

Fiscal 2003-2005 Consolidated Medium-Term Business Plan

Vision of the Kobe Steel Group

On the threshold of its 100th anniversary, Kobe Steel aims to contribute to society in the coming century through its materials business (steel, welding, aluminum, and copper); the wholesale power supply business; and the machinery business (industrial machinery, construction equipment, environmental solutions, and plant engineering). Recognized as a quality manufacturer, Kobe Steel supplies products, services and technologies of high renown throughout world.



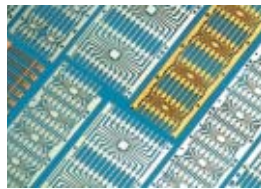
Task

1

Further Consolidate Our Position as a Manufacturer of Distinctive Products

Percentage of distinctive and market-leading products in total sales

Fiscal 02 : 30% Fiscal 03 : 33% Fiscal 04 : 38% Fiscal 05 : 40%



Task

2

Thoroughly Strengthen Competitiveness

Implement Effective and Prioritized Investment

Investment in equipment will be carried out to further improve blast furnaces as a base for the stable production of steel, together with increasing the capabilities of our production technology for product areas in which we have particular strength.

Main Capital Investment Plans for Fiscal 2004

(Steel) Kakogawa Works-Remodeling of No. 2 blast furnace		¥40 billion (on a gross investment basis)
(Steel) Kobe Works-Construction of No. 5 continuous caster		¥8.5 billion (on a gross investment basis)
(Aluminum and copper) Moka Plant-Remodeling of cold rolling mill		¥1.4 billion (on a gross investment basis)



Target Figures under the Medium-Term Business Plan

In fiscal 2004, a year ahead of schedule, the Company attained many of the targets it had set (on a consolidated basis) for fiscal 2005, the final year of its current medium-term business plan. By the end of fiscal 2005, we expect to have exceeded the target figures for all items.

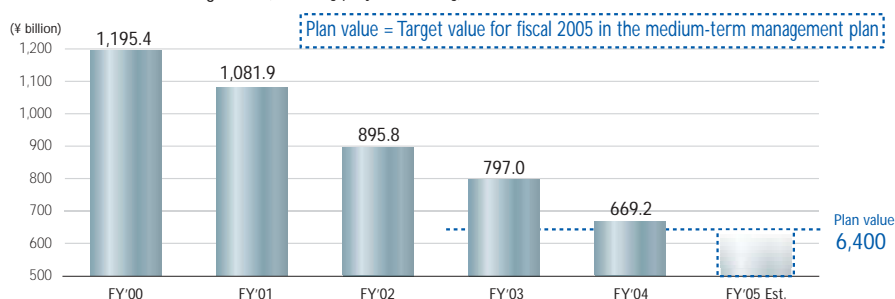
	Fiscal 2005 forecast	Fiscal 2003 results	Fiscal 2004 results
Net Sales.....	1250.0	1,219.2	1,443.8
Operating Income	12.5	100.7	166.6
Ordinary Income*	80.0	50.8	116.0
Net Income.....	36.0	22.1	51.3
Total Assets	1,800.0	1,916.3	1,901.2
Debt (Interest-bearing Liabilities).....	640.0	797.0	669.2
Debt, including IPP Project Finance	780.0	931.9	811.6
Ratio of Ordinary Income to Sales.....	8.2%	4.2%	8.0%
Return on Assets.....	6.0%	4.0%	7.4%
Debt-to-Equity Ratio	1.7	2.5	1.8
D/E Ratio including IPP Project Finance.....	2.1	2.9	2.2

(* Operating income after adjustments of net financial revenue and net expenses generated on a regular basis, including labor costs for employees temporarily dispatched.)

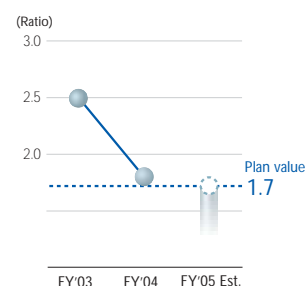
Task 3

Improve Financial Position

Balance of interest-bearing debt (excluding project financing)



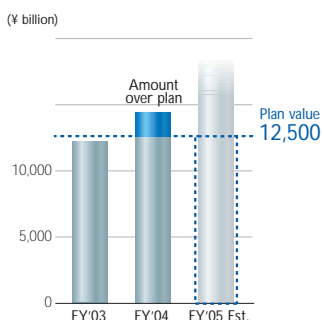
D/E Ratio (excluding project finance)



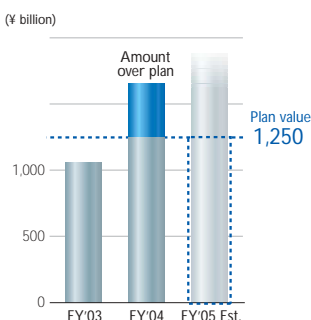
Task 4

Generate Cash Flow from Earnings

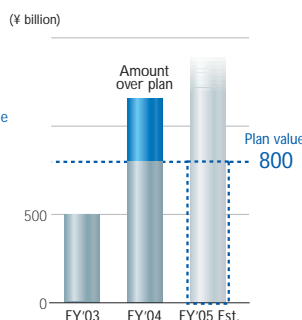
Net Sales



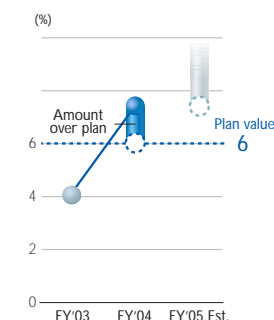
Operating Income



Ordinary Income



ROA



Task 5

Improve Credit Rating in Capital Markets To return to "A" rating with Japanese rating agencies by fiscal 2005

Fiscal 04 JCR: Returned to A rating (BBB+ ⇒ A)

R&I: Rating raised (BBB ⇒ BBB+)

Exceeding Our Targets