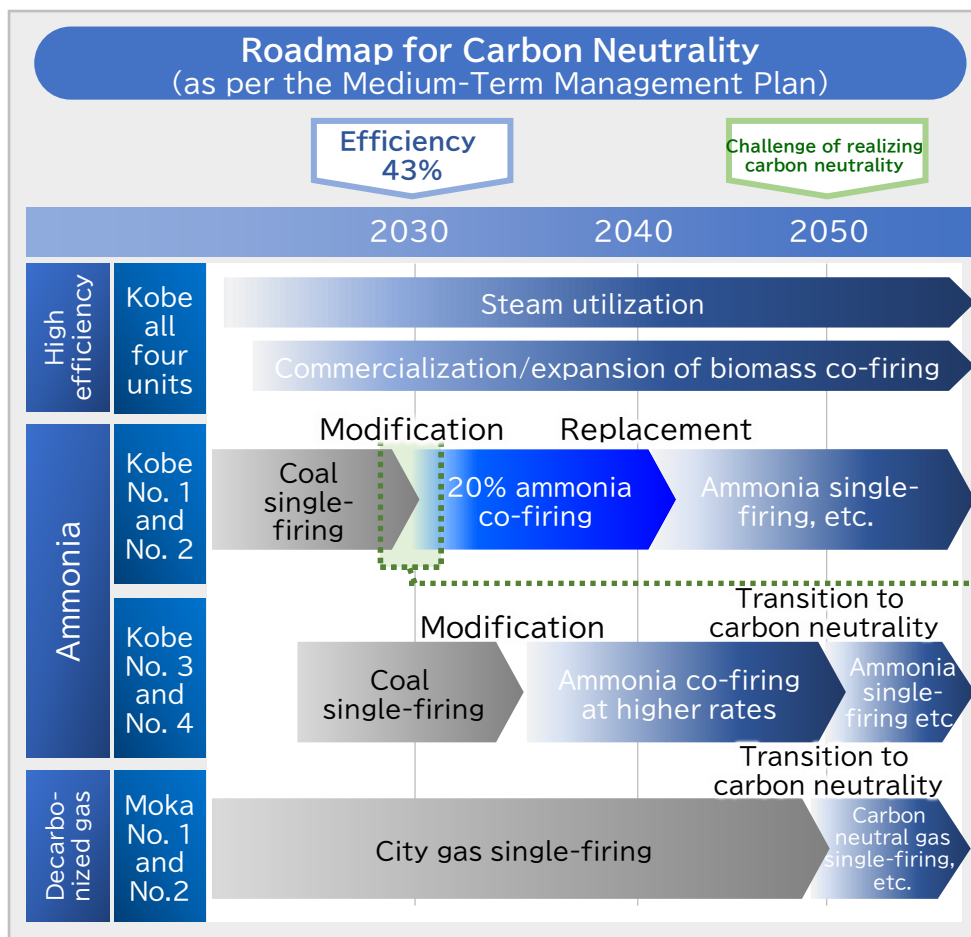
- ✓ Promoting joint feasibility studies on commercialization with external partners
  - ✓ Selected for METI supplementary budget Global South Future-Oriented Co-Creation Project Subsidy Program for Small-Scale Demonstration/FS Projects
  - ✓ Continuing to evaluate economic viability in light of changes in external factors through detailed feasibility studies, black pellet usage assessments, sustainability reviews, etc.
- Aiming to begin commercial production by 2030

### Total Investment: Approx. 50 billion yen

Reduction measures	Investment target	Estimated investment
Scrap utilization	Cutting equipment, etc.	50 billion yen
Biomass utilization	Carbonization equipment, etc.	
Increasing HBI input in BF	HBI charging equipment, etc.	

Ongoing efforts to achieve 20% ammonia co-firing at the Kobe Power Plant No. 1 and No. 2 units

- ▶ Won the 3rd Long-Term Decarbonization Power Resource Auction



### Efforts Toward 20% Ammonia Co-Firing by FY2030

- Based on the assumption that necessary conditions are met, basic design and preliminary construction of co-firing equipment are underway in stages, prior to full-scale construction.
- Became a successful bidder in the third Long-Term Decarbonization Power Resource Auction, which provides support for fuel expenses.

Note: The capital investment is projected to be funded through fixed cost recovery from the previously awarded auction.

Scheduled to start operation in FY2030

# Financial Status

## Targets under the FY2024–2026 Medium-Term Management Plan

Profitability indicator

### ROIC

Approx. 6%

- Aim to achieve 8% in favorable conditions.
- Maintain ROE at approx. 10%.



The weighted average cost of capital (WACC): Approx. 5%

### Net asset ratio

Low-40% range

### D/E Ratio

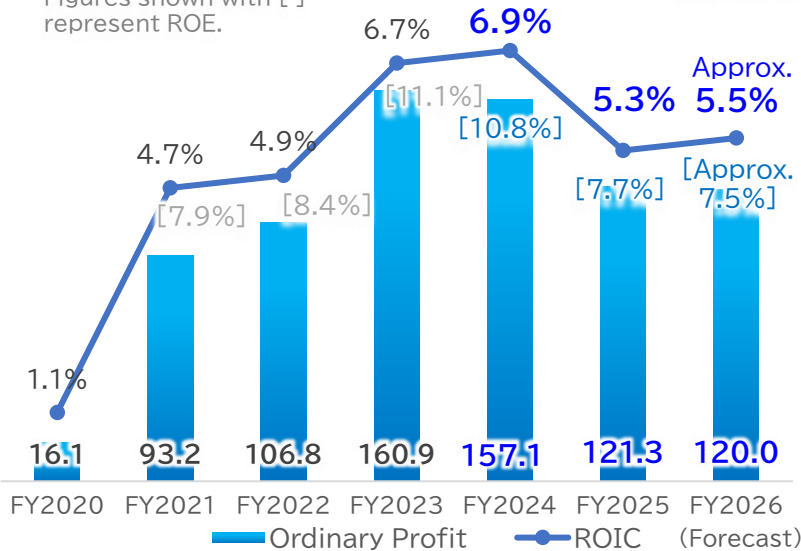
Mid-0.7 times range

Financial stability indicators

### ROIC and Ordinary Profit

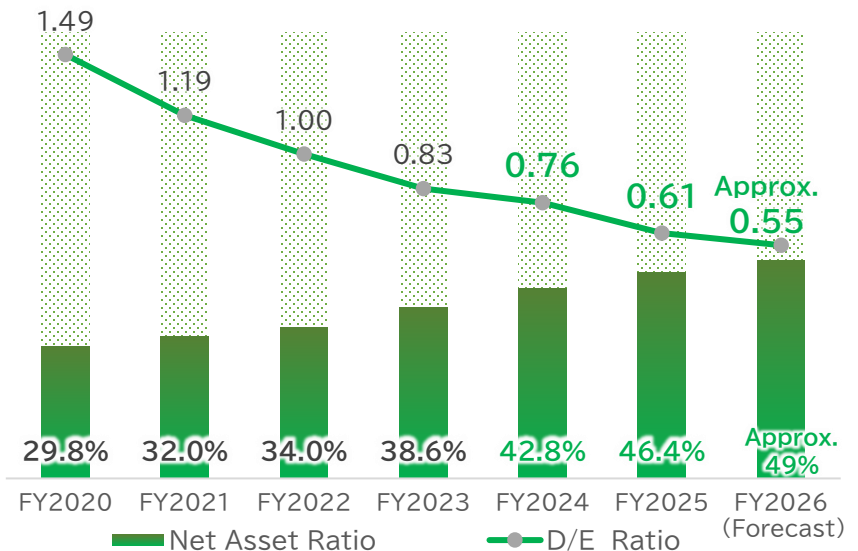
Figures shown with [ ] represent ROE.

(Billions of yen)



Maintained a certain level of profit even in a challenging environment, despite not fully meeting the targets

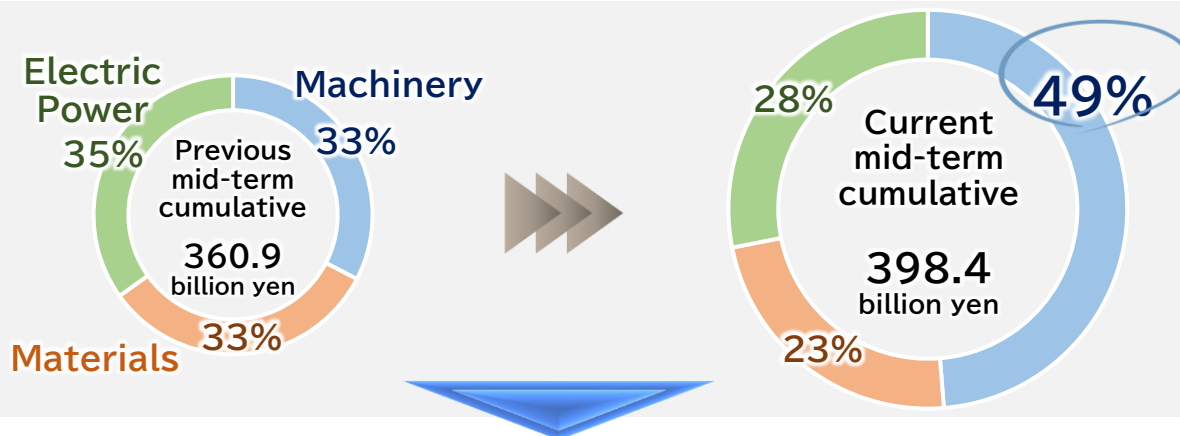
### Net Asset Ratio and D/E Ratio



Early target achievement; Medium to long term goals still require continued progress.

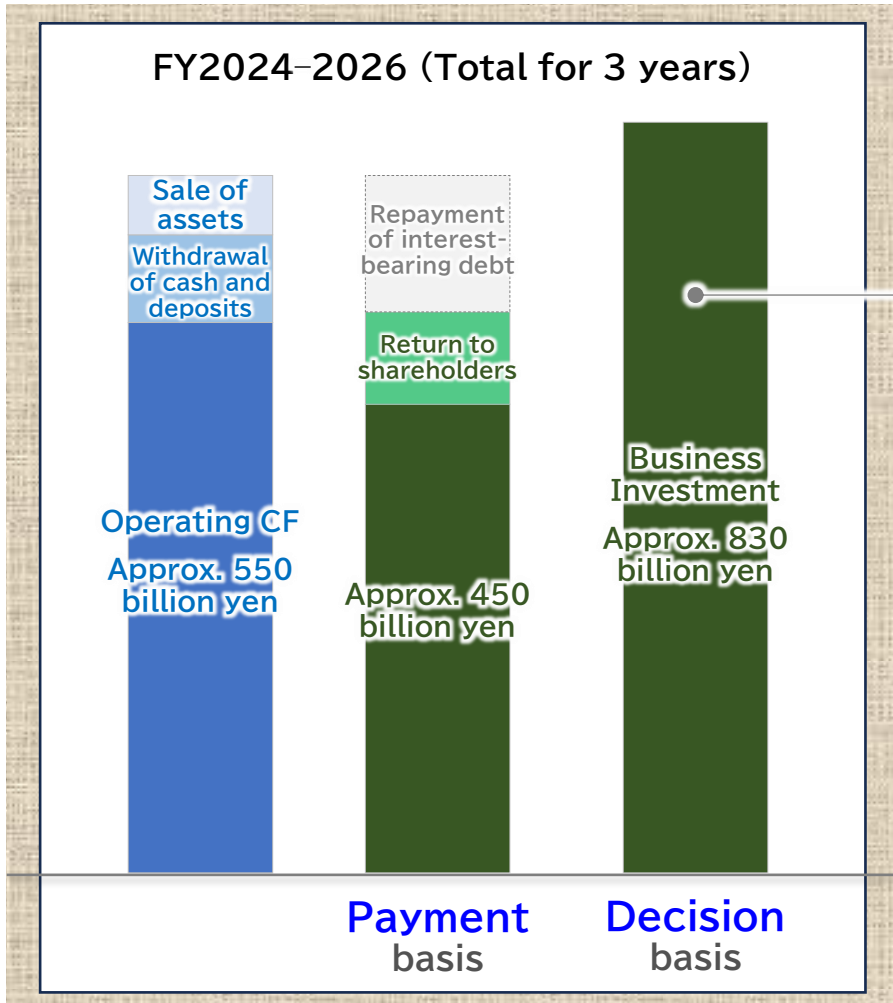
# Earnings Structure

Ordinary Profit [Billions of Yen]	Previous Medium-Term Management Plan				Current Medium-Term Management Plan			
	FY2021	FY2022	FY2023	Total	FY2024	FY2025	FY2026	Total
Machinery	12.5	15.7	29.6	<b>57.8</b>	32.5	46.7	40.0	<b>119.2</b>
Engineering	7.7	4.1	12.4	<b>24.2</b>	16.1	12.6	11.5	<b>40.2</b>
Construction Machinery	12.0	12.3	9.1	<b>33.4</b>	18.7	12.3	16.0	<b>47.0</b>
<b>Merchery Businesses Total</b>	<b>32.2</b>	<b>32.1</b>	<b>51.1</b>	<b>115.4</b>	<b>67.3</b>	<b>71.6</b>	<b>67.5</b>	<b>206.4</b>
Steel & Aluminum	37.5	41.9	16.1	<b>95.5</b>	23.6	2.8	25.0	<b>51.4</b>
Advanced Materials	5.1	0.9	3.2	<b>9.2</b>	10.7	8.7	10.0	<b>29.4</b>
Welding	2.7	2.8	4.9	<b>10.4</b>	5.2	5.8	6.5	<b>17.5</b>
<b>Materials Businesses Total</b>	<b>45.3</b>	<b>45.6</b>	<b>24.2</b>	<b>115.1</b>	<b>39.5</b>	<b>17.4</b>	<b>41.5</b>	<b>98.3</b>
<b>Electric Power</b>	<b>13.2</b>	<b>24.5</b>	<b>85.7</b>	<b>123.4</b>	<b>52.3</b>	<b>34.7</b>	<b>32.0</b>	<b>119.0</b>
Others Businesses and Adjustment	2.5	4.6	(0.1)	<b>7.0</b>	(2.0)	(2.4)	(21.0)	<b>(25.4)</b>
<b>Total</b>	<b>93.2</b>	<b>106.8</b>	<b>160.9</b>	<b>360.9</b>	<b>157.1</b>	<b>121.3</b>	<b>120.0</b>	<b>398.4</b>



**Shifting to a unique earnings structure with the machinery businesses as a growth driver**

Maintain financial discipline in view of anticipated growth and carbon neutrality investments expected in the next medium-term management plan and beyond.



**FY2024–2026 Investment Plan Reviewed (Billions of yen)**

	Previous (May 2025)	Current (May 2026)
<b>Investment in carbon neutrality</b>	Approx. 150 →	<b>Approx. 170</b>
<b>Investment in enhancing earning power</b>	Approx. 120 →	<b>Approx. 120</b>
<b>Investment in pursuing growth</b>	Approx. 70 →	<b>Approx. 70</b>
<b>Investment in human capital*</b>	Approx. 60 →	<b>Approx. 60</b>
<b>Investment in rationalization, renewal, etc. (incl. DX)</b>	Approx. 350 →	<b>Approx. 410</b>

\*Investment in improving the workplace environment and addressing human resource shortages **Total: Approx. 830**

- **Investment in enhancing earning power**
  - KOBEMAG® in-house production
  - Turning Kansai Coke and Chemicals 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

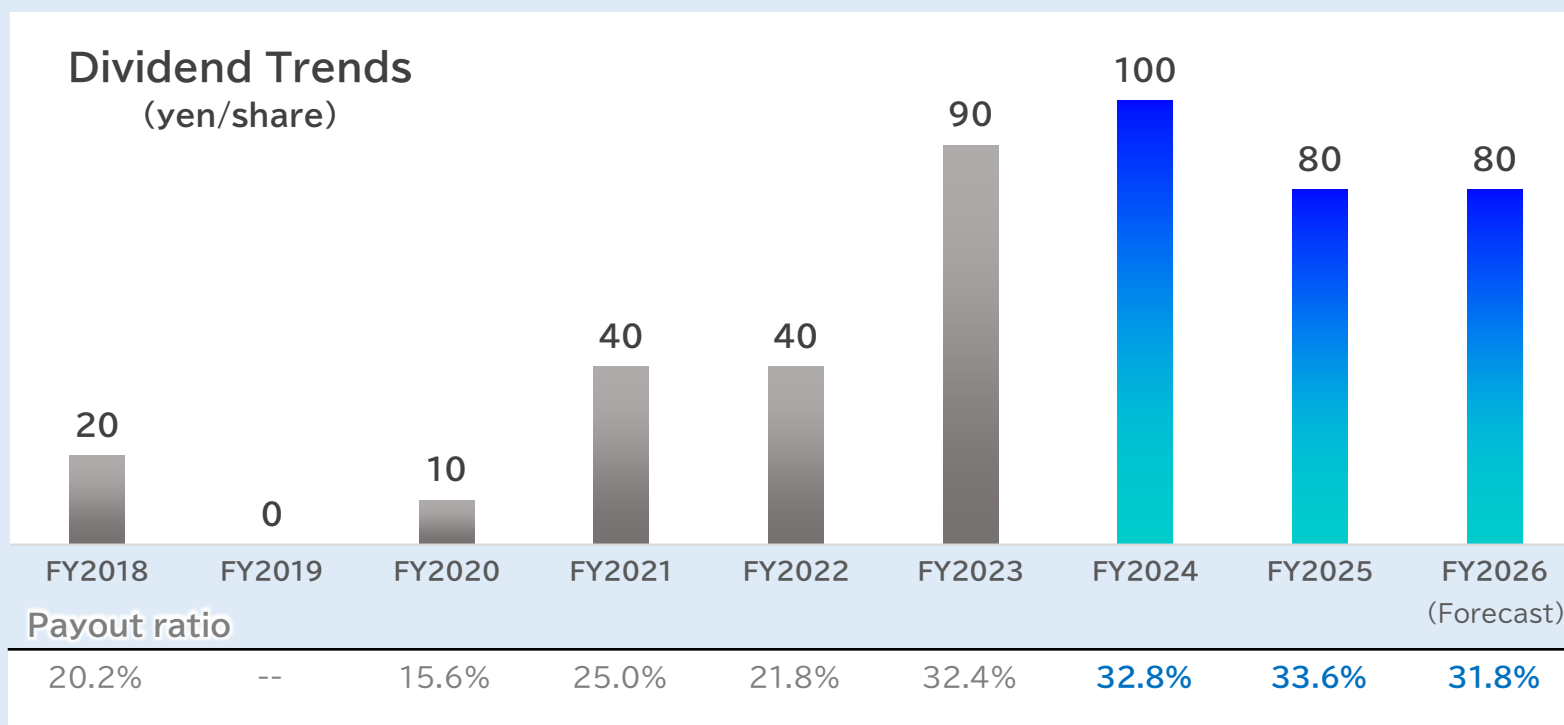
Carbon neutrality-related investments: Approx. 300 billion yen

- **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.

- We will maintain the current dividend policy during this medium-term period.

Kobe Steel determines dividends taking its financial condition, business performance, future capital needs, and other factors into overall consideration with the aim of paying dividends on a continuous and steady basis in principle. The target dividend payout ratio is set at approximately 30% of consolidated profit attributable to owners of parent.

- We will **promote the assesment and implementation of investment projects** that contribute to medium- to long-term growth and enhanced corporate value. Along with this, we will **consider reviewing our shareholder return policy** during the formulation process of the next medium-term management plan, while balancing capital efficiency and financial discipline.



The Business Portfolio Management Committee is studying measures that drive improvements and reforms in the materials businesses and support growth in the machinery business.

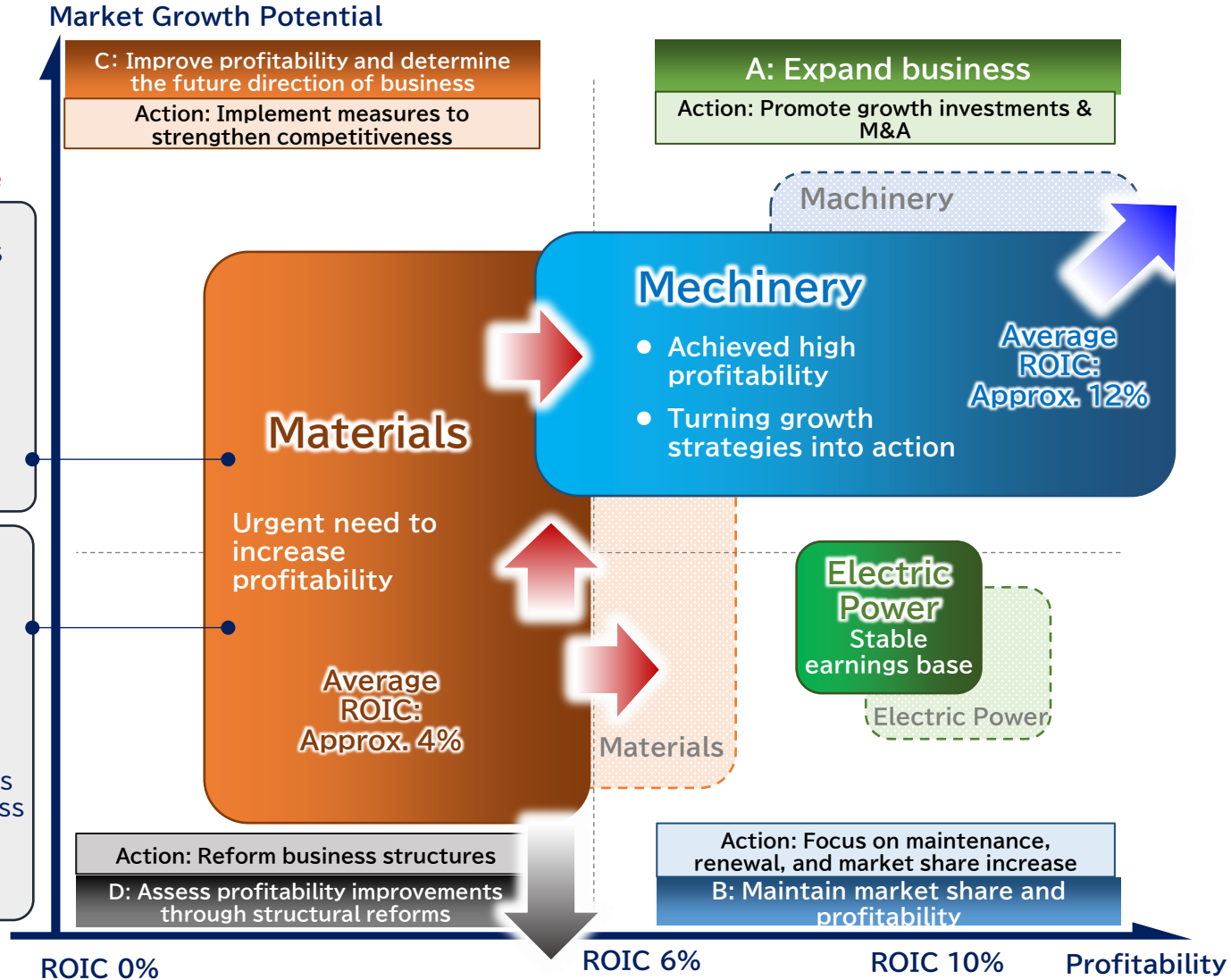
Solid line: Outlook for FY2026  
 Dotted line: Targets under the current medium-term plan  
 Materials: 6-8%  
 Machinery: 8-10%  
 Electric Power: 10% or more

■ **Aluminum Rolled Products**  
 Aiming to achieve an ROIC of 6% early by restructuring the automotive business.

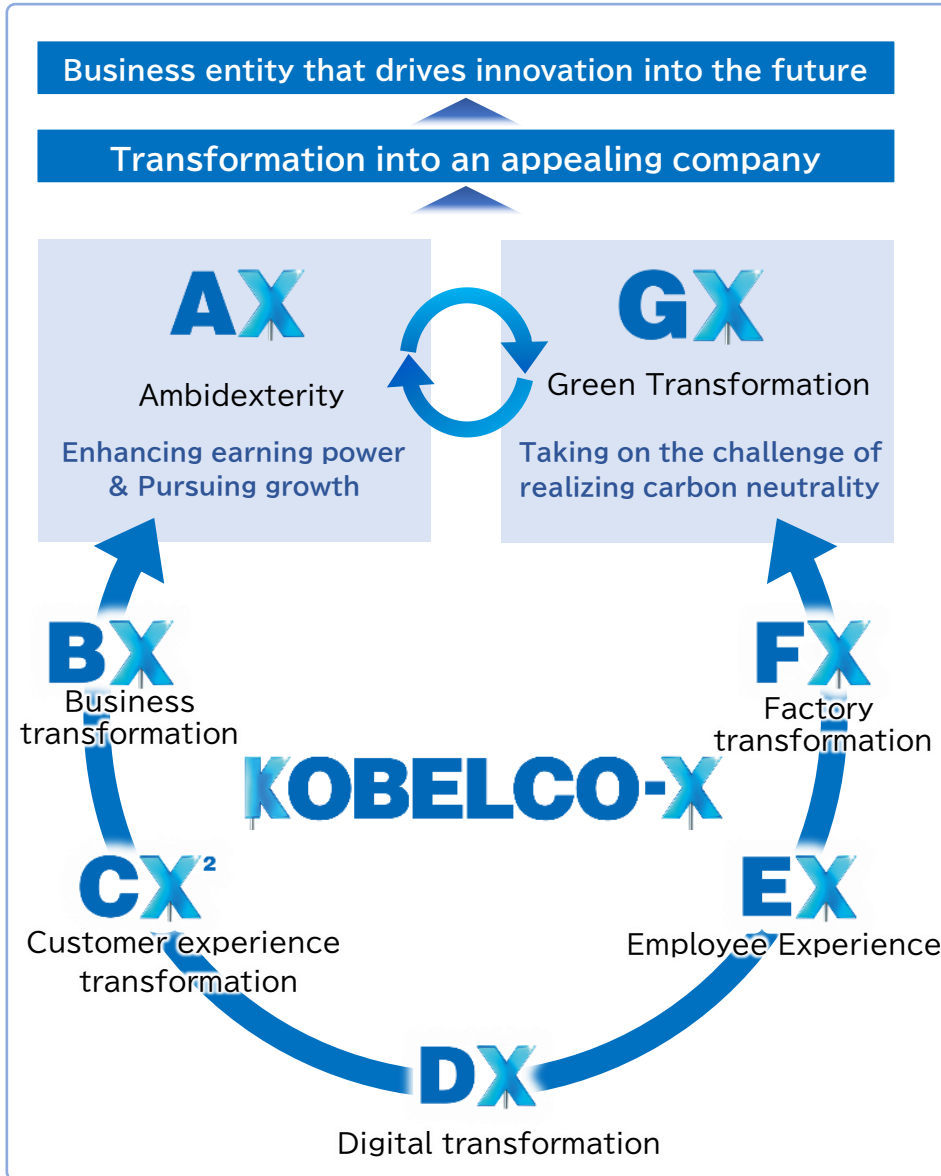
■ **Aluminum Suspensions**  
 Working to increase profitability by solving production issues (to move to quadrant A)

■ **Aluminum Extrusions**  
 Exploring fundamental reforms, including downsizing and external partnerships.

■ **Kobelco Wire Company became wholly owned**  
 Promoting Group-wide operations to strengthen the competitiveness of wire rod products as strategic product lines.



# Strengthening sustainability management —Transforming into an Appealing Company—



The transformation mindset aimed at increasing corporate value is becoming a shared understanding from management to the front lines.



Online meeting between management and employees

## Employee Voices



- I realized I can take immediate action on BX and DX in my work. Without transformation—especially in the DX area—we risk falling behind competitors across all areas in the future.
- For EX, I believe people are the most valuable asset for a company. To boost engagement and retain talent, I feel it's important to pursue initiatives that empower employees to proactively drive business transformation.
- I was made to reflect deeply on what changes we should make in our daily operations to contribute to the medium-term management plan and our company's major goals.



## Digital Transformation

### Improving Business Productivity and Quality Using Generative AI

In fiscal 2025, we conducted a large-scale demonstration of Microsoft 365 Copilot (paid version) as part of a company-wide, full-scale evaluation of generative AI utilization. As a result, we verified its effectiveness in improving efficiency and the quality of deliverables across a wide range of daily business operations throughout the company.

#### Demonstration Results up to Fiscal 2025

Number of participants

**3,620**  
people

Average time saved per person

**240**  
minutes/month



Percentage of saved time shifted to value creation

**80%**  
or higher

#### Companywide Rollout from Fiscal 2026

We will conduct a companywide rollout to provide an environment (tool) to improve productivity and quality, aiming to maximize effectiveness.

### Digital Transformation Driven by Internal Recognition Systems That Encourage New Challenges

Our efforts to strengthen DX capabilities—such as developing DX personnel and improving the digital environment—led to various transformation initiatives within the company.

#### Divisional Transformation Examples

Digitized on-site inspection, allowing for reduced workload and improved data use

Digitalized work instructions, improving communication between offices and plants

The use of generative AI, enabling data visualization and improved decision-making



#### Praise and Visualization Driving New Challenges

Transformation initiatives are visualized and shared via internal praise systems, linking achievements to future transformations.



We hold various internal events, such as DX Together (for sharing ideas and experiences), CX<sup>2</sup> Challenge Certification, etc.



## Human Resources Strategy and Employee Experience Improvement

Introduction of a stock incentive scheme for employees (July 2025)

### KOBELCO STOCK PLAN



Employee Stock Ownership Plan membership rate:

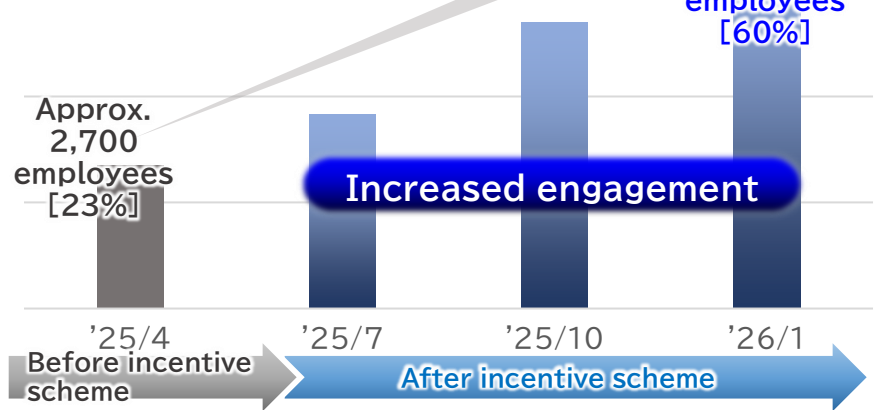
23% → **60%**

[Kobe Steel introduces special stock incentive scheme through employee stock ownership plan | KOBELCO, LTD.](#)

### Employee Stock Ownership Plan

#### Membership Trend

Note: Figures with [ ] represent the membership rate of employees



## Ongoing prompt investment in people for implementing various strategies

### Wages and benefits

• **Basic wage: Up 58,000 yen/month in 3 years**

FY2024: 30,000 yen (+12.8%)\*

FY2025: 15,000 yen (+6.9%)\*

FY2026: 13,000 yen (+6.1%)\*

• Increase in annual holidays and annual paid leave, and allowances, etc.

### Human resource development

• Fostering a spirit of challenge by enhancing the career self-development system and other measures.

### Work environment improvement

• Improved workplace environments at various locations by investing ¥45 billion over 3 years as planned.

### Response to labor shortages

• Promoting investment to reduce workforce at model factories by 25-30% by fiscal 2030.

\*Year-on-year wage increase rate, including basic wage increases + regular pay raises

## Board of Directors' Monitoring Function

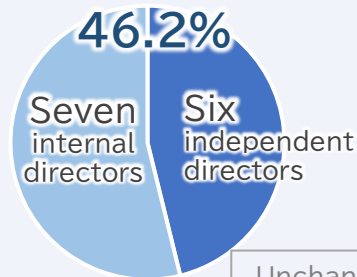
Promoting Active Discussion on Key Issues at the Sustainability Management Meetings and Other Forums with Full Participation of the Board Members

Meeting body		Agenda
Sustainability Management Meetings	Regular	<ul style="list-style-type: none"> <li>● Updates of the roadmap to carbon neutrality</li> <li>● Human resource strategy</li> <li>● Medium- to long-term technical strategy</li> <li>● Response to sustainability disclosure, and more</li> </ul>
	Special lectures	<ul style="list-style-type: none"> <li>● Lectures by external experts: Human capital management/portfolio toward the oversight of sustainability strategy</li> </ul>
Board of Directors Offline Meetings	Regular	<ul style="list-style-type: none"> <li>● Capital market evaluation of our company</li> <li>● Individual business strategies (incl. investment projects)</li> </ul>

## Diversity of the Board of Directors

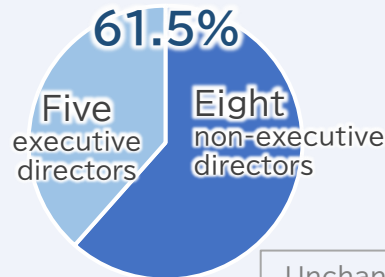
Note: The following is subject to approval of the relevant items at the general meeting of shareholders to be held in June.

Ratio of independent of directors



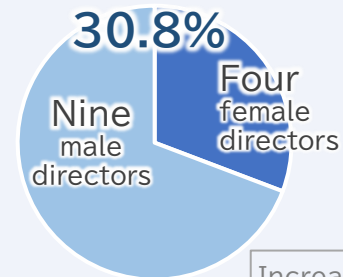
Unchanged from the previous year

Ratio of non-executive directors

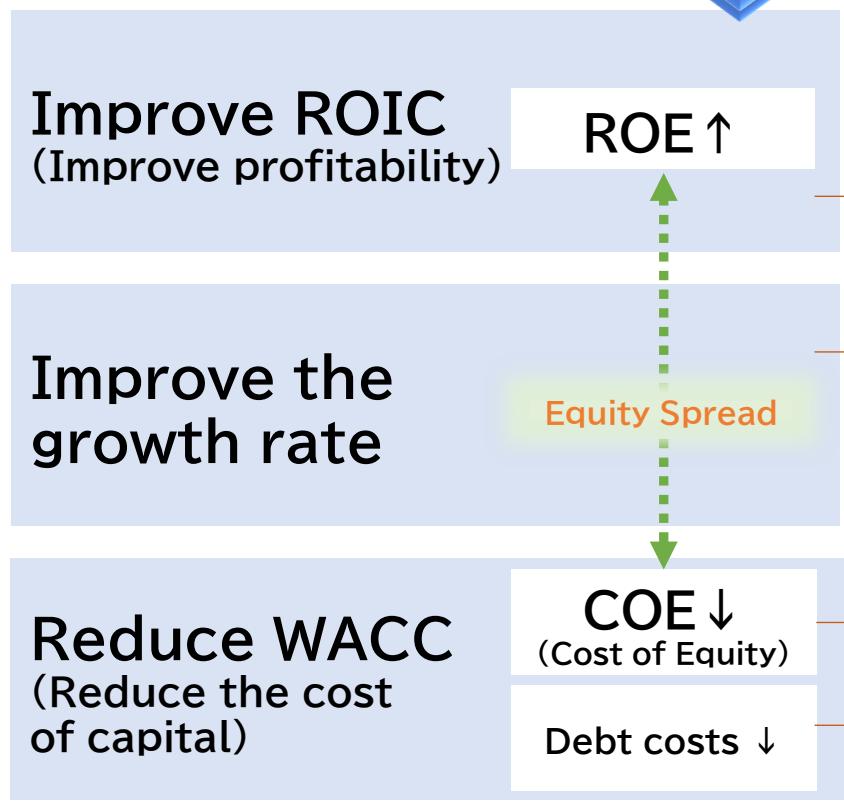
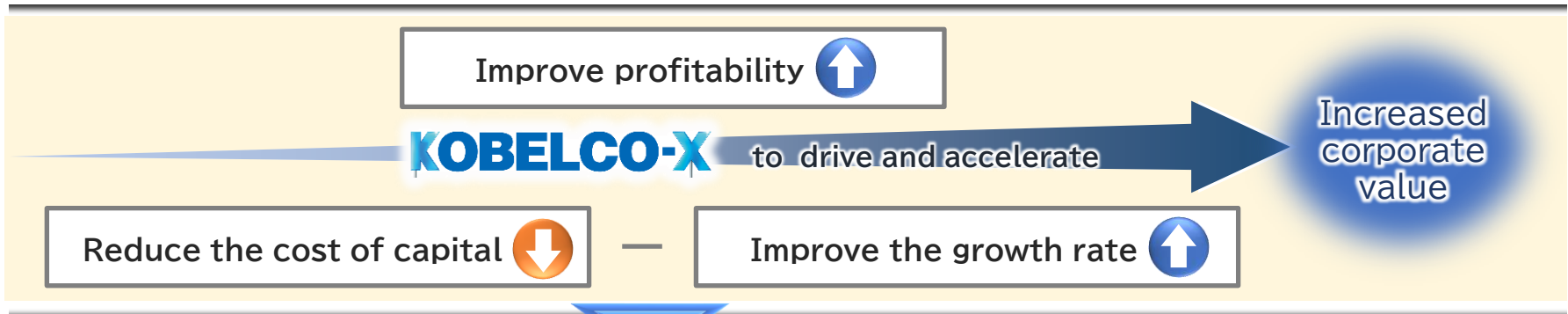


Unchanged from the previous year

Ratio of female directors



Increased from the previous year



### Challenges

Transformation into an appealing company  
— Priority issues —

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

- Expanding shareholder returns
- Enhancing disclosure content
- Increasing recognition in capital markets
- Optimizing capital structure
- Improving stock ratings

## Key Efforts Toward the Next Medium-Term Management Plan

### Business strategy

- Improving profitability in the materials businesses
- Promoting growth measures in the machinery businesses
- Optimizing management resource allocation through business portfolio management
- Advancing carbon neutrality initiatives with economic rationality ensured
- Addressing ESG, including human resource strategies aligned with business strategy
- Proceeding with DX-led transformation(KOBELCO-X)

### Sustainability

### Financial strategy, etc.

- Maintaining financial discipline
- Reviewing the shareholder return policy
- Pursuing strategic and systematic communication

# Group Corporate Philosophy

<h2>KOBELCO's View of the Future</h2>	<p>Our view of a society and future to be attained as we carry out KOBELCO's mission</p> <p><b>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.</b></p>
<h2>KOBELCO's Mission</h2>	<p>Our mission and the social significance of the KOBELCO Group that we must fulfill</p> <p><b>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.</b></p>
<h2>Core Values of KOBELCO</h2>	<p>The commitments of the KOBELCO Group to society and the values shared by the entire KOBELCO Group</p> <ol style="list-style-type: none"> <li><b>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.</b></li> <li><b>2. We value, and support the growth of, each employee on an individual basis, while creating a cooperative and harmonious environment.</b></li> <li><b>3. Through continuous and innovative changes, we create new values for the society of which we are a member.</b></li> </ol>
<h2>Six Pledges of KOBELCO</h2>	<p>Code of Conduct for all Group employees to follow to fulfill the Core Values of KOBELCO and the Quality Charter</p> <ol style="list-style-type: none"> <li><b>1. Uphold the Highest Sense of Ethics and Professionalism</b></li> <li><b>2. Contribute to the Society by Providing Superior Products and Services</b> <span style="background-color: #0056b3; color: white; padding: 2px;">Quality Charter</span></li> <li><b>3. Establish a Comfortable but Challenging Work Environment</b></li> <li><b>4. Live in Harmony with the Local Community</b></li> <li><b>5. Contribute to a Sustainable Environment</b></li> <li><b>6. Respect Each Stakeholder</b></li> </ol>

- ◆ Today's presentation contains forward-looking statements about the Company's forecasts, beliefs, expectations, aims, and strategies. These statements are based on the Company's judgements and assumptions using currently available information and may differ substantially from actual results due to uncertainties within its judgements and assumptions and a variety of factors that may change over time, such as future business operations and changes in internal and external circumstances. Kobe Steel assumes no responsibility for revising these statements or other contents in this presentation.
  
- ◆ Below is a list of factors of uncertainties and changes. This includes, but is not limited to:
  - Economic conditions and Changes in economic conditions, demand, and prices in major market
  - Various regulations such as Political situation and trade and other regulations in major markets
  - Fluctuations in foreign exchange rates
  - Availability and prices of raw materials
  - Business development of competing companies' products and services, pricing policies, alliances, M&A, and other business activities
  - Changes in strategies in strategies of the Company's alliance partners regarding our partnerships

**KOBELCO**