

Consolidated Five-Year Review

Income Analysis

During the consolidated accounting period under review, the Japanese economy continued to remain severe. Although the economy picked up on the back of increased exports, mainly to Asia, the slowdown of the U.S. economy, sluggish private-sector capital investment, and stagnant personal consumption exerted strong deflationary pressures.

Amid this environment, Kobe Steel, Ltd. registered a ¥6.7 billion increase in net sales, to ¥1,204.8 billion. Although sales decreased due to the transfer of equity in an IT systems subsidiary, sales were bolstered by the commercial start of the wholesale electricity supply business.

Losses were incurred in the application of new accounting standards for retirement benefits and the devaluation of investment securities due to the sluggish stock market. However, net income recovered by ¥30.2 billion to ¥1.7 billion.

Sales in the Iron and Steel Segment increased 7.6%, to ¥523.5 billion, and operating income went up 332.6%, to ¥48.8 billion, owing to higher steel shipments, the start of the wholesale electricity supply business, and a reduction in overall costs.

In the Aluminum and Copper Segment sales declined 3.3%, to ¥248.0 billion. However operating income rose 55.7%, to ¥12.4 billion, due to increased shipments and comprehensive cost reductions.

Machinery Segment sales declined 6.9%, to ¥216.2 billion. However, operating income increased 13.8%, to ¥4.2 billion, due to comprehensive cost reductions.

In the Construction Machinery Segment sales rose 6.1%, to ¥157.4 billion, and operating income rose 118.8%, to ¥4.1 billion, owing to strong overseas demand, which in particular, led to a substantial production increase in China.

In the Real Estate Segment sales declined 5.5%, to ¥42.6 billion, and operating income fell 45.6%, to ¥4.3 billion.

These reductions were mainly the result of a change in the composition of properties on the market.

Net other expenses totaled ¥65.1 billion and income before income taxes amounted to ¥16.0 billion. After adjustments for income tax and minority interests, a net income of ¥1.7 billion was recorded.

Analysis of Cash Flow and Financial Position

The Company's operating, investing, and financing activities during the fiscal year under review resulted in consolidated cash and cash equivalents decreasing ¥33.5 billion, or 29.0%, to ¥81.8 billion.

Net cash provided by operating activities increased ¥56.6 billion, or 95.7%, to ¥115.7 billion, due mainly to the improvement of income before income taxes.

Net cash provided by investing activities amounted to ¥27.0 billion, a ¥63.5 billion net change. Although the purchase of plant and equipment for the wholesale electricity supply business decreased, proceeds were received from the sale of equity held in the aluminum ingot business.

Net cash used in financing activities amounted to ¥175.0 billion, an increase of ¥138.2 billion due to the repayment of debt and repayment of bonds, although proceeds were received from the issuance of stock.

Consolidated Net Sales (Billion ¥)

