

Kobe Steel's Consolidated Financial Results Summary for First Half of Fiscal 2008 (April 1 – September 30, 2008)

October 30, 2008

Company name: Kobe Steel, Ltd.
 Code number: 5406
 Stock exchanges where shares are listed: Tokyo, Osaka and Nagoya, Japan
 Website: www.kobelco.com
 President & CEO: Yasuo Inubushi
 Filing of quarterly report: November 7, 2008
 Start of dividend payments: December 1, 2008

(Sums of less than 1 million yen have been omitted.)

1. Consolidated Financial Results for First Half of Fiscal 2008 (April 1 - September 30, 2008)

(1) Consolidated operating results

(In millions of yen)	FY2008 1H	% change*	FY2007 1H	% change*
Net sales	1,191,798	--	1,034,655	15.1%
Operating income	106,493	--	95,715	(3.2%)
Ordinary income	85,555	--	75,929	(13.1%)
Net income	46,277	--	47,015	(8.8%)
Net income per share	15.41 yen		15.66 yen	
Diluted net income per share	--		--	

* Indicates percentage of change from the corresponding period of the previous fiscal year.

(2) Consolidated financial position

(In millions of yen)	FY2008 1H	FY2007
Total assets	2,344,833	2,329,005
Net assets	651,844	647,797
Net worth ratio	25.9%	25.8%
Net assets per share	202.27 yen	199.80 yen
Shareholders' equity at September 30, 2008:	607,319 million yen	FY2007: 599,948 million yen

2. Dividends

Period	Dividends per share in yen				
	1Q	2Q	3Q	4Q	Full year
FY2007	---	3.50	---	3.50	7.00
FY2008	---	3.50	---	---	---
FY2008 forecast	---	---	---	---	---

Revision to dividend forecast in FY2008 1H: No
 The dividend for the end of fiscal 2008 is undetermined.

3. Consolidated Forecast for Fiscal 2008 (April 1, 2008 - March 31, 2009)

(In millions of yen)	FY2008	% change*
Net sales	2,420,000	13.5%
Operating income	200,000	(1.2%)
Ordinary income	160,000	1.3%
Net income	80,000	(10.0%)
Net income per share	26.64 yen	

* Indicates percentage of change from the corresponding period of the previous fiscal year.

Revision to consolidated forecast in FY2008 1H: Yes

4. Other

(1) Change in number of material subsidiaries in fiscal year:
 (Changes in specified subsidiaries accompanying changes in scope of consolidation): No

(2) Adoption of simplified or specific accounting procedures for preparing the quarterly consolidated financial statements: Yes

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

- Changes due to revised accounting standards: Yes

- Other changes: Yes

(4) Number of issued shares

	FY 2008 1H	FY2007
Common stock (number of issued shares)	3,115,061,100	3,115,061,100
Treasury stock (number of shares)	112,653,804	112,460,419
Average number of shares in FY2008 1H	3,002,501,084	3,001,345,845*

*In the first half of FY2007

Nonconsolidated forecast for fiscal 2008 (ending March 31, 2009)

(In millions of yen)	FY2008	% change*
Net sales	1,540,000	20.0%
Operating income	120,000	9.2%
Ordinary income	100,000	15.9%
Net income	55,000	28.0%
Net income per share	18.29 yen	

* Indicates percentage of change from the corresponding period of the previous fiscal year.

Revision to nonconsolidated forecast in FY2008 1H: Yes

Qualitative Information, Financial Statements and Other Items

1. Qualitative Information on Consolidated Operating Results

Japan's economy in the first half of fiscal 2008 was faced with high energy and natural resource prices and slack exports. With corporate earnings worsening, economic conditions have become stagnant. Overseas markets have been affected by the financial crisis, and the economies of the United States and Europe have clearly slowed down. However, China, the Middle East and Russia were able to sustain growth, although their economies slowed moderately.

In this economic environment, Kobe Steel was able to raise steel product prices in response to the sharp cost increase of raw materials in the Iron & Steel segment. As a result, Kobe Steel's consolidated net sales in the first half of fiscal 2008, ended September 30, 2008, rose 157.1 billion yen compared with the same period last year to 1,191.7 billion yen. Although all business segments, including the Iron & Steel segment, were hit by substantial cost increases, Kobe Steel continued cost-saving activities and increased sales prices in response. As a result, operating income increased 10.7 billion yen over the same period last year to 106.4 billion yen, and ordinary income rose 9.6 billion yen compared with the same period last year to 85.5 billion yen. Extraordinary loss, consisting of loss from write-down of investments in securities, led to a slight dip in net income to 46.2 billion yen.

Results by Business Segment

Iron & Steel

Demand for steel products continued to be strong from the automotive, shipbuilding and other manufacturing industries. Under these conditions, production at Kobe Steel continued at a high level to meet active demand centered on upper-end steel products, resulting in higher shipments compared with the same period last year. Iron ore and coal prices rose significantly compared with the same period last year, and market conditions for metals and ocean freight remained high. As a result of passing these higher costs on to steel products, the prices of steel products rose compared with the same period last year.

Demand continued to be active for steel castings and forgings mainly from the shipbuilding industry. Demand also continued to be strong for titanium products and welding consumables.

As a result, segment sales increased 25.2% over the same period last year to 555.5 billion. Operating income, including a gain on inventory valuation led by the higher prices of raw materials, went up 23.5

billion yen compared with the same period last year to 63.7 billion yen.

Wholesale Power Supply

Segment sales went up 3.7% in comparison to the same period last year to 35.3 billion yen as higher coal prices led to a higher unit price of electricity. Operating income decreased 0.4 billion yen in comparison to the same period last year to 7.7 billion yen due to higher depreciation costs brought about by the shorter legal useful life of machinery and equipment under the revised Corporate Tax Law.

Aluminum & Copper

Shipments of rolled aluminum products decreased over the same period last year. The sales volume of aluminum can stock for beverage containers remained strong, and shipments of aluminum plate used in the production of liquid crystal manufacturing equipment recovered from the weak market last year. However, the sales volume of aluminum fin stock went down due to weak demand for air conditioners in Europe.

The sales volume of rolled copper products remained low. It was flat in comparison to the same period last year as the semiconductor market continued to remain in an adjustment phase.

Aluminum castings and forgings saw higher sales compared with the same period last year, as demand recovered for liquid crystal manufacturing equipment.

Under these conditions, segment sales decreased 2.3% compared with the same period last year to 227.4 billion yen due to lower ingot prices, which led to lower sales prices. Operating income went down 10.3 billion yen compared with the same period last year to 3.6 billion yen due to lower inventory valuation, which had pushed up profits last year and higher depreciation costs brought about by the shorter legal useful life of machinery and equipment under the revised Corporate Tax Law.

Machinery

Owing to high oil prices, capital investments continued to be active in the oil refining, petrochemical and energy fields. Orders continued to be strong mainly for compressors as well as for equipment for the energy industry. In addition, due to the tight market for iron units, inquiries increased for direct reduction plants.

However, compared with the same period last year, which saw a concentration of orders for a pellet plant and other large projects, domestic orders in the first half of fiscal 2008 decreased 5.2% to 70.7 billion yen and overseas orders fell 45.3% compared with the same period last year to 69.9 billion yen.

As a result, overall orders in the Machinery segment dropped 30.5% compared with the same period last year to 140.6 billion yen and the backlog of orders at the end of September was 371.4 billion yen.

Segment sales increased 23.5% compared with the same period last year to 164.4 billion yen. Operating income increased only 0.6 billion yen compared with the same period last year to 13.2 billion yen, owing to higher equipment prices.

Construction Machinery

Demand for hydraulic excavators continued to be brisk in China and Southeast Asia, but declined in the United States, Europe and domestic markets. Demand for cranes continued to be strong in all world markets. Owing to these conditions, segment sales increased 11.9% compared with the same period last year to 195.5 billion yen. Operating income was 13.1 billion yen, which remained similar to the same period last year, due to higher equipment prices.

Real Estate

Segment sales went down 11.3% from the same period last year to 15.8 billion yen as fewer condominiums were handed over. Operating income decreased 0.5 billion yen to 1.4 billion yen.

Electronic Materials & Other Businesses

The testing and analysis business, centered on the transport and energy industries, continued to perform well. However, this segment was largely affected by lower sales volume of target material for thin-film wiring due to competition from alternative materials. As a result, segment sales were 28.1 billion yen, similar to the same period last year. Operating income decreased 1.2 billion yen to 2.3 billion yen.

2. Qualitative information on Consolidated Financial Position

Although accounts receivable and investments in securities decreased, inventories went up. As a result, total assets at the end of the first half of fiscal 2008 increased 15.8 billion yen compared with the end of fiscal 2007, ended March 2008, to 2,344.8 billion yen. In addition, net assets went up 4.0 billion yen to 651.8 billion yen, owing to increased retained earnings, although net unrealized holding gains on securities went down. As a result, the net worth ratio at the end of the first half of fiscal 2008, ended in September, was 25.9%, an increase of 0.1% compared with the end of fiscal 2007 ended March 2008.

At the end of the first half of fiscal 2008, interest-bearing debt went down 113.6 billion yen, compared with the end of fiscal 2007, to 709.7 billion yen.

3. Qualitative Information on Consolidated Forecast

Until now, the world economy had continued to grow, supported by the growth of developing countries. However, the financial crisis triggered in the United States has adversely affected the real economy, reducing corporate capital investment and damping personal spending. The world economy is showing growing signs of slowing down. On this background, Kobe Steel's outlook for its business segments in fiscal 2008 is as follows:

Iron & Steel

Although demand for some upper-end steel products has begun to show signs of slowing down, a large decline is unlikely in fiscal 2008. However, as production trends among customers and a softening of the overseas market for general-purpose steel make it difficult to predict conditions for upper-end steel products, Kobe Steel is closely watching market trends in Japan and overseas.

On the other hand, demand continues to be strong for steel castings and forgings, titanium products and welding consumables.

Aluminum & Copper

The sales volumes of aluminum sheet for panels, copper sheet for terminals, and other products for the automotive industry are forecast to go down due to sluggish demand for large vehicles and luxury cars, which use aluminum to reduce weight and include large amounts of electrical components made of copper. In addition, due to sharp drops in aluminum ingot and copper cathode prices since the beginning of the third quarter (covering October to December), Kobe Steel anticipates incurring a loss on inventory valuation.

Machinery

Orders for compressors in the oil refining and energy fields, energy-related equipment and other machinery are expected to continue being firm.

Construction Machinery

Demand for hydraulic excavators in China is forecast to continue being strong owing to development of inland areas. However, market recovery is not anticipated for Japan, the United States and Europe. Crane demand on the other hand, excluding small cranes in Japan, is forecast to continue being strong.

Overall Forecast

Based on this outlook, consolidated annual sales at Kobe Steel are anticipated to reach approximately 2,420 billion yen and operating income is forecast at about 200 billion yen. Ordinary income is projected at roughly 160 billion yen, with net income of about 80 billion yen.

After the previous forecast announced on September 30, 2008, prices decreased for steel raw materials such as metal commodities; aluminum ingot; and copper cathode, leading to the revised outlook announced today.

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CONSOLIDATED FINANCIAL STATEMENTS

(1) Quarterly Consolidated Balance Sheets

(In millions of yen)

ASSETS	FY2008 1st Half Ended Sep. 30, 2008	FY2007 Ended Mar. 31, 2008
Current assets		
Cash and cash equivalents	79,677	68,738
Notes and accounts receivable	368,329	380,041
Merchandise and finished goods	154,890	135,042
Work in progress	169,114	154,921
Raw materials and supplies	134,318	119,460
Other	115,592	99,863
Allowance for doubtful debts	(981)	(981)
Total current assets	<u>1,020,941</u>	<u>957,086</u>
Tangible fixed assets		
Buildings and structures	288,260	294,194
Machinery and equipment	455,459	465,671
Land	198,723	202,093
Other	58,285	65,253
Total tangible fixed assets	<u>1,000,728</u>	<u>1,027,213</u>
Intangible fixed assets		
Goodwill	11	549
Other	20,384	17,469
Total intangible fixed assets	<u>20,396</u>	<u>18,019</u>
Investments and other assets		
Investments in securities	205,242	232,371
Other	101,310	98,133
Allowance for doubtful debts	(3,784)	(3,819)
Total investments and other assets	<u>302,767</u>	<u>326,686</u>
Total fixed assets, investments and other assets	<u>1,323,892</u>	<u>1,371,919</u>
Total assets	<u>2,344,833</u>	<u>2,329,005</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Notes and accounts payable	615,776	488,250
Short-term borrowings	168,061	173,926
Commercial paper	---	110,000
Bonds due within one year	50,236	58,236
Income and enterprise taxes payable	33,660	26,763
Other reserves	15,702	13,065
Other	219,534	216,829
Total current liabilities	<u>1,102,972</u>	<u>1,087,071</u>
Long-term liabilities		
Bonds and notes	214,833	214,951
Long-term borrowings	276,604	266,290
Employees' severance and retirement benefits	41,427	44,749
Other reserves	4,270	4,423
Other	52,878	63,722
Total long-term liabilities	<u>590,015</u>	<u>594,136</u>
Total liabilities	<u>1,692,988</u>	<u>1,681,208</u>

Net Assets (In millions of yen)	FY2008 1st Half Ended Sep. 30, 2008	FY2007 Ended Mar. 31, 2008
Stockholders' equity		
Common stock	233,313	233,313
Capital surplus	83,241	83,264
Retained earnings	340,751	305,334
Treasury stock, at cost	(51,548)	(51,514)
Total stockholders' equity	<u>605,757</u>	<u>570,398</u>
Valuation and translation adjustments		
Net unrealized holding gains on securities	20,795	35,628
Deferred gains on hedges	(2,813)	4,029
Land revaluation	(4,899)	(4,899)
Foreign currency translation adjustments	(11,520)	(5,207)
Total valuation and translation adjustments	<u>1,561</u>	<u>29,549</u>
Minority interests	44,525	47,849
Total net assets	<u>651,844</u>	<u>647,797</u>
Total liabilities and net assets	<u>2,344,833</u>	<u>2,329,005</u>

(2) Half-Year Consolidated Statements of Income

(In millions of yen)

	FY2008 1st Half Ended Sep. 30, 2008
Net sales	1,191,798
Cost of sales	<u>995,100</u>
Gross profit	<u>196,698</u>
Selling, general and administrative expenses	<u>90,205</u>
Operating income	<u>106,493</u>
Non-operating income	
Interest income	1,098
Dividend income	2,026
Reimbursement of seconded employees' salaries	4,420
Equity method investment gain	6,067
Other	<u>10,435</u>
Total non-operating income	<u>24,048</u>
Non-operating expenses	
Interest expense	9,784
Salaries for seconded employees	11,589
Other	<u>23,613</u>
Total non-operating expenses	<u>44,986</u>
Ordinary income	<u>85,555</u>
Extraordinary loss	
Loss from write-down of investments in securities	<u>3,470</u>
Total extraordinary loss	<u>3,470</u>
Income before income taxes	<u>82,084</u>
Income taxes	
Current	35,550
Deferred	<u>(3,685)</u>
Total income taxes	<u>31,865</u>
Minority interests in income of subsidiaries	<u>3,941</u>
Net income	<u>46,277</u>

From this consolidated accounting year, fiscal 2008, Kobe Steel has adopted Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12) and Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14).

Quarterly consolidated financial statements have been prepared in accordance with the Regulation for Quarterly Consolidated Financial Statements.

(3) Notes on premise of a going concern: None

(4) Segment Information (April 1 – September 30, 2008)

(In millions of yen)

		<u>FY2008 1st Half</u> <u>Ended Sep. 30, 2008</u>
Sales to outside customers:	Iron & Steel	541,966
	Wholesale Power Supply	35,365
	Aluminum & Copper	226,774
	Machinery	162,164
	Construction Machinery	195,410
	Real Estate	11,943
	Electronic Materials & Other Businesses	18,174
	Total	<u>1,191,798</u>
Intersegment sales:	Iron & Steel	13,539
	Wholesale Power Supply	---
	Aluminum & Copper	687
	Machinery	2,266
	Construction Machinery	157
	Real Estate	3,904
	Electronic Materials & Other Businesses	9,967
	Total	<u>30,521</u>
Total sales:	Iron & Steel	555,505
	Wholesale Power Supply	35,365
	Aluminum & Copper	227,461
	Machinery	164,430
	Construction Machinery	195,567
	Real Estate	15,848
	Electronic Materials & Other Businesses	28,141
	Eliminations	(30,521)
	Total	<u>1,191,798</u>
Operating income:	Iron & Steel	63,722
	Wholesale Power Supply	7,755
	Aluminum & Copper	3,677
	Machinery	13,216
	Construction Machinery	13,190
	Real Estate	1,453
	Electronic Materials & Other Businesses	2,399
	Eliminations	1,078
	Total	<u>106,493</u>

(5) Notes in the case of a significant change in shareholders' equity: None

(FOR REFERENCE)

(1) Fiscal 2007 Half-Year Consolidated Statements of Income

(In millions of yen)

	FY2007 1st Half Ended Sep. 30, 2007	(%)
Net sales	1,034,655	100.0%
Cost of sales	<u>(853,617)</u>	82.5%
Gross profit	<u>181,037</u>	17.5%
Selling, general and administrative expenses	<u>(85,322)</u>	8.2%
Operating income	<u>95,715</u>	9.3%
Non-operating income		
Interest and dividend income	2,755	
Other	<u>18,334</u>	
Total non-operating income	<u>21,089</u>	2.0%
Non-operating expenses		
Interest expense	(10,619)	
Other	<u>(30,256)</u>	
Total non-operating expenses	<u>(40,875)</u>	4.0%
Ordinary income	<u>75,929</u>	7.3%
Income before income taxes	<u>75,929</u>	7.3%
Income taxes		
Current	(27,599)	2.7%
Deferred	1,580	0.2%
Minority interests in income of subsidiaries	<u>(2,894)</u>	0.3%
Net income	<u>47,015</u>	4.5%

(2) Segment Information for First Half of Fiscal 2007 (April 1 – September 30, 2007)

(In millions of yen)

		FY2007 1st Half Ended Sep. 30, 2007
Sales to outside customers:	Iron & Steel	429,865
	Wholesale Power Supply	34,107
	Aluminum & Copper	232,077
	Machinery	131,027
	Construction Machinery	174,776
	Real Estate	14,110
	Electronic Materials & Other Businesses	18,690
	Total	<u>1,034,655</u>
Intersegment sales:	Iron & Steel	13,825
	Wholesale Power Supply	---
	Aluminum & Copper	797
	Machinery	2,064
	Construction Machinery	29
	Real Estate	3,756
	Electronic Materials & Other Businesses	9,053
	Total	<u>29,526</u>
Total sales:	Iron & Steel	443,691
	Wholesale Power Supply	34,107
	Aluminum & Copper	232,874
	Machinery	133,092
	Construction Machinery	174,805
	Real Estate	17,866
	Electronic Materials & Other Businesses	27,744
	Eliminations	(29,526)
	Total	<u>1,034,655</u>
Operating costs & expenses:	Iron & Steel	403,552
	Wholesale Power Supply	25,945
	Aluminum & Copper	218,838
	Machinery	120,498
	Construction Machinery	161,748
	Real Estate	15,901
	Electronic Materials & Other Businesses	24,120
	Eliminations	(31,665)
	Total	<u>938,939</u>
Operating income:	Iron & Steel	40,138
	Wholesale Power Supply	8,162
	Aluminum & Copper	14,036
	Machinery	12,594
	Construction Machinery	13,056
	Real Estate	1,964
	Electronic Materials & Other Businesses	3,623
	Eliminations	2,138
	Total	<u>95,715</u>

SUPPLEMENTAL INFORMATION

1. Operating Results for First Half of FY2008

(In billions of yen)

Consolidated Results

	FY2008 1st Half	FY2007 1st Half	% change
Net sales	1,191.7	1,034.6	15.2%
Operating income	106.4	95.7	11.3%
Ordinary income	85.5	75.9	12.7%
Extraordinary gain/loss	(3.4)*	---	---
Net income	46.2	47.0	(1.6%)

* Loss from write-down of investments in securities

Nonconsolidated Results

	FY2008 1st Half	FY2007 1st Half	% change
Net sales	761.0	626.1	21.6%
Operating income	65.6	52.5	24.9%
Ordinary income	63.1	49.0	28.8%
Extraordinary gain/loss	(3.7)*	---	---
Net income	40.7	25.0	62.6%

* Loss from write-down of investments in securities

Half-year dividend: 3.5 yen per share

2. FY2008 Forecast

FY2008 Consolidated Forecast

	FY2008			FY2007
	1st Half	2nd Half	Full Year	
Net sales	1,191.7	1,228.3	2,420.0	2,132.4
Operating income	106.4	93.6	200.0	202.3
Ordinary income	85.5	74.5	160.0	157.9
Extraordinary gain/loss	(3.4)	---	(3.4)	(4.5)
Net income	46.2	33.8	80.0	88.9

FY2008 Nonconsolidated Forecast

	FY2008			FY2007
	1st Half	2nd Half	Full Year	
Net sales	761.0	779.0	1,540.0	1,283.6
Operating income	65.6	54.4	120.0	109.9
Ordinary income	63.1	36.9	100.0	86.2
Extraordinary gain/loss	(3.7)	---	(3.7)	2.8
Net income	40.7	14.3	55.0	42.9

3. Sales & Operating Income by Segment (Consolidated, in billions of yen)

Segment		FY2008 1st Half	FY2007		
			1st Half	2nd Half	Full Year
Iron & Steel	Sales	555.5	443.6	480.1	923.7
	Operating Income	63.7	40.1	51.7	91.9
Wholesale Power Supply	Sales	35.3	34.1	37.7	71.8
	Operating Income	7.7	8.1	9.9	18.0
Aluminum & Copper	Sales	227.4	232.8	217.2	450.0
	Operating Income	3.6	14.0	7.9	22.0
Machinery	Sales	164.4	133.0	169.1	302.2
	Operating Income	13.2	12.5	17.9	30.5
Construction Machinery	Sales	195.5	174.8	165.1	339.9
	Operating Income	13.1	13.0	9.7	22.8
Real Estate	Sales	15.8	17.8	26.4	44.3
	Operating Income	1.4	1.9	2.9	4.9
Electronic Materials & Other Businesses	Sales	28.1	27.7	32.9	60.7
	Operating Income	2.3	3.6	4.5	8.1
Eliminations	Sales	(30.5)	(29.5)	(30.9)	(60.4)
	Operating Income	1.0	2.1	1.7	3.9
Total	Sales	1,191.7	1,034.6	1,097.7	2,132.4
	Operating Income	106.4	95.7	106.6	202.3

4. Production, Sales & Orders

4.1. Steel Products

Production & Sales Volume at Kobe Steel (Nonconsolidated, in million of metric tons)

	FY2008 1st Half	FY2007		
		1st Half	2nd Half	Full Year
Crude steel	4.18	4.10	3.97	8.07
Sales volume	3.48	3.35	3.51	6.86
Export ratio (value basis)	21.7%	23.8%	22.5%	23.1%

Sales Prices of Steel Products at Kobe Steel (In yen per metric ton)

	FY2008 1st Half	FY2007		
		1st Half	2nd Half	Full Year
Domestic & export average	96,400	77,400	77,700	77,600

4.2. Aluminum & Copper Rolled Products at Kobe Steel

Sales Volume (Nonconsolidated, in thousands of metric tons)

	FY2008 1st Half	FY2007		
		1st Half	2nd Half	Full Year
Aluminum rolled products	170	177	158	335
Copper rolled products	33	33	34	67

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

	FY2008 1st Half	FY2007		
		1st Half	2nd Half	Full Year
Copper tube	41	41	37	78

4.3. Machinery-related Businesses

Orders (Consolidated, in billions of yen)

	FY2008 1st Half	FY2007		
		1st Half	2nd Half	Full Year
Domestic	70.7	74.6	82.9	157.5
Exports	69.9	127.7	54.4	182.1
Total orders	140.6	202.3	137.4	339.7

Backlog of Orders (Consolidated, in billions of yen)

	FY2008 1st Half	FY2007	
		1st Half	2nd Half
Domestic	155.4	162.2	153.2
Exports	216.0	229.6	224.2
Total orders	371.4	391.9	377.5

5. Factors Affecting Pretax Ordinary Income (Consolidated, in billions of yen)

	FY2008 1st Half	FY2007 1st Half	Amount of Increase
Ordinary Income	85.5	75.9	9.6

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	91.0	Higher raw material prices	(110.0)
Cost reduction	8.5	Higher fixed costs	(6.0)
Effect of inventory valuation*	20.5	Change in service life for depreciation	(4.0)
Other	9.6		
Total	129.6	Total	(120.0)

* Effect of inventory valuation: Iron & Steel 25.0 billion yen Aluminum & Copper (4.5) billion

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

Segment		FY2008			FY2007
		1st Half	2nd Half	Full Year	Full Year
Iron & Steel	Sales	555.5	614.5	1,170.0	923.7
	Operating Income	63.7	58.3	122.0	91.9
Wholesale Power Supply	Sales	35.3	44.7	80.0	71.8
	Operating Income	7.7	8.3	16.0	18.0
Aluminum & Copper	Sales	227.4	162.6	390.0	450.0
	Operating Income	3.6	(5.6)	(2.0)	22.0
Machinery	Sales	164.4	185.6	350.0	302.2
	Operating Income	13.2	17.8	31.0	30.5
Construction Machinery	Sales	195.5	199.5	395.0	339.9
	Operating Income	13.1	6.9	20.0	22.8
Real Estate	Sales	15.8	26.2	42.0	44.3
	Operating Income	1.4	2.6	4.0	4.9
Electronic Materials & Other Businesses	Sales	28.1	31.9	60.0	60.7
	Operating Income	2.3	4.2	6.5	8.1
Eliminations	Sales	(30.5)	(36.5)	(67.0)	(60.4)
	Operating Income	1.0	1.5	2.5	3.9
Total	Sales	1,191.7	1,228.3	2,420.0	2,132.4
	Operating Income	106.4	93.6	200.0	202.3

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

	FY2008	FY2007	Amount of Increase
Ordinary Income	160.0	157.9	2.1

Factors Increasing Profits		Factors Decreasing Profits	
Production & shipments	218.0	Higher raw material prices	(240.0)
Cost reduction	16.0	Higher fixed costs	(13.5)
Effect of inventory valuation*	21.0	Change in service life for depreciation	(9.0)
Other	9.6		
Total	264.6	Total	(262.5)

* Effect of inventory valuation: Iron & Steel 33.0 billion yen Aluminum & Copper (12.0) billion

8. Cash Flow, Interest-bearing Debt & D/E Ratio (Consolidated, in billions of yen)

	FY2008	FY2007		
	1st Half	1st Half	2nd Half	Full Year
Free cash flow	132.8	(12.5)	(60.8)	(73.3)

Excludes cash flow from IPP project financing.

(In billions of yen, unless otherwise indicated)

	FY2008 Forecast		FY2007	
	1st Half	2nd Half Forecast	1st Half	2nd Half
Consolidated debt ¹	605.2	About 630.0	641.5	713.3
D/E ratio (times) ²	1.0	1.0	1.2	1.3
Nonconsolidated debt	502.5	520.0	532.6	619.0

1. Excludes debt from IPP project financing.

2. D/E ratio: Debt (excluding IPP project financing)/stockholders' equity

9. Exchange Rates (Nonconsolidated)

	FY2008		FY2007
	1st Half	2nd Half Forecast	Full Year
Exchange rate (1 U.S. dollar to yen)	106 yen	105 yen	114 yen
Excess of imports over exports (In billions of U.S. dollars)	1.0	1.2	0.9

10. Capital Investment (In billions of yen)

	FY2008			FY2007
	1st Half	2nd Half	Full Year	
Consolidated				
Capital investment	55.3	84.7	140.0	150.5
Depreciation	62.2	71.8	134.0	111.5
Nonconsolidated				
Capital investment	38.0	57.0	95.0	114.6
Depreciation	43.8	49.2	93.0	76.4

Historical Quarterly Production and Sales of Steel Products (Non-consolidated)

Production and Sales Volume

(In millions of metric tons)	FY2007				FY2008	
	1Q	2Q	3Q	4Q	1Q	2Q
Crude steel production	1.99	2.11	1.94	2.03	2.07	2.11
Sales volume	1.65	1.70	1.73	1.78	1.75	1.73
Export ratio (value basis)	23.8%	23.9%	22.9%	22.1%	21.0%	22.3%

Average Steel Price

(In yen per metric ton)	FY2007				FY2008	
	1Q	2Q	3Q	4Q	1Q	2Q
Domestic & export average	76,500	78,400	77,600	77,800	86,500	106,300

Note:

Portions of this material referring to forecasts are based on currently available information as of today. Actual business results may differ considerably due to various changeable conditions in the future.

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