

Kobe Steel's earnings forecast for fiscal 2001

TOKYO (September 7, 2001) – Kobe Steel, Ltd. forecasts consolidated net sales of 590 billion yen for the half-year period ending September 30, 2001, down 10 billion yen from the previous forecast, due to the severe economic environment.

Pretax ordinary loss (also called pretax recurring loss) is anticipated to be 10 billion yen, in comparison to the previous forecast of zero. Net loss is expected to be 2 billion yen, down from the previous estimate of net income of 1 billion yen. Major factors include lower sales prices in the Iron & Steel segment and lower performance in other segments due to declining demand in the IT industry.

Japan's economy continues to stagnate amid a decelerating U.S. economy, worsening export environment brought about by weak demand in the world IT industry, and retreating domestic capital investment mainly in IT-related fields. In the latter half of this fiscal year, economic conditions are expected to become more severe, due to further anticipated sluggishness in consumption brought about by structural reforms.

In the second half of fiscal 2001, Kobe Steel anticipates facing a continued difficult environment, primarily in the steel market.

As a result, consolidated net sales for the full year, ending March 2002, are anticipated to be 1.24 billion yen, down 20 billion yen from the previous estimate. Pretax ordinary income is expected to be zero, in comparison to the previous forecast of 19 billion yen, due to lower profits mainly in the Iron & Steel segment. Net income is forecast to be zero, in comparison to the previous forecast of 7 billion yen.

Consolidated Forecast for Fiscal 2001

	Current Estimates		Previous Estimates		FY2000
	1 st half	full year	1 st half	full year	
Net sales	590	1,240	600	1,260	1,373
Ordinary* income (loss)	(10)	0	0	19	50
Net income (loss)	(2)	0	1	7	6.5

Notes: Figures are in billions of yen.

* Also known as pretax recurring profit (loss).

Figures in parentheses denote loss.

Non-Consolidated Forecast for Fiscal 2001

Non-consolidated sales in the first-half period are forecast to be 400 billion yen, unchanged from the previous estimate. Pretax ordinary income (also called pretax recurring profit) is anticipated to be zero, down from 3 billion yen in the previous forecast, due to lower performance in the Iron & Steel segment. Net income is also expected to fall to zero, from the previous estimate of 2 billion yen.

For the full fiscal year ending March 2002, non-consolidated sales are anticipated to remain unchanged at 830 billion yen. Lower Iron & Steel segment sales are expected to be offset by higher Machinery segment sales. Profits are expected to be squeezed due to continued severe market conditions in the Iron & Steel segment. Pretax ordinary income is forecast to be zero, in comparison to the previous forecast of 12 billion yen, and net income is estimated to be zero, down from the previous forecast of 5 billion yen.

Non-consolidated Forecast for Fiscal 2001

	Current Estimates		Previous Estimates		FY2000
	1 st half	full year	1 st half	full year	
Net sales	400	830	400	830	816.8
Ordinary* income	0	0	3	12	14.6
Net income (loss)	0	0	2	5	(60.5)

Notes: Figures are in billions of yen.

* Also known as pretax recurring profit.

Figure in parentheses denotes loss.

Interim Dividends

As Kobe Steel had accumulated deficits for the year ended March 2001, the Company regrets that it must forgo interim dividend payments, in accordance with Japan's Commercial Code.

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