

REVIEW OF OPERATIONS

Real Estate Segment

Sales of real estate, the key business of this segment, benefited from strong sales of major properties, including the Maya Seaside Place East Buildings 4 and 5, in Kobe. The Kobe Steel Group consequently achieved a 1.3% rise in segment sales from the previous fiscal year, to ¥43.2 billion. In contrast, operating income declined 13.1% to ¥3.8 billion, partly because of changes in the variety of property sales.

Real estate sales and leasing operations

All condominium units were sold in the Maya Seaside Place East Buildings 4 and 5 in Kobe, the O's Town South Phase 2, O's Garden Phase 1 both in Akashi, Hyogo, and G-Clef Tsurumaki in Tokyo. We also commenced sales of Le Quartier Liberté Gakuentoshi in Kobe, G-Clef Shukugawa in Nishinomiya, Hyogo, and G-Clef Shukugawa-Kotobukicho also in Nishinomiya.

We began accepting applications for the rental condominiums, Aprile Omori-Sanno in Tokyo, and concluded leasing agreements for all units prior to completion. At Amagasaki Amenity Core in Amagasaki, Hyogo, we began leasing land for sports facilities.

Building management operations

We expanded our business by taking over the operations of the former Kobe Service Center. We also successfully

bid for the Kobe Airport Terminal building construction project. Under this project, we will invite commercial tenants for the building, arrange tenant leasing contracts and undertake maintenance and management services. The airport is scheduled to open in fiscal 2005.

Construction business

We completed a joint venture project to construct the new Kobe Technical High School. We also won an order from Hyogo Prefectural Housing Corporation to build condominiums.



Le Quartier Liberté Gakuentoshi

We commenced sales of a 359-unit condominium located in a quiet residential area in the city of Kobe, in Hyogo Prefecture. Built in a joint venture with Mitsubishi Estate Co., Ltd. and Hanshin Electric Railway Co., Ltd., this condominium boasts exterior and interior designs produced by Afternoon Tea, offering futuristic dwellings and affordable luxury in a sophisticated and relaxed residential environment.

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Other Businesses Segment

Sales in the Other Businesses segment fell 19.7% year-on-year, to ¥45.2 billion, due to the sell-off of shares of a semiconductor testing subsidiary, excluding it from the scope of consolidation. In contrast, operating income climbed 42.0%, to ¥8.1 billion, reflecting the healthy performance of a subsidiary engaged in material testing and sputtering targets for LCD production.

Our Other Businesses segment encompasses the operations of 30 subsidiaries and nine affiliates, in areas such as material testing and high-functional materials, LPG container fabrication and superconducting materials. The segment also includes businesses that we operate directly, including information and communication systems, special alloys, and other new materials.