

REAL ESTATE



Operating mainly in the Kinki region and Tokyo area of Japan, the Real Estate Segment is a total life business encompassing real estate development, construction, property sales, leasing, remodeling, building and condominium management, and insurance brokering. Our goal is to quickly establish a stable business foundation and achieve sustained growth.

Business Environment and Performance in Fiscal 2008

The business environment surrounding the Real Estate Segment was extremely adverse, especially on the sales side, with the economic downturn in Japan resulting in consumers displaying a reticence to buy. Notably, the substantially higher inventories of completed units forced the condominium business to cut prices. Moreover, the previously strong demand for office buildings was hit by rising vacancy rates brought about by the economic downturn, with advertised rental rates declining. Customers are increasingly asking the building management and insurance services businesses to lower prices and to review contract terms.

As a result, net sales in the Real Estate Segment in fiscal 2008 fell 16.2% to ¥37.1 billion on a consolidated basis, while operating income was down ¥3.1 billion to ¥1.9 billion.

Future Outlook and Initiatives

With regard to the future business environment, the consumer mindset is not expected to improve and downward pressure on prices will likely continue in the short term. In addition, there are concerns over the growing credit risk of business partners. Under these circumstances, we will more carefully manage business risk, while working to ensure cash flow and earnings.

ELECTRONIC MATERIALS AND OTHER BUSINESSES



Business Environment and Performance in Fiscal 2008

Sales in this segment slipped 9.2% to ¥55.1 billion due to a downswing in shipments of target material for LCDs caused by declining LCD panel demand. Operating income dropped ¥5.0 billion to ¥3.1 billion. Although the adverse business environment is expected to continue due to the global recession, Kobe Steel will ensure earnings through more efficient production and enhanced sales capabilities.