

Report of Independent Certified Public Accountants

To the Board of Directors and Stockholders of
Kobe Steel, Ltd.

We have audited the accompanying consolidated balance sheets of Kobe Steel, Ltd. (a Japanese corporation) and subsidiaries at March 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Kobe Steel, Ltd. and subsidiaries as of March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan, applied on a consistent basis during the periods, except for the new accounting policies as noted in the following paragraph.

As described in Notes 2. (3), (10), (14) and (17), in the year ended March 31, 2001, Kobe Steel, Ltd. and subsidiaries adopted new accounting standards for securities, retirement benefits, foreign currency translation and derivatives and hedge accounting. As explained in Note 2. (1), in the year ended March 31, 2000, Kobe Steel, Ltd. and subsidiaries prospectively adopted the new Japanese accounting standard for consolidation and equity method accounting.

Kobe Steel, Ltd. has included information on differences between Japanese generally accepted accounting principles and International Accounting Standards in Note 3 to the Consolidated Financial Statements. This information is not required to be disclosed in Japan and is not included in the audited consolidated financial statements filed with regulatory authorities in Japan.

Also, in our opinion, the U.S. dollar amounts in the accounting consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Osaka, Japan
June 29, 2001


(Member Firm of Andersen Worldwide SC)

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.