

Summary of Kobe Steel's Consolidated Financial Results for Fiscal 2007

(April 1, 2007 – March 31, 2008)

TOKYO, April 25, 2008 – Kobe Steel, Ltd. announced today its financial results for fiscal 2007, ended March 31, 2008.

Consolidated financial summary (in millions of yen)

| | <u>FY2007</u> | <u>FY2006</u> | <u>% Change</u> |
|----------------------|------------------|------------------|-----------------|
| Net sales | 2,132,405 | 1,910,296 | 11.6% |
| Operating income | 202,398 | 208,624 | (3.0%) |
| Ordinary income * | 157,918 | 183,278 | (13.8%) |
| Net income | 88,923 | 109,668 | (18.9%) |
| Net income per share | <u>29.62 yen</u> | <u>35.36 yen</u> | |

Note: * Also known as pretax recurring profit

Segment sales (in millions of yen)

| | <u>FY2007</u> | <u>FY2006</u> |
|---|------------------|------------------|
| Iron & Steel | 923,792 | 830,696 |
| Wholesale Power Supply | 71,890 | 66,858 |
| Aluminum & Copper | 450,081 | 397,309 |
| Machinery | 302,214 | 280,946 |
| Construction Machinery | 339,920 | 285,382 |
| Real Estate | 44,302 | 41,362 |
| Electronic Materials & Other Businesses | 60,702 | 63,578 |
| Eliminations | <u>(60,496)</u> | <u>(55,838)</u> |
| Consolidated net sales | <u>2,132,405</u> | <u>1,910,296</u> |

Overseas sales (in millions of yen)

| | <u>FY2007</u> | <u>FY2006</u> |
|------------------------------|---------------|---------------|
| Overseas sales | 771,544 | 562,866 |
| Consolidated net sales | 2,132,405 | 1,910,296 |
| Percentage of overseas sales | <u>36.2%</u> | <u>29.5%</u> |

(1) Operating Results

Japan's economy continued to expand in the first half of fiscal 2007 ended March 31, 2008. With corporate earnings remaining high, private-sector capital investment continued to increase and household incomes continued to gradually rise, leading to firm personal spending. However, in the latter half of the fiscal year, the economy began to slow down, affected by the drop in housing investments, higher energy and raw material prices, and other factors. In overseas markets, although the United States began showing signs of a slowdown, the overall world economy continued to expand, mainly in Asia.

On this background, Kobe Steel's consolidated net sales in fiscal 2007 rose 222.1 billion yen to 2,132.4 billion yen in comparison to the same period last year, owing mainly to firm demand for steel, construction machinery and other products. Operating income decreased 6.2 billion yen to 202.3 billion yen in comparison to the same period last year, due to higher depreciation arising from a change in the depreciation method brought about by tax reforms.

Ordinary income decreased 25.3 billion yen to 157.9 billion yen, in comparison to the same period last year, due to dismantling and disposal incurred in blast furnace refurbishments. After extraordinary loss from the business restructuring of a few subsidiaries, net income amounted to 88.9 billion yen.

Results by Business Segment

Iron & Steel

Domestic demand for steel products used mainly in the automotive, shipbuilding and other manufacturing industries was strong in fiscal 2007. Exports, too, were firm on the back of growing world demand.

Under these conditions, Kobe Steel increased its shipments of steel products, in comparison to the previous year, owing to the strong demand for upper-end steel products mainly from manufacturing industries. Kobe Steel was also able to increase its sales prices of steel, centered on specialty steel, in comparison to the previous year.

Brisk demand for steel castings and forgings from the shipbuilding industry and for titanium mill products used in power plants contributed to higher sales in comparison to the same period last year.

Sales of welding consumables were higher in fiscal 2007 in comparison to the previous year. In Japan, demand was strong from the shipbuilding and automotive industries. In overseas markets, demand was strong from the shipbuilding and energy-related industries.

As a result, segment sales increased 11.2% to 923.7 billion yen, but operating income went down 2.6 billion yen to 91.9 billion yen, compared to the same period last year. Operating income was affected by higher depreciation arising from a change in the depreciation method brought about by tax reforms.

Wholesale Power Supply

The Shinko Kobe Power Station is generating and supplying a maximum of 1.4 million kilowatts of electricity. In this segment, as higher coal prices led to higher electricity unit prices, sales rose 7.5% to 71.8 billion yen, but operating income was 18 billion yen, similar to the previous year.

Aluminum & Copper

Shipments of rolled aluminum products went up in comparison to the previous year. Although aluminum plate used in liquid crystal display manufacturing equipment went down, shipments were high for aluminum can stock for beverage containers due to the hot summer and the introduction of new soft drinks by beverage companies. In addition, demand continued to be firm for aluminum automotive panel material and bumper material, as well as aluminum fin stock for air conditioners.

Shipments of rolled copper products decreased in comparison to the previous year. Although shipments of copper sheet and strip for electronic applications were firm, shipments of copper tube went down mainly in Japan.

Sales of aluminum castings and forgings also rose in the period under review. Increased production capacity at a U.S. subsidiary contributed to meeting the growing demand for aluminum forgings used in automotive suspension systems.

Under these conditions, overall shipments increased in comparison to the previous year. In addition, ingot prices that were higher than the previous year boosted sales prices. As a result, segment sales increased 13.3% to 450.0 billion yen in comparison to the same period last year. Operating income decreased 12.6 billion yen to 22.0 billion yen as inventory valuation, which had been pushed up in the previous fiscal year by high ingot prices, had less of an effect in fiscal 2007.

Machinery

Domestic orders went down 13.0% to 157.5 billion yen, in comparison to the same period last year. On the back of strong private-sector capital investment, orders were strong for compressors, rolling mills and other products. In the environmental business, however, orders for large waste treatment and sludge treatment projects were lower, in comparison to the previous year.

Overseas orders went up 42.9% to 182.1 billion yen. In addition to orders for a large iron ore pellet plant and oxygen generating plant, capital investments were active in the oil refining, petrochemical and energy fields in the Middle East, Asia and North America, leading to strong demand for compressors, plastics processing machinery and pressure vessels.

As a result, total orders for the Machinery segment increased 10.1% to 339.7 billion yen, and the

backlog of orders was 377.5 billion yen. Owing to these order conditions, machinery segment sales rose 7.6% to 302.2 billion yen, in comparison to the previous year. Operating income increased 8.3 billion yen to 30.5 billion yen.

Construction Machinery

In the domestic market, the high demand for hydraulic excavators showed signs of slowing down. Replacement demand continued to be strong due to strong exports of used machines to China and other markets. However, in the second half of the fiscal year, demand sharply dropped due to a fall in housing investments. Meanwhile, the overseas market, centered on China, continued to be strong. The exception was the U.S. market, where demand fell due to sluggish housing starts. The crane business continued to benefit from robust demand, centered on North America, the Middle East and Southeast Asia.

As a result, segment sales increased 19.1% to 339.9 billion yen, in comparison to the same period last year. Operating income increased 8.0 billion yen to 22.8 billion yen.

Real Estate

Segment sales, centered on real estate sales, increased 7.1% to 44.3 billion yen, in comparison to the same period last year. However, operating income decreased 0.3 billion yen to 4.9 billion yen due to temporary expenses incurred in the leasing business.

Electronic Materials & Other Businesses

The testing and analysis business, centered on the transportation and electronics fields, continued to be firm. However, due to inventory adjustments of liquid crystal displays and competition from alternative materials, shipments of target material for thin-film wiring went down. As a result, segment sales decreased 4.5% to 60.7 billion yen in comparison to the same period last year. Operating income decreased 6.1 billion yen to 8.1 billion yen due to lower shipments of target material.

Outlook for Fiscal 2008 (ending March 31, 2009)

Looking at fiscal 2008, the world economy is anticipated to continue expanding, powered by growth in developing countries. However, attention must be paid on trends in the U.S. economy and other factors, and it is highly difficult to determine when the slowing domestic economy will improve. Additional factors that will have a marked effect on Kobe Steel include the rapid rise in energy and raw material prices and the tight raw material situation. On this background, Kobe Steel's outlook for its business segments in fiscal 2008 is as follows:

Iron & Steel

For steel products, demand is anticipated to continue being robust for high-grade steel used mainly in domestic manufacturing industries. Demand is expected to also be brisk for steel castings and forgings, titanium products and welding consumables. As a result, fiscal 2008 segment sales are forecast to be higher than in fiscal 2007.

Due to the worldwide tight demand and supply situation for raw materials, Kobe Steel will strive to obtain the necessary quantity of raw materials to prevent interruptions in production and provide a stable supply of products. To cope with higher raw material costs, Kobe Steel intends to raise sales prices, as well as continue its efforts to maintain profitability and implement improvements by reducing costs and increasing production efficiency.

Wholesale Power Supply

The Shinko Kobe Power Station intends to run its facilities under stable operation. As anticipated higher coal prices will lead to higher electricity unit prices, segment sales are forecast to increase in fiscal 2008, in comparison to fiscal 2007.

Aluminum & Copper

Shipments of rolled aluminum products are anticipated to be roughly the same as in fiscal 2007, owing to the continued strong demand for automotive aluminum panel material and aluminum fin stock for air conditioners. For rolled copper products, shipments are anticipated to rise in comparison to fiscal 2007, mainly for copper sheet and strip used in electronic applications.

However ingot prices, which are reflected in the sales prices, are expected to go down in comparison to

fiscal 2007. As a result, segment sales are anticipated to decrease in comparison to fiscal 2007.

Machinery

Orders are anticipated to continue being strong mainly in the oil refining, petrochemical and energy fields, and therefore segment sales are anticipated to increase in comparison to fiscal 2007.

Construction Machinery

Domestic demand for hydraulic excavators is anticipated to be similar to fiscal 2007. Although housing starts are expected to improve, the export market for used machines is showing signs of softening. Overseas demand for excavators, mainly in China, is forecast to continue being robust. The crane business is expected to continue performing well worldwide. As a result, segment sales are anticipated to increase in comparison to fiscal 2007.

Real Estate

Segment sales are forecast to be similar to fiscal 2007.

Electronic Materials & Other Businesses

Shipments of target material for thin-film wiring are anticipated to go down due to competition from alternative materials. However, the testing and analysis business, for mainly the transportation and electronics sectors, is anticipated to continue being firm. As a result, segment sales are anticipated to be similar to fiscal 2007 sales.

Overall Forecast

In the Iron & Steel Segment, demand for steel products, mainly upper-end steel products, will continue to be high. Demand for steel castings and forgings and titanium products is also anticipated to be robust. A strong demand environment is projected for the Machinery segment and Construction Machinery segment. As a result, consolidated sales for the Kobe Steel Group are forecast to be higher than in fiscal 2007.

On the other hand, profits will be lower than in fiscal 2007. In addition to the steeply rising cost of raw materials, procured parts, supplies and equipment, the depreciation burden will be higher due to a change in the depreciation method of calculating the legal useful life of equipment.

As a result of these conditions, Kobe Steel's consolidated sales are anticipated to reach 2,430 billion yen. Ordinary income is expected to be 120 billion yen, and net income is projected at 65 billion yen.

In comparison to the fiscal 2008 financial targets in Kobe Steel's Medium-Term Business Plan, the current forecast projects that sales will be 530 billion yen higher, but ordinary income will be 60 billion yen lower, and net income will be 35 billion yen lower. The main factor in these differences is that escalating raw material costs will push up sales prices, which in turn will lead to higher sales. Factors affecting ordinary income and net income will be the increase in the depreciation burden due to a change in the depreciation method brought about by tax reforms and other items.

(2) Financial Position

Owing to higher account receivables from increased sales and the higher value of inventories; strategic investments to improve business competitiveness; and the implementation of blast furnace refurbishment investments for stable production, total assets at the end of the term increased 87.4 billion yen to 2,329.0 billion yen.

As for net assets, net unrealized holding gains on securities went down 39.9 billion yen due to a fall in market prices. Treasury stock increased 19.9 billion yen due to the acquisition of treasury stock based on a decision made at the board of directors' meeting on March 1, 2007. Cash dividends for retained earnings amounted to 22.7 billion yen. Net income came to 88.9 billion yen. As a result, net assets increased 11.3 billion yen to 647.7 billion yen in comparison to fiscal 2006, and the net worth ratio was 25.8%, down 0.6% from the previous year.

Income before income taxes was 153.3 billion yen with depreciation of 111.5 billion yen. Working capital increased 87.9 billion yen and cash paid for income taxes amounted to 50.3 billion yen. As a result, net cash provided by operating activities was 124.3 billion yen. Net cash used in investing activities amounted to 187.3 billion yen, after purchases of fixed assets. Net cash from financing activities amounted to 31.1 billion yen, following payment of 20.3 billion yen for the purchase of treasury stock,

payment of 22.6 billion yen for dividends, and an increase in borrowings.

As a result, debt increased 81.1 billion yen to 823.4 billion yen in comparison to fiscal 2006. Cash and cash equivalents decreased 31.4 billion yen to 66.6 billion yen, in comparison to fiscal 2006.

Consolidated cash flow Indicators

| | FY2003 | FY2004 | FY2005 | FY2006 | FY2007 |
|---|--------|--------|--------|--------|--------|
| Net worth ratio | 17.2% | 19.9% | 25.6% | 26.4% | 25.8% |
| Stockholders' equity ratio at market price | 24.7% | 29.6% | 67.1% | 66.0% | 38.0% |
| Ratio of cash flow to interest-bearing debt | 9.0 | 3.6 | 3.6 | 4.3 | 6.6 |
| Interest coverage ratio (times) | 4.1 | 9.3 | 9.0 | 8.5 | 5.9 |

Notes:

* Net worth ratio: Stockholders' equity/total assets

* Stockholders' equity ratio at market price: Market capitalization/total assets

(Market capitalization is calculated by multiplying the share price at term-end by the number of outstanding shares at term-end.)

* Ratio of cash flow to interest-bearing debt: Interest-bearing debt/operating cash flows

* Interest coverage ratio: Operating cash flows/interest expense

(3) Basic Policy on Profit Sharing and Dividends

Kobe Steel considers the return of profits to its shareholders as an important management issue. Taking a medium- to long-term view on business development, Kobe Steel is striving to increase the corporate value of the entire Kobe Steel Group.

In distributing its profits, Kobe Steel takes into overall consideration the financial condition of the company, trends in its business performance, future capital needs and other issues. The basis for dividend payments is continuous and stable distribution. Dividends are decided upon taking into account the company's performance for each business term, the payout ratio and other factors.

As for internal reserves, by providing necessary financing for future growth, Kobe Steel strives to improve its profitability as well as improve and strengthen its financial condition.

Taking into consideration profit sharing based on its financial performance, Kobe Steel is aiming for a dividend payout ratio of approximately 15% to 25% of consolidated net income.

The basic policy on dividend payments is payment on a twice yearly basis in principle, with the end of the first half of the fiscal year and the end of the fiscal year stipulated as the record date under the Articles of Incorporation.

Kobe Steel shall determine the matters concerning distribution of retained earnings, etc. stipulated in each item of Article 459.1 and Article 460.1 of the Company Law, by resolution of the Board of Directors.

Dividends

With regard to the year-end dividend, Kobe Steel has decided to pay a dividend of 3.5 yen per share for the second half of the fiscal year, taking into consideration comprehensive factors including fiscal 2007 profit levels, the payout ratio, investment funds necessary for future growth, and the financial condition of the company. Combined with the interim dividend that has already been paid, the dividend for the full fiscal 2007 year is 7 yen per share.

To implement a more flexible capital policy, Kobe Steel approved at its Board of Directors' meeting held on March 1, 2007 the purchase of additional treasury stock. Between March 2, 2007 and April 18, 2007, shares were purchased from the market. The total number of shares acquired from the market during this period was 103,919,000 shares (3.34% of total issued shares). The total purchase price was 49,999,609 thousand yen.

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Highlights of Kobe Steel's FY2007 Consolidated Financial Results

(April 1, 2007 – March 31, 2007)

April 25, 2008

| | |
|--|--------------------------------|
| Company name: | Kobe Steel, Ltd. |
| Stock exchanges where shares are listed: | Tokyo, Osaka and Nagoya, Japan |
| Code number: | 5406 |
| Website: | www.kobelco.com |
| President & CEO: | Yasuo Inubushi |
| General shareholders' meeting scheduled for: | June 25, 2008 |
| Yukashoken hokokusho (Japanese annual security report) to be issued: | June 25, 2008 |
| Dividend payments scheduled to begin: | June 4, 2008 |

1. FY2007 consolidated financial results (April 1, 2007 – March 31, 2008)

(in millions of yen)

(1) Consolidated financial results

| | FY2007 | FY2006 | % change |
|--|-----------|-----------|----------|
| Net sales | 2,132,405 | 1,910,296 | 11.6% |
| Operating income | 202,398 | 208,624 | (3.0%) |
| Ordinary income | 157,918 | 183,278 | (13.8%) |
| Net income | 88,923 | 109,668 | (18.9%) |
| Net income per share | 29.62 yen | 35.36 yen | |
| Diluted net income per share | -- | -- | |
| Return on equity | 14.9% | 19.5% | |
| Ratio of ordinary income to total assets | 6.9% | 8.5% | |
| Ratio of operating income to net sales | 9.5% | 10.9% | |

Equity in income of affiliates in FY2007: 12,793 million yen FY2006: 14,056 million yen

(2) Consolidated financial position

| | FY2007 | FY2006 |
|----------------------|------------|------------|
| Total assets | 2,329,005 | 2,241,570 |
| Net assets | 647,797 | 636,431 |
| Net worth ratio | 25.8% | 26.4% |
| Net assets per share | 199.80 yen | 194.46 yen |

Shareholders' equity at the end of FY2007: 599,948 million yen FY2006: 592,082 million yen

(3) Consolidated cash flows

| | FY2007 | FY2006 |
|---|-----------|-----------|
| Net cash provided by operating activities | 124,317 | 172,785 |
| Net cash used in investing activities | (187,380) | (128,557) |
| Net cash used in financing activities | 31,155 | (48,823) |
| Cash & cash equivalents at end of year | 66,685 | 98,162 |

2. Dividends

| Period | Dividend per share (yen) | | | Total dividend Amount* (yr) | Dividend payout ratio | Net income per share |
|---------------|--------------------------|----------|-----------|-----------------------------|-----------------------|----------------------|
| | Interim | Year end | Full year | | | |
| FY2006 | 3.00 | 4.00 | 7.00 | 21,541 | 19.8% | 3.8% |
| FY2007 | 3.50 | 3.50 | 7.00 | 21,053 | 23.6% | 3.6% |
| FY2008 (est.) | Undetermined | | | -- | Undetermined | -- |

* In millions of yen

3. Consolidated forecast for fiscal 2008 (ending March 31, 2009)

| (in millions of yen) | First half | Full year |
|--------------------------------|------------|-----------|
| Estimated net sales | 1,160,000 | 2,430,000 |
| Estimated operating income | 65,000 | 170,000 |
| Estimated ordinary income | 40,000 | 120,000 |
| Estimated net income | 24,000 | 65,000 |
| Estimated net income per share | 7.99 yen | 21.64 yen |

4. Other

(1) Changes in number of material subsidiaries in fiscal year

(Changes in specified subsidiaries due to changes in scope of consolidation): No

(2) Changes in accounting principles, procedures, presentation, etc. on the preparation of consolidated financial statements

- Changes due to revised accounting standards: No

- Other changes: Yes

(3) Number of issued shares

| | FY 2007 | FY2006 |
|--|---------------|---------------|
| Common stock (number of issued shares) | 3,115,061,100 | 3,115,061,100 |
| Treasury stock (number of shares) | 112,460,419 | 70,435,335 |

Explanation on the Appropriate Use of the Earnings Forecast and Other Special Items

The above forecast is based on currently available information as of today.

Actual results may differ considerably due to various changeable conditions in the future.

For preconditions on the forecast and other related factors, please refer to pages 3 and 4.

Management Policies

1. Fundamental Management Strategy

The Kobe Steel Group aims to continuously improve its corporate value by striving to fulfill its social responsibilities to shareholders, investors, customers, employees, local communities and other stakeholders, based on the following corporate philosophy:

Kobe Steel Group Corporate Philosophy

1. We provide reliable and advanced technologies, products and services that satisfy customers.
2. We support each employee in developing his or her abilities, while respecting mutual cooperation within the Kobe Steel Group.
3. Through continuous efforts for innovative change, we aim to enhance our corporate values.

2. Financial Targets

| (in billions of yen) | FY2008 Plan | FY2007 Results |
|---|---------------|----------------|
| Sales | About 1,900.0 | 2,132.4 |
| Ordinary income | 180.0 or more | 157.9 |
| Net income | 100.0 or more | 88.9 |
| Return on assets (%) | 5.0% or more | 3.8% |
| <hr/> | | |
| Debt (interest-bearing debt) | 550.0 or less | 713.3 |
| Debt, including IPP project finance | 650.0 or less | 823.4 |
| Debt-to-equity ratio (times) | 0.8 or less | 1.3 |
| D/E ratio including IPP project finance (times) | 0.9 or less | 1.4 |

3. Medium- to Long-Term Business Strategy

In April 2006, the Kobe Steel Group launched the Fiscal 2006-2008 Medium-Term Business Plan, a three-year plan that ends in March 2009. In the medium- to long-term future, the Group aims to build a strong corporate structure to achieve stability and growth. Major points follow below.

3.1. Expanding and creating "Only One" higher-end products

The Kobe Steel Group's original, value-added products, highly evaluated by customers, are regarded as "Only One" products. Kobe Steel intends to further expand sales of these products. By creating and growing Only One products that meet the needs of the times, Kobe Steel intends to raise the sales of upper-end products to comprise 40% of total sales at the end of fiscal 2008, in comparison to 35% at the end of fiscal 2005.

3.2. Strengthening "monozukuri" capabilities – skilled manufacturing

The Kobe Steel Group will focus on cost reduction and quality control. It will implement capital investments to further improve product functions and add value to products. Kobe Steel will also improve its research and development organization.

3.3. Strengthening the financial base

While undertaking strategic investments for sustained growth, the Kobe Steel Group plans to continue focusing on improving its financial structure. It plans to build a solid financial base resistant to changes in the business environment.

3.4. Promoting corporate social responsibility

The Kobe Steel Group will systematize CSR activities throughout the Group. The Kobe Steel Group will thoroughly carry out compliance activities, as well as focus on improving corporate governance.

3.5 Creating a positive work environment that instills pride in employees' work

For all Kobe Steel Group employees, the Kobe Steel Group plans to establish safer and more comfortable workplaces, as well as improve the working environment to support employees, who have diverse values, in developing their abilities. The Company will also further strengthen skill transference from older to younger workers and human resources development.

3.6 Strengthening group management

By integrating systems and information infrastructure and deploying the "KOBELCO" brand throughout the Group, Kobe Steel plans to nurture a strong shared unity and enhance the capabilities of the Kobe Steel Group.

4. Issues facing Kobe Steel

The Kobe Steel Group intends to build a strong, profit structure that further strengthens its business competitiveness and is responsive to market changes. Each business segment is expanding its "Only One" higher-end products and upgrading its skilled manufacturing capabilities. Kobe Steel is also strengthening its involvement in compliance and environmental conservation. In these ways, Kobe Steel is striving to earn the deep trust of all of its stakeholders. Specific issues by segment are:

Iron & Steel

For steel products, Kobe Steel intends to expand sales to domestic manufacturing industries in which stability is anticipated. The Company will also respond to growth fields such as steel castings and forgings, titanium products, and welding consumables.

The company is carrying out capital investments to strengthen its manufacturing technologies, promote energy savings and reduce costs and build a stable production system.

Aluminum & Copper

This segment is focusing management resources on the automotive and IT fields. In particular, it plans to actively develop its businesses and increase profits in the areas of aluminum disk material and aluminum forgings for suspensions. The segment will make further improvements in quality and productivity by upgrading its equipment and expanding production capacity.

Machinery

In the machinery and engineering fields, the favorable demand environment will contribute to profits. The Company is upgrading its facilities, maintaining production capacity, improving quality and reducing costs. Plans also call for strengthening the iron unit business and increasing its profitability. In the environmental business, drastically reducing costs will contribute to improved profitability. The construction machinery business plans to strengthen its overseas operations, as well as consider and implement measures to strengthen its ability to adapt to the changing business environment.

Electronic Materials

This segment plans to implement the necessary measures to keep up with the competition from alternative target materials used in LCDs. It will also develop and commercialize new products for future growth.

Consolidated Balance Sheets

(in millions of yen)

| Assets | FY2007 Ended Mar. 31, 2008 | FY2006 Ended Mar. 31, 2007 |
|--|--------------------------------------|--------------------------------------|
| Current Assets | | |
| Cash and cash equivalents | 68,738 | 99,667 |
| Notes and accounts receivable | 380,041 | 332,204 |
| Inventories | 409,424 | 367,332 |
| Deferred tax assets | 22,514 | 20,695 |
| Other | 77,348 | 64,408 |
| Allowance for doubtful accounts | (981) | (830) |
| Total current assets | <u>957,086</u> | <u>883,478</u> |
| Tangible fixed Assets | | |
| Buildings and structures | 294,194 | 294,194 |
| Machinery and equipment | 465,671 | 420,096 |
| Tools, furniture and fixtures | 15,356 | 14,905 |
| Land | 202,093 | 203,426 |
| Construction in progress | 49,896 | 72,147 |
| Total tangible fixed assets | <u>1,027,213</u> | <u>1,004,769</u> |
| Intangible fixed assets | | |
| Software and rights for using facilities | 17,469 | 16,791 |
| Goodwill | 549 | -- |
| | <u>18,019</u> | <u>16,796</u> |
| Investments and other assets | | |
| Investments in securities | 232,371 | 246,611 |
| Long-term loans receivable | 7,117 | 6,335 |
| Deferred tax assets | 22,931 | 21,086 |
| Other | 68,084 | 67,609 |
| Allowance for doubtful accounts | (3,819) | (5,112) |
| | <u>326,686</u> | <u>336,530</u> |
| Total fixed assets, investments & other assets | <u>1,371,919</u> | <u>1,358,091</u> |
| Total assets | <u>2,329,005</u> | <u>2,241,570</u> |

| Liabilities, Minority Interests, and Stockholders' Equity | FY2007 Ended Mar. 31, 2008 | FY2006 Ended Mar. 31, 2007 |
|--|--------------------------------------|--------------------------------------|
| Current liabilities | | |
| Notes and accounts payable | 488,250 | 492,969 |
| Short-term borrowings | 173,926 | 170,266 |
| Commercial paper | 110,000 | -- |
| Bonds and notes due within one year | 58,236 | 23,284 |
| Accounts payable - other | 59,659 | 51,042 |
| Income and enterprise taxes payable | 26,763 | 21,673 |
| Deferred tax liabilities | 3,121 | 3,402 |
| Provision for product warranties | 7,547 | 6,713 |
| Provision for environmental measures | -- | 276 |
| Provision for restructuring costs | 5,518 | 4,108 |
| Other | 154,048 | 146,709 |
| Total current liabilities | <u>1,087,071</u> | <u>920,445</u> |
| Long-term liabilities | | |
| Bonds and notes | 214,951 | 233,187 |
| Long-term borrowings | 266,290 | 315,337 |
| Deferred tax liabilities | 16,806 | 36,894 |
| Deferred tax liabilities on revaluation of land | 5,359 | 5,371 |
| Employees' severance and retirement benefits | 44,749 | 46,919 |
| Provision for environmental measures | 4,423 | 4,247 |
| Negative goodwill | -- | 214 |
| Other | 41,556 | 42,521 |
| Total long-term liabilities | <u>594,136</u> | <u>684,692</u> |
| Total current and long-term liabilities | <u>1,681,208</u> | <u>1,605,138</u> |
| Net Assets | | |
| Stockholders' equity | | |
| Common stock | 233,313 | 233,313 |
| Capital surplus | 83,264 | 83,282 |
| Retained earnings | 305,334 | 239,182 |
| Treasury stock, at cost | (51,514) | (31,519) |
| Total stockholders' equity | <u>570,398</u> | <u>524,258</u> |
| Valuation and Translation Adjustments | | |
| Net unrealized holding gains on securities | 35,628 | 75,564 |
| Deferred gains on hedges | 4,029 | 2,179 |
| Land revaluation | (4,899) | (4,899) |
| Foreign currency translation adjustments | (5,207) | (5,020) |
| Total valuation and translation adjustments | <u>29,549</u> | <u>67,823</u> |
| Minority interests | <u>47,849</u> | <u>44,349</u> |
| Total net assets | <u>647,797</u> | <u>636,431</u> |
| Total liabilities and net assets | <u>2,329,005</u> | <u>2,241,570</u> |

Consolidated Statements of Income

(in millions of yen)

| | FY2007 Ended Mar. 31, 2008 | FY2006 Ended Mar. 31, 2007 |
|---|--------------------------------------|--------------------------------------|
| Net sales | 2,132,405 | 1,910,296 |
| Cost of sales | (1,757,341) | (1,543,158) |
| Gross profit | 375,063 | 367,138 |
| Selling, general and administrative expenses | (172,665) | (158,513) |
| Operating income | <u>202,398</u> | <u>208,624</u> |
| <i>Non-operating income</i> | | |
| Interest and dividend income | 5,116 | 5,128 |
| Other income | 37,443 | 47,709 |
| | <u>42,559</u> | <u>52,837</u> |
| <i>Non-operating expenses</i> | | |
| Interest expense | (20,932) | (20,596) |
| Other expenses | (66,106) | (57,586) |
| | <u>(87,039)</u> | <u>(78,183)</u> |
| Ordinary income | <u>157,918</u> | <u>183,278</u> |
| Extraordinary gain | | |
| Gain on sale of securities | 2,127 | -- |
| Extraordinary loss | | |
| Loss on business restructuring | (6,679) | -- |
| Loss on impairment of fixed assets | -- | (4,774) |
| Expenses for environmental measures | -- | (3,128) |
| | <u>(6,679)</u> | <u>(7,903)</u> |
| Income before income taxes | <u>153,366</u> | <u>175,375</u> |
| Income taxes | | |
| Current | (58,045) | (58,412) |
| Deferred | (1,794) | (2,976) |
| Minority interests in income of subsidiaries | (4,603) | (4,317) |
| Net income | <u>88,923</u> | <u>109,668</u> |

Consolidated Statements of Changes in Net Assets (in millions of yen)
FY2006 (April 1, 2006 – March 31, 2007)

| | Stockholders' Equity | | | | |
|---|----------------------|-----------------|-------------------|-------------------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance at March 31, 2006 | 233,313 | 83,145 | 157,275 | (1,327) | 472,405 |
| Amount of change | | | | | |
| Cash dividends* | | | (18,673) | | (18,673) |
| Cash dividends | | | (9,337) | | (9,337) |
| Bonuses to directors | | | (26) | | (26) |
| Net income | | | 109,668 | | 109,668 |
| Stock swap | | 111 | | 68 | 180 |
| Purchase of treasury stock | | | | (30,280) | (30,280) |
| Disposal of treasury stock | | 25 | | 19 | 45 |
| Decrease due to changes in scope of consolidation | | | (265) | | (265) |
| Increase due to reversal of land revaluation | | | 540 | | 540 |
| Net changes other than stockholders' equity | | | | | |
| Total changes | -- | 136 | 81,907 | (30,191) | 51,852 |
| Balance at Mar. 31, 2007 | 233,313 | 83,282 | 239,182 | (31,519) | 524,248 |

| | Valuation and Translation Adjustments | | | | | Minority interests | Total net assets |
|---|--|--------------------------|------------------|--|---|--------------------|------------------|
| | Net unrealized holding gains on securities | Deferred gains on hedges | Land revaluation | Foreign currency translation adjustments | Total valuation & translation adjustments | | |
| Balance at Mar. 31, 2006 | 68,999 | -- | (4,358) | (7,047) | 57,593 | 38,593 | 568,592 |
| Amount of change | | | | | | | |
| Cash dividends | | | | | | | (18,673) |
| Cash dividends | | | | | | | (9,337) |
| Bonuses to directors | | | | | | | (26) |
| Net income | | | | | | | 109,668 |
| Stock swap | | | | | | | 180 |
| Acquisition of treasury stock | | | | | | | (30,280) |
| Disposal of treasury stock | | | | | | | 45 |
| Decrease due to changes in scope of consolidation | | | | | | | (265) |
| Increase due to reversal of land revaluation | | | | | | | 540 |
| Net changes other than stockholders' equity | 6,565 | 2,179 | (540) | 2,026 | 10,230 | 5,756 | 15,986 |
| Total changes | 6,565 | 2,179 | (540) | 2,026 | 10,230 | 5,756 | 67,839 |
| Balance at Mar. 31, 2007 | 75,564 | 2,179 | (4,899) | (5,020) | 67,823 | 44,349 | 636,431 |

* Appropriation of income decided at the general shareholders' meeting in June 2006

Consolidated Statements of Changes in Net Assets (in millions of yen)
FY2007 (April 1, 2007 – March 31, 2008)

| | Stockholders' Equity | | | | |
|---|----------------------|-----------------|-------------------|-------------------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance at March 31, 2007 | 233,313 | 83,282 | 239,182 | (31,519) | 524,258 |
| Amount of change | | | | | |
| Cash dividends | | | (22,731) | | (22,731) |
| Net income | | | 88,923 | | 88,923 |
| Purchase of treasury stock | | | | (20,329) | (20,329) |
| Disposal of treasury stock | | (17) | | 335 | 317 |
| Decrease due to changes in scope of consolidation | | | (44) | | (44) |
| Increase due to reversal of land revaluation | | | 5 | | 5 |
| Net changes other than stockholders' equity | | | | | |
| Total changes | -- | (17) | 66,152 | (19,994) | 46,140 |
| Balance at Mar. 31, 2008 | 233,313 | 83,264 | 305,334 | (51,514) | 570,398 |

| | Valuation and Translation Adjustments | | | | | Minority interests | Total net assets |
|---|--|--------------------------|------------------|--|---|--------------------|------------------|
| | Net unrealized holding gains on securities | Deferred gains on hedges | Land revaluation | Foreign currency translation adjustments | Total valuation & translation adjustments | | |
| Balance at Mar. 31, 2007 | 75,564 | 2,179 | (4,899) | (5,020) | 67,823 | 44,349 | 636,431 |
| Amount of change | | | | | | | |
| Cash dividends | | | | | | | (22,731) |
| Net income | | | | | | | 88,923 |
| Acquisition of treasury stock | | | | | | | (20,329) |
| Disposal of treasury stock | | | | | | | 317 |
| Decrease due to changes in scope of consolidation | | | | | | | (44) |
| Increase due to reversal of land revaluation | | | | | | | 5 |
| Net changes other than stockholders' equity | (39,936) | 1,850 | (0) | (187) | (38,274) | 3,499 | (34,774) |
| Total changes | (39,936) | 1,850 | (0) | (187) | (38,274) | 3,499 | 11,365 |
| Balance at Mar. 31, 2008 | 35,628 | 4,029 | (4,899) | (5,207) | 29,549 | 47,849 | 647,797 |

Consolidated Statements of Cash Flows

(in millions of yen)

| | FY2007 Ended Mar. 31, 2008 | FY2006 Ended Mar. 31, 2007 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Income before income taxes | 153,366 | 175,375 |
| Depreciation | 111,514 | 86,686 |
| Interest and dividend income | (5,116) | (5,128) |
| Interest expense | 20,932 | 20,596 |
| Loss (gain) on sale of securities | (2,939) | (2,841) |
| Equity in income of unconsolidated subsidiaries and affiliates | (12,793) | (14,056) |
| Loss on business restructuring | 6,679 | -- |
| Increase (decrease) in provision for environmental measures | -- | (1,004) |
| Increase (decrease) in provision for casualty loss | -- | (1,429) |
| Loss on impairment for fixed assets | -- | 4,774 |
| Loss (gain) on sale of fixed assets | (974) | -- |
| Loss on disposal of plant and equipment | 4,358 | 4,289 |
| Decrease (increase) in trade receivables from customers | (32,231) | 23,206 |
| Increase in inventories | (40,056) | (54,259) |
| Increase (decrease) in trade payables to customers | (15,654) | 39,683 |
| Other | 779 | (6,767) |
| Subtotal | <u>187,864</u> | <u>269,125</u> |
| Cash received for interest and dividends | 7,768 | 9,051 |
| Cash paid for interest | (20,963) | (20,370) |
| Cash paid for income taxes | (50,352) | (85,021) |
| Net cash provided by operating activities | <u>124,317</u> | <u>172,785</u> |
| Cash flows from investing activities | | |
| Purchase of plant, equipment and other assets | (147,124) | (123,675) |
| Proceeds from sale of plant, equipment and other assets | 7,757 | 1,494 |
| Purchase of investments in securities | (62,016) | (10,019) |
| Proceeds from sale of investments in securities | 15,195 | 6,183 |
| Decrease (increase) in short-term loans receivable | 1,788 | 683 |
| Long-term loans receivable | (1,262) | (339) |
| Proceeds from collection of long-term loans receivable | 299 | 249 |
| Purchase of shares of subsidiaries accompanying changes in scope of consolidation | (925) | -- |
| Other | (1,092) | (3,132) |
| Net cash used in investing activities | <u>(187,380)</u> | <u>(128,557)</u> |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings | 3,949 | (33,010) |
| Increase (decrease) from commercial paper | 110,000 | -- |
| Proceeds from issuance of long-term debt | 34,540 | 120,429 |
| Repayment of long-term debt | (85,106) | (60,189) |
| Proceeds from issuance of bonds | 40,000 | 61,100 |
| Repayment of bonds | (23,276) | (68,429) |
| Payment for purchase of treasury stock | (20,327) | (30,261) |
| Payment of dividends | (22,613) | (27,762) |
| Other | (6,011) | (10,700) |
| Net cash used in financing activities | <u>31,155</u> | <u>(48,823)</u> |
| Effect of exchange rate changes on cash and cash equivalents | 439 | 892 |
| Increase (decrease) in cash and cash equivalents | <u>(31,469)</u> | <u>(3,701)</u> |
| Cash and cash equivalents at beginning of year | 98,162 | 95,485 |
| Cash and cash equivalents of newly consolidated subsidiaries | (8) | 6,379 |
| Cash and cash equivalents at end of year | <u>66,685</u> | <u>98,162</u> |

Segment Information

1. By industry segment (in millions of yen)

| | | FY2007 | FY2006 |
|-------------------------------|---|------------------|------------------|
| Sales to outside customers: | Iron & Steel | 896,914 | 805,635 |
| | Wholesale Power Supply | 71,890 | 66,858 |
| | Aluminum & Copper | 448,655 | 396,180 |
| | Machinery | 297,998 | 274,910 |
| | Construction Machinery | 339,867 | 285,333 |
| | Real Estate | 35,481 | 33,867 |
| | Electronic Materials & Other Businesses | 41,598 | 47,510 |
| | Consolidated net sales | <u>2,132,405</u> | <u>1,910,296</u> |
| Inter-segment sales: | Iron & Steel | 26,878 | 25,060 |
| | Wholesale Power Supply | -- | -- |
| | Aluminum & Copper | 1,425 | 1,129 |
| | Machinery | 4,215 | 6,035 |
| | Construction Machinery | 52 | 49 |
| | Real Estate | 8,820 | 7,495 |
| | Electronic Materials & Other Businesses | 19,103 | 16,068 |
| | Total | <u>60,496</u> | <u>55,838</u> |
| Total sales: | Iron & Steel | 923,792 | 830,696 |
| | Wholesale Power Supply | 71,890 | 66,858 |
| | Aluminum & Copper | 450,081 | 397,309 |
| | Machinery | 302,214 | 280,946 |
| | Construction Machinery | 339,920 | 285,382 |
| | Real Estate | 44,302 | 41,362 |
| | Electronic Materials & Other Businesses | 60,702 | 63,578 |
| | Eliminations | <u>(60,496)</u> | <u>(55,838)</u> |
| Consolidated net sales | <u>2,132,405</u> | <u>1,910,296</u> | |
| Operating costs & expenses: | Iron & Steel | 831,876 | 736,107 |
| | Wholesale Power Supply | 53,806 | 48,837 |
| | Aluminum & Copper | 428,076 | 362,639 |
| | Machinery | 271,694 | 258,814 |
| | Construction Machinery | 317,081 | 270,580 |
| | Real Estate | 39,364 | 36,048 |
| | Electronic Materials & Other Businesses | 52,515 | 49,274 |
| | Eliminations | <u>(64,408)</u> | <u>(60,628)</u> |
| Total operating costs | <u>1,930,006</u> | <u>1,701,672</u> | |
| Operating income: | Iron & Steel | 91,916 | 94,589 |
| | Wholesale Power Supply | 18,083 | 18,021 |
| | Aluminum & Copper | 22,004 | 34,670 |
| | Machinery | 30,519 | 22,132 |
| | Construction Machinery | 22,838 | 14,802 |
| | Real Estate | 4,937 | 5,314 |
| | Electronic Materials & Other Businesses | 8,186 | 14,304 |
| | Eliminations | <u>3,911</u> | <u>4,790</u> |
| Consolidated operating income | <u>202,398</u> | <u>208,624</u> | |

2. Overseas Sales (in millions of yen)

| | FY2007 | % of sales | FY2006 | % of sales |
|----------------------|---------|------------|---------|------------|
| Asia | 432,612 | 20.3% | 344,824 | 18.1% |
| Other areas | 338,932 | 15.9% | 218,042 | 11.4% |
| Total overseas sales | 771,544 | 36.2% | 562,866 | 29.5% |

Notes:

1. Countries and regions has been grouped by geographical proximity.
2. Asia principally includes China, Taiwan, South Korea, Thailand and Malaysia.
Other areas principally consist of North America.
2. Overseas sales consist of sales of Kobe Steel and its consolidated subsidiaries derived from countries and regions other than Japan.

Investor Information

Kobe Steel intends to publish its 2008 annual report covering fiscal 2007 by the end of August 2008. This report will be available from:

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Supplemental Information

1. Kobe Steel's Production & Sales

(1) Steel Products (non-consolidated)

Production & Sales Volume (in millions of metric tons)

| | FY2007 | FY2006 |
|---------------------------|--------|--------|
| Crude steel production | 8.07 | 7.83 |
| Sales volume | 6.86 | 6.58 |
| Export ratio (value base) | 23.1% | 22.8% |

Steel Price (in yen per metric ton)

| | FY2007 | FY2006 |
|---------------------------|--------|--------|
| Domestic & export average | 77,600 | 74,500 |

(2) Rolled Aluminum & Copper Products (non-consolidated, in thousands of metric tons)

| | FY2007 | FY2006 |
|--------------------------|--------|--------|
| Rolled aluminum products | 335 | 329 |
| Rolled copper products | 67 | 66 |

Sales Volume of Copper Tube (consolidated, in thousands of metric tons)

| | FY2007 | FY2006 |
|-------------|--------|--------|
| Copper tube | 78 | 81 |

(3) Machinery Segment Orders (consolidated, in billions of yen)

| | FY2007 | FY2006 |
|--------------|--------|--------|
| Domestic | 157.5 | 181.1 |
| Export | 182.1 | 127.5 |
| Total orders | 339.7 | 308.6 |

Machinery Segment Backlog of Orders (in billions of yen)

| | FY2007 | FY2006 |
|---------------|--------|--------|
| Domestic | 153.2 | 150.7 |
| Export | 224.2 | 155.3 |
| Total backlog | 377.5 | 306.1 |

2. Factors Affecting Pretax Ordinary Income (consolidated, in billions of yen)

| | FY2007 | FY2006 | Amount of decrease |
|-----------------|--------|--------|--------------------|
| Ordinary Income | 157.9 | 183.2 | (25.3) |

| Factors Increasing Profits | | Factors Decreasing Profits | |
|--|------|---|--------|
| Production & shipments | 39.5 | Higher raw material prices | (21.5) |
| Cost reduction | 11.5 | Increase in fixed costs | (16.0) |
| Consolidated subsidiaries and equity-valued affiliates | 13.0 | Refurbishment of blast furnaces | (6.0) |
| | | Change in depreciation method | (14.5) |
| | | Effect of aluminum & copper inventory valuation | (11.0) |
| | | Other | (20.3) |
| Total | 64.0 | Total | (89.3) |

3. Extraordinary Gain & Loss (consolidated, in billions of yen)

| | FY2007 |
|--------------------------------|--------|
| Gain on sale of securities | 2.1 |
| Total extraordinary gain | 2.1 |
| Loss on business restructuring | (6.6) |
| Total extraordinary loss | (6.6) |
| Total extraordinary loss | (4.5) |

4. Other

(1) Cash Flow, Debt & Debt-to-Equity Ratio (consolidated, in billions of yen)

| | FY2007 | FY2006 |
|----------------|--------|--------|
| Free cash flow | (73.3) | 45.0 |

(Excludes cash flow from project financing)

| (in billions of yen) | FY2007 | FY2006 | FY08 1st half Forecast | FY08 Forecast |
|--------------------------------|--------|--------|------------------------|---------------|
| Consolidated debt | 713.3 | 621.2 | 660.0 | About 670.0 |
| Consolidated D/E ratio (times) | 1.3 | 1.2 | 1.1 | 1.1 |
| Non-consolidated debt | 619.0 | 519.6 | 560.0 | 560.0 |

(2) Exchange Rate & Effect of 1 Yen Increase on Profits (non-consolidated)

| | FY2008 Est. | FY2007 | FY2006 |
|---|-------------|---------|---------|
| Exchange rate (1 U.S. dollar to yen) | 105 yen | 114 yen | 117 yen |
| Effect of 1 yen increase on profits (millions of yen) | 2,400 | 900 | 700 |

Steel Production and Sales Volume by Quarter (non-consolidated)

Production & Sales Volume (in millions of metric tons)

| FY2006 | 1st half | | | 2nd half | | | Total |
|----------------------------|----------|-------|----------|----------|-------|----------|-------|
| | 1Q | 2Q | Subtotal | 3Q | 4Q | Subtotal | |
| Crude steel | 1.88 | 1.92 | 3.80 | 2.04 | 1.99 | 4.03 | 7.83 |
| Sales volume | 1.59 | 1.65 | 3.24 | 1.66 | 1.68 | 3.34 | 6.58 |
| Export ratio (value basis) | 20.9% | 24.0% | 22.5% | 23.1% | 22.9% | 23.0% | 22.8% |

| FY2007 | 1st half | | | 2nd half | | | Total |
|----------------------------|----------|-------|----------|----------|-------|----------|-------|
| | 1Q | 2Q | Subtotal | 3Q | 4Q | Subtotal | |
| Crude steel | 1.99 | 2.11 | 4.10 | 1.94 | 2.03 | 3.97 | 8.07 |
| Sales volume | 1.65 | 1.70 | 3.35 | 1.73 | 1.78 | 3.51 | 6.86 |
| Export ratio (value basis) | 23.8% | 23.9% | 23.8% | 22.9% | 22.1% | 22.5% | 23.1% |

Sales Prices (in thousands of yen per metric ton)

| FY2006 | 1st half | | | 2nd half | | | Total |
|--------------------------|----------|------|----------|----------|------|----------|-------|
| | 1Q | 2Q | Subtotal | 3Q | 4Q | Subtotal | |
| Domestic & overseas ave. | 72.8 | 74.0 | 73.4 | 75.1 | 76.1 | 75.6 | 74.5 |

| FY2007 | 1st half | | | 2nd half | | | Total |
|--------------------------|----------|------|----------|----------|------|----------|-------|
| | 1Q | 2Q | Subtotal | 3Q | 4Q | Subtotal | |
| Domestic & overseas ave. | 76.5 | 78.4 | 77.4 | 77.6 | 77.8 | 77.7 | 77.6 |

5. Forecast for FY2008 (consolidated, in billions of yen)

| | FY2008 | FY08 1st half | FY2007 |
|--------------------|---------|---------------|---------|
| Sales | 2,430.0 | 1,160.0 | 2,132.4 |
| Operating income | 170.0 | 65.0 | 202.3 |
| Ordinary income | 120.0 | 40.0 | 157.9 |
| Extraordinary loss | -- | -- | (4.5) |
| Net income | 65.0 | 24.0 | 88.9 |

6. Forecast for FY2008 by Segment (consolidated, in billions of yen)

| Segment | | FY2008 | FY2007 |
|---|------------------|---------|---------|
| Iron & Steel | Sales | 1,140.0 | 923.7 |
| | Operating Income | 79.0 | 91.9 |
| Wholesale Power Supply | Sales | 85.0 | 71.8 |
| | Operating Income | 16.0 | 18.0 |
| Aluminum & Copper | Sales | 435.0 | 450.0 |
| | Operating Income | 8.0 | 22.0 |
| Machinery | Sales | 350.0 | 302.2 |
| | Operating Income | 30.0 | 30.5 |
| Construction Machinery | Sales | 395.0 | 339.9 |
| | Operating Income | 23.0 | 22.8 |
| Real Estate | Sales | 45.0 | 44.3 |
| | Operating Income | 4.5 | 4.9 |
| Electronic Materials & Other Businesses | Sales | 60.0 | 60.7 |
| | Operating Income | 6.5 | 8.1 |
| Eliminations | Sales | (80.0) | (60.4) |
| | Operating Income | 3.0 | 3.9 |
| Total | Sales | 2,430.0 | 2,132.4 |
| | Operating Income | 170.0 | 202.3 |

7. Factors Affecting Pretax Ordinary Income in FY2008 (consolidated, in billions of yen)

| | FY2008 | FY2007 | Amount of decrease |
|-----------------|--------|--------|--------------------|
| Ordinary Income | 120.0 | 157.9 | (37.9) |

| Factors Increasing Profits | | Factors Decreasing Profits | |
|-----------------------------------|--------------|-----------------------------------|----------------|
| Production & shipments | 179.5 | Higher raw material prices | (230.0) |
| Cost reduction | 7.0 | Increase in fixed costs | (20.0) |
| Effect of inventory valuation* | 17.5 | Change in method of depreciation | (9.0) |
| Other | 17.1 | | |
| Total | 221.1 | Total | (259.0) |

* Effect of inventory valuation: Iron & Steel +23.0, Aluminum & Copper (5.5)

-End-

The forecast in this document is based on currently available information as of today. Actual results may differ considerably due to various changeable conditions in the future.