

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, 2002 and 2001 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, 2002 and 2001, 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 (Note 1), 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.

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

Osaka, Japan
June 26, 2002

