

April 7, 2009

Company name: Kobe Steel, Ltd.
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Code number: 5406

Kobe Steel revises forecast for fiscal 2008 operating results

TOKYO, April 7, 2009 – Kobe Steel, Ltd. announces that due to recent trends in its business performance, it has revised its forecast for fiscal 2008, ended March 31, 2009, from the previous forecast made on February 3, 2009.

Revised forecast for fiscal 2008 (April 1, 2008 – March 31, 2009)

Consolidated forecast (in millions of yen)

	Net sales	Operating income	Ordinary income	Net income (loss)	Net income (loss) per share
Previous forecast (A)	2,200,000	119,000	71,000	13,000	4.32 yen
New forecast (B)	2,170,000	111,000	51,000	(32,000)	(10.65 yen)
Change (B-A)	(30,000)	(8,000)	(20,000)	(45,000)	--
% change	(1.4%)	(6.7%)	(28.2%)	--	--
FY2007 (ended Mar. 2008)	2,132,405	202,398	157,918	88,923	29.62 yen

Note: Figures in parentheses denote losses or decreases.

Nonconsolidated forecast (in millions of yen)

	Net sales	Operating income	Ordinary income	Net income (loss)	Net income (loss) per share
Previous forecast (A)	1,395,000	64,000	44,000	11,000	3.65 yen
New forecast (B)	1,350,000	60,000	32,000	(28,000)	(9.31 yen)
Change (B-A)	(45,000)	(4,000)	(12,000)	(39,000)	--
% change	(3.2%)	(6.3%)	(27.3%)	--	--
FY2007 (ended Mar. 2008)	1,283,638	109,926	86,245	42,959	14.28 yen

Note: Figures in parentheses denote losses or decreases.

Reason for revision

Kobe Steel's consolidated net sales are anticipated to decrease 30 billion yen to about 2,170 billion yen in comparison to the previous forecast, due to lower sales volume in the Iron & Steel segment, Aluminum & Copper segment, and Construction Machinery segment and due to a portion of sales in the Machinery segment to be posted in fiscal 2009.

Higher losses are anticipated to be incurred by the Accounting Standard for Inventory Valuation (the so-called lower of cost or market method) mainly in the Iron & Steel segment and Construction Machinery segment, in addition to a decrease in sales volume. As a result, consolidated operating income is forecast to decrease 8 billion yen to about 111 billion yen in comparison to the previous forecast. Ordinary income is expected to go down 20 billion yen to about 51 billion yen in comparison to the previous forecast.

In addition to a worsening in ordinary income, extraordinary loss is anticipated to increase due to higher loss from the write-down of investments in securities and impairment loss on part of the fixed assets, in addition to the liquidation of a portion of deferred income tax assets. As a result, net income is anticipated to go down 45 billion yen to net loss of about 32 billion yen in comparison to the previous forecast.

Loss from the write-down of investments in securities is anticipated to amount to approximately 17 billion yen, mainly on listed shares held by Kobe Steel. Impairment loss on fixed assets is anticipated to total approximately 15.6 billion yen due to lower fixed assets in the copper sheet business at Kobe Steel's Chofu Works, which is operating at a low rate, and due to a drop in the market value of some lease assets. As the current fiscal 2008 forecast is expected to be worse than the previous forecast, Kobe Steel has given careful consideration to the recovery of deferred income tax assets and has decided to liquidate approximately 37 billion yen in assets.

Nonconsolidated forecast

Nonconsolidated net sales are anticipated to decrease 45 billion yen to about 1,350 billion yen in comparison to the previous forecast. Operating income is forecast to go down 4 billion yen to about 60 billion yen. Ordinary income is expected to decrease 12 billion yen to about 32 billion yen. Net income is anticipated to decline 39 billion yen to net loss of about 28 billion yen.

Nonconsolidated loss from the write-down of investments in securities is projected to be approximately 18.6 billion yen. The effect of loss on fixed assets is anticipated to be approximately 17.6 billion yen. Kobe Steel plans to liquidate approximately 28.4 billion yen in deferred income tax assets.

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