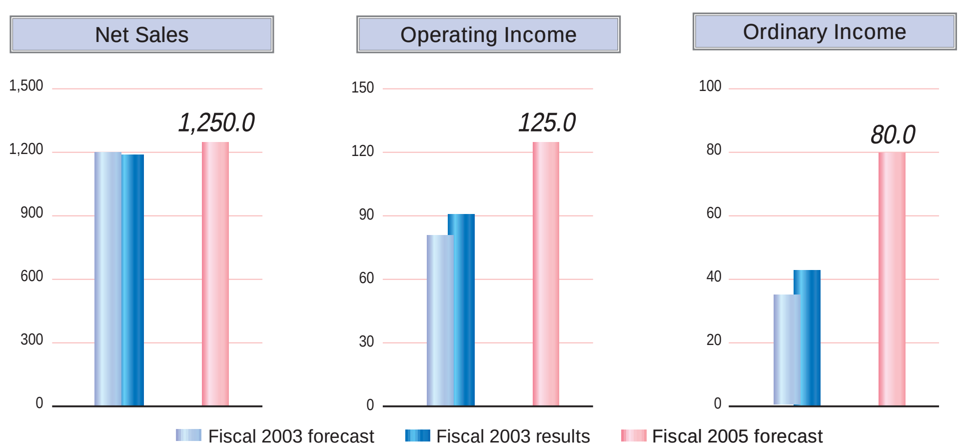
Fiscal 2003-2005 Consolidated Medium-Term Business Plan

Vision of the Kobe Steel Group

On the threshold of its 100th anniversary, Kobe Steel aims to contribute to society in the coming century through its materials business (steel, welding, aluminum, and copper); the independent power producer (IPP) business; and the machinery business (industrial machinery, construction equipment, environmental solutions, and plant engineering). Recognized as a quality manufacturer, Kobe Steel supplies products, services and technologies of high renown throughout the world.

Goals of the Medium-Term Plan

Strengthen the profitability, performance, and business foundation of the Company by fiscal 2005.



Consolidated Financial Targets

(in billions of yen)

	Fiscal 2003 forecast	Fiscal 2003 results	Fiscal 2005 forecast
Net sales	1,190.0	1,219.1	*1,250.0*
Operating income	91.0	100.6	*125.0*
Ordinary income*	43.0	50.7	*80.0*
Net income	14.0	22.0	*36.0*
Total assets	1,900.0	1,916.3	*1,800.0*
Debt (interest-bearing liabilities)	829.0	797.0	*640.0*
Debt, including IPP project finance	965.0	931.8	*780.0*
Cash flow		3-year cumulative total:	*250.0*
Ratio of ordinary income to sales	3.6%	4.2%	*6.4%*
Return on assets	3.7%	4.0%	*6.0%*
Debt-to-equity ratio	2.7	2.5	*1.7*
D/E ratio including IPP project finance	3.1	2.9	*2.1*

(* Operating income after adjustments of net financial revenue and net expenses generated on a regular basis, including labor costs for employees temporarily dispatched.)

Factors to Improve Ordinary Income (in billions of yen)

Ordinary income	*+45.0*	35.4 billion yen in FY2002 to 80 billion yen in FY2005
Raw material cost increases	*(10.0)*	
Cost increases	*(10.0)*	Lifting of emergency measures
Cost decreases	*+40.0*	Variable costs: 22 billion, fixed costs: 18 billion yen
Group companies	*+18.0*	Higher profits from IPP, construction machinery and other group companies
Price & product mix	*+7.0*	Price increases, more value-added products

(Figures in parentheses denote minuses.)

Task 1 : Further solidifying its position as a "distinctive manufacturer"

● Percentage of "distinctive, value-added products"

FY 2002: 30.0% ········> FY 2003: 33.0% ········> FY 2005: *40.0%*

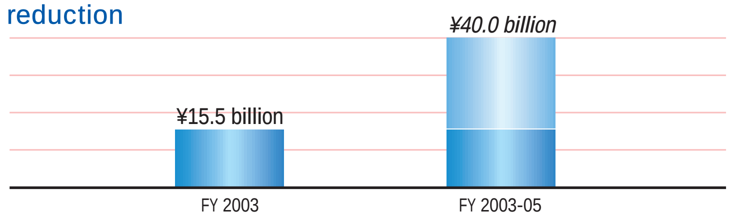
Task 2 : Intensive efforts to bolster competitiveness

Implementation of effective and selective investment (of 100 billion yen in a three-year period)
Achieving 40 billion yen in cost savings over a three-year period

● Capital investment in FY 2003

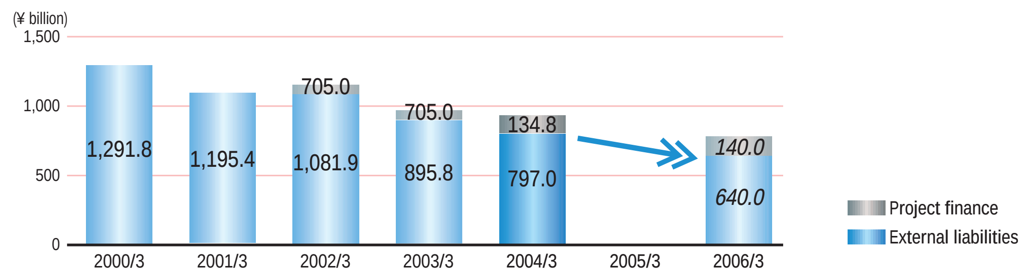
Totaled 43.8 billion yen (on a non-consolidated and commencement basis) mainly in projects aimed at increasing the competitiveness of "distinctive, value-added products" and at ensuring stable operation of equipment.

● Cost reduction



Task 3 : Improvement in our financial position

● Balance of external liabilities



● D/E ratio

FY 2002: 3.0 ········> FY 2003: 2.5 ········> FY 2005: *1.7*

Task 4 : Securing profit to create sufficient level of cash flow

● Ordinary income

FY 2002: ¥35.4 billion ········> FY 2003: ¥50.7 billion ········> FY 2005: *¥80.0 billion*

● ROA

FY 2002: 3.4% ········> FY 2003: 4.0% ········> FY 2005: *6.0%*

Task 5 : Raising confidence in the capital market

Aiming to returning to an "A" or higher rating by Japanese rating agencies by the end of fiscal 2005

● FY 2003: JCR – Return to an "A" rating ("BBB+" to "A-")
R&I – Unchanged ("BBB")

Progress in line with plans