



Dialogue with the Capital Market

FY 2024

June 2024
Kobe Steel, Ltd.

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- The Company, including its management, engages in dialogue with capital markets in order to enhance its corporate value over the medium to long term.
- Based on previous dialogues, **the major initiatives newly implemented in FY2024 (main changes from FY2023 and earlier), are set out below.**
- In FY2025, we will continue to work on the improvement of corporate value through constructive dialogue.

Major Initiatives Implemented in FY2024

“★” New Initiatives

■ Briefings

- ★ Briefing on the New Medium-Term Management Plan (FY2024 to FY2026) (May 2024)
- ★ Business Briefing of Advanced Materials Business (Feb 2025) :Held for the first time since the organizational restructuring of April 2020

ESG Briefing (Sep 2024): Held a briefing in accordance with each ESG theme.

Online Briefing for individual shareholders(Jan 2025): Also held online briefings for individual shareholders

■ Plant Tours for Institutional Investors and Securities Analysts

Domestic Sites: Construction Machinery Business :Kobelco Construction Machinery, Kakogawa Works)

- ★ **Overseas Site:** MIDREX®, A Direct Reduced Iron Plant in Bahrain, which has a lot of interest as a growing field

■ Meetings with Institutional Investors

Domestic IR(Sep 2024,March 2025): Conducted in Addition to IR Coverage Each Quarter

- ★ **Overseas IR**(Sep-Oct 2024): Resumed Face-to-Face Dialogues on-site with Institutional Investors, which had been suspended since the COVID-19 pandemic.

■ Expansion of Disclosure

- [1] Disclosure of Dialogue with the Capital Market (June 2024): Good Evaluation by the TSE as A Good Example
Continues (Updated once A Year since June 2023)
- [2] Cross-shareholdings: We stated the Holding Policy and State of Holdings in the notice of convocation for the General Meeting of Shareholders (ongoing since April 2023)

■ Others

Financial Results Briefings for Employees (4 Times a year, Each Quarter):

We held financial results briefings for employees as internal IR to improve employee engagement (ongoing since FY2023).

- ◆ The Company has established the following policy regarding dialogue with capital markets.

System Aimed at Dialogue with the Capital Market

Fundamental Policy on Disclosure

- The Company recognizes that information transmission is a tool and the foundation for dialogue with the capital market. In addition to disclosing information required under the Companies Act, the Financial Instruments and Exchange Act, and securities listing regulations of financial instruments exchanges, etc. under supervision of the Board of Directors, the Company makes efforts to actively deliver information that is easy to understand through the Company's website, integrated report and other self-produced publications, etc. This includes non-financial information such as environmental, social (human rights, human resources development, diversity, co-existence with society), governance, and R&D initiatives.
- As a company that conducts global business, the Company makes efforts to improve the English translations of these disclosures and to prepare English version of its website.
- The Company handles information transmission strictly in accordance with internal rules and regulations regarding trade secret control and prevention of insider trading, under the supervision the relevant departments.

System for Dialogue with the Capital Market

The Company engages in dialogue, when necessary, with principal shareholders holding investment policies that will lead to the enhancement of the medium- to long-term interest of shareholders, regarding corporate governance and important management policies. Its systems for this purpose are as follows.

- The Director who oversees the General Administration and CSR Department will control dialogue with the capital market, supported by the Executive Officer responsible for the General Administration and CSR Department.
- Under the supervision of these Director and Executive Officer, the General Administration and CSR Department will serve as the contact point, supported by the Corporate Planning Department, Legal Department, and Finance and Accounting Department.
- As the contents of meetings requested by investors are expected to cover diverse matters ranging from management policy to the detailed information gathering, the departments and members selected by the management team or the General Administration and CSR Department will respond as required, depending on the nature of the requests.
- The Company will also make efforts to improve dialogue with the capital market by holding quarterly meetings to explain its financial results to investors (including telephone meetings), visiting institutional investors, and holding factory tours for shareholders.
- If important dialogue or expression of opinion takes place with investors, including shareholders, the person who conducted the dialogue will report its contents to the management team.
- The Company will conduct dialogue strictly pursuant to the various regulations from the perspectives of trade secret control and prevention of insider trading and will place restriction on the timing of interviews if necessary.
- To understand the composition of shareholders on which dialogue is premised, the Company obtains shareholder register data from Japan Securities Depositor Center on a quarterly basis and identifies institutional investors holding the Company's shares in the name of trust banks, etc. once every six months.

Note: The above is stated in the Basic Policy and Initiatives on the Corporate Governance of Kobe Steel, Ltd. under VIII. System for Dialogue with the Capital Market, 2. Fundamental Policy on Disclosure and 3. System for Dialogue with the Capital Market.

2. Dialogue with the Capital Market: Overview of Company Responders and Dialogue Counterparts

[System]



[FY2024 Results] Contents		Company Responders (Positions are as at time of dialogue)	Number of companies met/ Number of meetings (Cumulative)
1-1	Exchanges of opinions with institutional investors and securities analysts	President, CEO and Representative Director	11 Companies
1-2	Meetings with Institutional Investors (Overseas Investors)	President, CEO and Representative Director, Executive Vice President and Representative Director, Director & Executive Officer (Responsible for Corporate Planning Dept. and Finance and Accounting Dept.) Executive Officer (Responsible for General Administration and CSR Dept) ,General Administration and CSR Dept, others	68 Companies
	(Domestic Investors)		(35 Companies)
	*Including ESG, Exercise of Voting Rights		(33 Companies)
2-1	Interviews of IR Topics	General Administration and CSR Dept and others	187 Companies
2-2	Responses to Inquiries	General Administration and CSR Dept and others	As Required
3-1	Financial Results Briefings	Director & Executive Officer (Responsible for Corporate Planning Dept. and Finance and Accounting Dept.),Executive Officer (Responsible for General Administration and CSR Dept)	4 Times
3-2	Business Briefings, etc.	President, CEO and Representative Director, Executive Vice President and Representative Director, Executive Officer, Head of the Advanced Materials Business, others	3 Times
3-3	Plant Tours with institutional investors and Securities Analysts	Director & Executive Officer (Responsible for Corporate Planning Dept. and Finance and Accounting Dept.),Executive Officer (Responsible for General Administration and CSR Dept) , President, Representative Director, CEO (KOBELCO CONSTRUCTION MACHINERY CO., LTD.),General Administration and CSR Dept, others	3 Times
3-4	Briefings for individual shareholders	Executive Vice President and Representative Director, Executive Officer (Responsible for General Administration and CSR Dept)	Once
3-5	General Meeting of Shareholders	President, CEO and Representative Director, others	Once

2. Dialogue with the Capital Market: Main Dialogue Topics

Category	Main Topics
<div>E</div> <div>S</div> <div>G</div> <div>Business Strategy</div> <div>Other Disclosures</div>	<ul style="list-style-type: none"> ✓ State of progress of the handling of carbon neutrality and the specific path towards it (Steel & Aluminum Business and Electric Power Business) ✓ Contributions of products and services that contribute to CO₂ reductions to corporate value ✓ Biodiversity/TNFD
	<ul style="list-style-type: none"> ✓ Human rights due diligence ✓ Supply chain management ✓ Links between human capital and human resource strategies and management strategies ✓ Diversity & inclusion ✓ Health and safety
	<ul style="list-style-type: none"> ✓ Cross-shareholdings ✓ Governance of listed subsidiaries ✓ Directors' skills matrix ✓ Nomination and Compensation Committee (succession plans, officer compensation system, etc.) ✓ Evaluation of the effectiveness of the Board of Directors
	<ul style="list-style-type: none"> ✓ New medium-term management plan (announced May 20, 2024) ✓ Management aware of cost of capital and stock price/policy for breaking free from the sub-1x PBR ✓ Business portfolio management (synergies, etc.) ✓ Cash allocation (including shareholder returns)
Other Disclosures	<ul style="list-style-type: none"> ✓ Disclosure of integrated reports (including ESG databooks), financial results briefing materials, etc. ✓ Proposals for the General Meeting of Shareholders

2. Dialogue with the Capital Market: Examples of dialogue



Capital Market

Constructive Dialogue

Kobe Steel



Response
provided



Dialogue
ongoing



Under
consideration

CO₂ Reductions Production Process

[Steelmaking Process]

There is a sense of uncertainty over CN against the backdrop of high profitability (ROE over 10%), but a weak share price (PBR). Shouldn't you present a more concrete path (reduction plan, investment amount, timing, etc.)?



□ Past Initiatives

- ✓ We achieved a 20% reduction in FY2023 (compared to FY2013) by consolidating upstream processes, promoting energy conservation, etc. In terms of technology, by multiplying the reduced iron production technology of Midrex, the blast furnace operation technology of Steel & Aluminum Business, we have established the highest global level technology, which can reduce CO₂ in the steelmaking process by 25%.



□ Future Actions and Issues

- ✓ **Targets in 2030:** Advancing consideration centered on HBI multiple blending and expanded use of scrap in converters
- ✓ **CN in 2050:** Consideration is continuing with a multi-track approach also including the introduction of large innovative electric furnace, but assessment of the green steel market and the predictability of return on investment will be required for the final decision.

[Electric Power Business]

Shouldn't the same CO₂ reduction target as that for the steelmaking process be set for Electric Power Business as well?



- ✓ As Kobe Steel runs a wholesale electric power supply business, it is difficult to set a specific reduction target because we cannot determine the utilization rate of our electric power generation facilities ourselves, but we will advance our response in accordance with the roadmap we set.

(Towards Targets in 2030)

- ✓ At Kobe Power Plant (coal-fired), we aim to achieve USC (power generation efficiency of 43% or higher) by co-firing of biomass fuel, and co-firing of 20% ammonia (at Kobe Power Plant 1 and 2).
- ✓ Co-firing of ammonia co-firing was a successful bid in a long-term decarbonized power supply auction (April 2024), and following on from that, we are also promoting initiatives for the procurement of ammonia.



(Towards CN in 2050)

- ✓ It is necessary to respond to issues such as technology demonstration and fuel supply chain development for higher co-firing on its own, and we are considering to take actions while monitoring external circumstance like technological innovation and government trends closely.

Contribution to CO₂ Reductions

[Kobenable Steel®]

What is the interest of customers in Kobenable® Steel, a low CO₂ blast furnace steel, and what is the current sales situation?



- ✓ Customers' interest is high, and it has been adopted by various applications, including in the automotive, shipbuilding and construction industries. Recent sales volumes have been limited, but we are aiming for sales of up to 1 million tons by FY2030.
- ✓ As premiums vary from customer to customer, we will refrain from answering individual questions, but in preparation for future scale expansion, we are continuing dialogue with customers about its environmental value.

[MIDREX® process]

What is the environment for receiving orders for the MIDREX, direct reduced iron plant business, which is positioned as a growth field, and the state of consideration of the direct reduced iron business, which is currently under consideration?



- ✓ it is possible that short-term order trends will change due to the recent slowdown in the CN trend, but we expect no change in the long-term trend.
- ✓ In reduced iron business in Oman, we are continuing FS (procurement of raw materials and fuels, product sales, equipment specifications, financing, etc.) with Mitsui & Co., Ltd.

2. Dialogue with the Capital Market: Examples of dialogue



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Response
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Dialogue
ongoing



Under
consideration

S

[Responsible Supply Chain]

With the increasing importance of human rights problems in recent years, there is a need for a response that includes not only the company group, but also the supply chain. How do you think you will deal with this?



- ✓ We are advancing initiatives in accordance with international norms, and progressing the handling of: [1] human rights policy; [2] human rights due diligence; and [3] remedy steadily as required in human rights initiatives. In FY2024, we joined JaCER (Japan Center for Engagement and Remedy on Business and Human Rights).
- ✓ We ask suppliers to support and implement the company group's policy, and as a result of conducting an overall CSR survey, we are working together with suppliers who are concerned about issues related to human rights and labor to delve deeper into those issues and resolve their concerns.

[Human Capital]

Interest in human capital management is more growing. Particularly what kind of actions are you taking to address the shortage of human resources?



- ✓ We are striving for the improvement of employee engagement through activities such as the dialogues between senior executives and employees ("Dialogue Platforms") we implement each year, and sending out "Declaration of Pledges by Senior Management."
- ✓ In addition, from the perspective of grasping the actual situation, we grasp and analyze the actual situation through employee awareness surveys (once a year), and take measures in accordance with three approaches ([1] improvement of organizational diversity, [2] promotion of the growth and challenges of individual, and [3] the establishment of an environment in which employees are able to thrive).
- ✓ Moreover, in addition to improving wages, we plan to invest 60 billion yen for the improvement of the work environment.

G

[Reduction of Cross-Shareholdings]

Investor interest is high from the perspective of capital efficiency, but shouldn't you present a reduction target and the timing of its achievement specifically?



- ✓ In FY2023, we worked out a policy to reduce cross-shareholdings in stages, and are now considering each actions. Large stockholdings are limited, and we have not set a quantitative reduction target or time schedule.
- ✓ We are aware of the concerns of the capital market, will continue our considerations including capital efficiency in accordance with our basic policy, and will disclose their progress through notices of convocation and other means.
- ✓ In February 2025, we decided to sell all of our shares in Nippon Steel.
*Note: All of these shares were sold in April 2025.

[Listed Subsidiaries]

There are currently two such companies (Kobelco Wire Company, Ltd. and Nippon Koshuha Steel Co., Ltd.), but in addition to the protection of minority shareholders, there are also issues from the perspective of capital efficiency. I would like to hear your thoughts on the future direction.



- ✓ We consider our approach to group companies as appropriate from the perspective of the improvement of corporate value, including governance as the company group, such as making Kobelco Eco-Solutions (a listed subsidiary at that time) a wholly-owned subsidiary in FY2021, and will continue to do this.

*Note: We resolved to transfer special steel business to Daido Steel Co., Ltd. after Nippon Koshuha Steel became a wholly-owned subsidiary of that company (May 2025).

[Officer Compensation]

While the introduction of ESG-related indicators has been evaluated well to a certain extent, it is desirable to have a system in which CO₂ reductions are reflected directly in compensation to promote the commitment to CO₂ reductions strongly.



- ✓ Also keeping in mind that there are different levels of involvement in CO₂ reductions depending on an officer's duties, Kobe Steel places importance on overall evaluations, also including "S" and "G." In addition, we have designed satisfying evaluations that eliminate arbitrariness by using the evaluations of an external organization.
- ✓ We will continue to consider our system while monitoring external trends.

2. Dialogue with the Capital Market: Examples of dialogue



Capital Market

Constructive Dialogue

Kobe Steel



Response
provided



Dialogue
ongoing



Under
consideration

**[Medium-Term Management Plan
(FY2024 to FY2026) : Announced May 2024]**
[1] Why did the company not disclose a profit target?
[2] The rebuilding of aluminum-related business
(aluminum plates and aluminum products) is
positioned as a priority measure, but what are the
specific measures and progress?



[1] We have not set a profit target. Based on recognition of the importance of capital profitability, also including the management of invested capital, for the improvement of corporate value, we set a target of securing an ROIC of 6% stably. We will strive for the improvement of profitability through the control of invested capital, even if the demand environment deteriorates significantly.

[2] In aluminum plate business, we will rebuild our automotive panel business in China (we established a JV with Baowu Aluminum (January 2025)) and expand sales to Chinese OEMs, etc. While U.S. business is an issue in aluminum products, suspension business achieved profitability in the second half of FY2024 due to stable production and price improvement, and extruded materials business is focusing on the improvement of profitability by downsizing.

**[Management Being Aware of Cost of Capital and the
Stock Price]**
Kobe Steel's PBR continues to be below 1x, but how
do you recognize the current situation and what are
the specific actions you will take for improvement?



✓ The recent ROE (FY2023: 11.1%) is at about the same level as FY2014, when PBR exceeded 1x, but we have analyzed that the deviation between the capital market and the company's perceived cost of capital is behind the PBR below 1x.

(Main Factors in the Deviation)

[1] Concerns about the instability of the earnings base and financial vulnerability caused by past results

[2] Concerns over future uncertainty such as the handling of CN

(Initiatives for Resolution)

[1] We will advance action steadily towards the "Enhancing earning power" and "Pursuing growth," which we have raised as the most important issues in our management plan, and will aim to become a business that ensures an ROIC of 8% stably in the future.

[2] We will strive for the reduction of cost of capital by (1) "Taking on the challenge of realizing carbon neutrality", strengthening sustainability management, (2) strengthening our financial base, and (3) making continuous and stable returns to shareholders.

[3] In addition to materials such as iron and aluminum, we have a growing machinery business and an electric power business with stable profits and will appeal to the market strategically with our "KOBELCO's uniqueness."

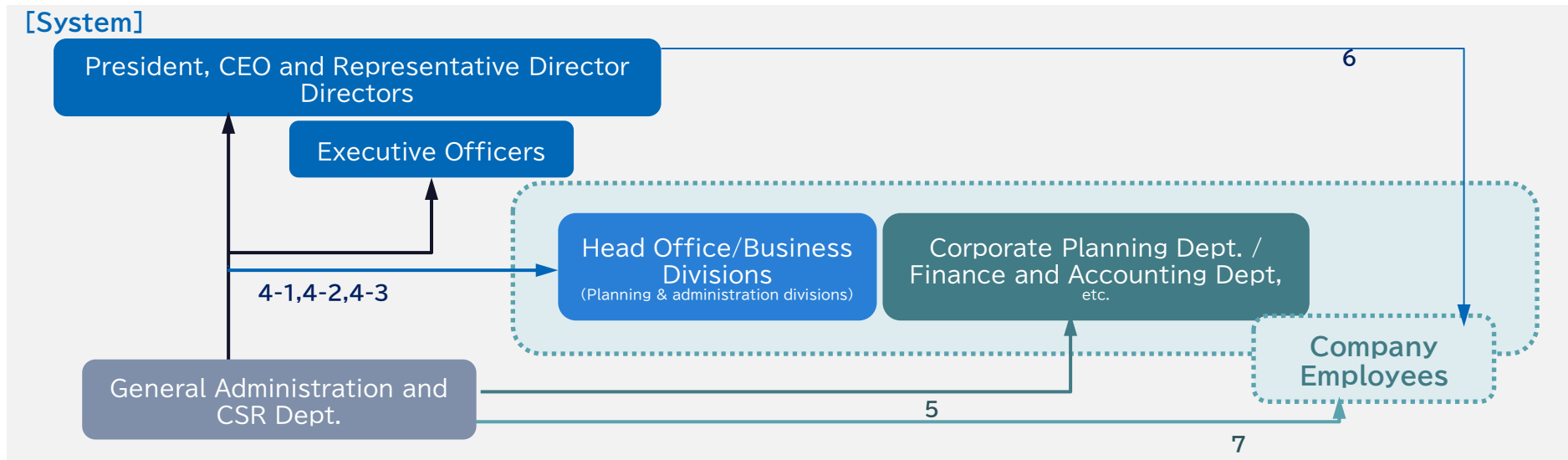
[Shareholder Returns]
The dividend policy is for a dividend payout ratio of
around 30% with dividends to be implemented
"continuously and stably" but shouldn't the dividend
policy be reviewed, such as having a minimum dividend
and introducing DOE standards?



✓ We raised the dividend payout ratio from 15 to 25% to 30% in the final year of the previous medium-term management plan (FY2023). Under the current plan, we would like to implement stable dividends through the securing of earnings. However, we will maintain our current policy during the current plan to work on the strengthening of our financial base to make the investments required for sustainable growth in any environment.

✓ We think that it may be the right time to consider the further enhancement of shareholder returns based on the business environment at that time after achieving the financial targets of the current plan.

3. Internal Feedback: Systems/Results



[FY2024 Results]

Contents		Recipients	Frequency
4-1	Evaluation of capital market	Members of Board of Directors, Executive Council members Head Office department heads / planning and management department heads in business divisions	Twice a year
4-2	Regular post-closing reports	Members of Board of Directors, Executive Officers Head office department heads / planning and management department heads in business divisions	4 Times a year (after quarterly financial results announcements)
4-3	Reports other than regular reports	Directors, Executive Officers, etc. related to report contents	As Appropriate
5	Regular pre-closing reports	Certain Directors & Executive Officers, Corporate Planning Dept., Finance and Accounting Dept.	4 Times a year (prior to quarterly closing)
6	Summary explanation of business results by executive	Company employees, labor unions	Around Twice a year
7	Financial results briefings for employees	Company employees	Since FY2023

3. Internal Feedback: Contents of Reports

Concrete Feedback Contents

4-1	Evaluation of capital market	<p>[Twice a year]</p> <p>[1]Stock market trends (trends in stock prices, PBR, equity spreads, etc.)</p> <p>[2]Evaluations and opinions from analysts and institutional investors</p> <p>[3]Stock price analysis</p> <ul style="list-style-type: none"> • Consideration of deviation from theoretical values of current stock prices • Impact of changes in investor trends (shareholder composition) (consideration in terms of IR and SR) <p>[4]IR activity plan (strategic and systematic sending out of information towards the reduction of the cost of capital and the improvement of corporate value)</p>
4-2	Regular post-closing reports	<ul style="list-style-type: none"> • Summary of questions asked at financial results briefings • Summary of analysts' reports etc.
4-3	Reports other than regular reports	<ul style="list-style-type: none"> • Opinions received at exchanges of opinions between president and institutional investors (1-1) • Opinions received at meetings with institutional investors (1-3) etc.
5	Regular pre-closing reports	<ul style="list-style-type: none"> • Reactions of capital markets after previous financial results announcement and opinions received during interviews on IR topics after closing • Information expected, envisaged questions, etc. at next financial results announcement
6,7	Summary explanation of business results by executive Financial results briefings for employees	<ul style="list-style-type: none"> • Summary of business results of Group as a whole and of individual business divisions • Status of progress of medium-term management plan etc.

4. Examples of Initiatives that Incorporated Dialogue Outcomes **KOBELCO**

- ◆ The Kobe Steel Group has implemented the following kinds of initiatives that reflect dialogues with the capital market in its pursuit of initiatives for sustainable growth and enhancement of corporate value.
- ◆ In FY2025, we will continue to work on the improvement of corporate value through constructive dialogue.

Category		Theme	FY2020	FY2021	FY2022	FY2023	FY2024	
Business Strategy	E	Response to climate change	• We set reduction targets and reduction contribution targets					• Upward revision of reduction contribution targets
	S	Human capital management	• Expansion of disclosure of human capital (Integrated Reports, etc.)					
	G	Skills matrix	• organized and disclosed skills matrix					
		Outside directors	• Held first panel discussion					
		Officer compensation system	• Reflecting ESG in individual evaluations					• Introduction of ESG indicators
		Capital efficiency/cross-shareholdings	• Introduction of ROIC indicator					• Disclosure of changes in cross-shareholding policy and reduction of cross-shareholdings
		Materiality	• Newly formulated materiality and monitoring indicators					• Partially updated monitoring indicators
	Other Disclosures	Individual shareholder briefings	• Implementation of online briefings					
		Inspections of bases by institutional investors/analysts	• Holding of individual briefings on each theme					
		Expansion of information disclosure	• Regular implementation of tours of each base					