

Kobe Steel, Ltd.
Tokyo, Japan
Tokyo Stock Exchange No. 5406
November 21, 2001

**KOBE STEEL'S CONSOLIDATED FINANCIAL RESULTS
FOR THE FIRST HALF OF FISCAL 2001
(April 1, 2001 - SEPTEMBER 30, 2001)**

TOKYO (November 21, 2001) – Kobe Steel, Ltd. reported its financial results for the first half of fiscal 2001, ended September 30, 2001.

CONSOLIDATED FINANCIAL SUMMARY

(in millions of yen)	FY2001 First half	FY2000 First half	% Change FY01/00	FY2000 Full year
Net sales	578,003	654,690	(11.7%)	1,373,090
Operating income	15,249	52,455	(70.9%)	106,404
Ordinary income (loss)*	(8,871)	24,380	----	50,003
Net income (loss)	(10,494)	5,201	----	6,503
Net income per share	(3.70 yen)	1.83 yen		2.29 yen

NON-CONSOLIDATED FINANCIAL SUMMARY

(in millions of yen)	FY2001 First half	FY2000 First half	% change FY01/00	FY2000 Full year
Net sales	389,231	385,868	0.9%	816,877
Operating income	19,485	25,917	(24.8%)	54,277
Ordinary income*	1,186	5,959	(80.1%)	14,648
Net income (loss)	(4,692)	(50,584)	----	(60,588)
Net income per share	(1.65 yen)	(17.83 yen)		(21.36 yen)

Notes: * Also known as pretax recurring profit (or loss).
Figures in parentheses denote losses or decreases.

OVERSEAS SALES (in millions of yen)

	FY2001 First half	Percentage of net sales	FY2000 First half	Percentage of net sales
Total	111,167	19.2%	151,702	23.2%
Consolidated net sales	578,003		654,690	

PRODUCTION (in metric tons)

	FY2001 First half	FY2000 First half	% change	FY2000 Full year
IRON & STEEL				
Crude steel	3,446,000	3,243,000	6.3%	6,644,000
ALUMINUM & COPPER				
Rolled aluminum	204,000	200,000	2.1%	407,000
Rolled copper	54,000	65,000	(17.2%)	127,000

OVERALL PERFORMANCE

Japan's weak economy is deteriorating further amid a decelerating U.S. economy, sagging exports brought about by the slump in the world IT market, stagnant private-sector capital investment due to the sharp drop in domestic IT demand, a decrease in public works projects, and a slowdown in consumer spending.

Amid this background, Kobe Steel, Ltd. and its group companies placed their full effort into improving profitability. For the half year period ended September 30, 2001, Kobe Steel had consolidated net sales of 578 billion yen, down 11.7% from the same period last year. Ordinary loss (also known as pretax recurring loss) was 8.8 billion yen and aftertax net loss was 10.4 billion yen.

Regarding cash flows, net cash from operating activities decreased 35.8 billion yen to 39.8 billion yen, due to the sale of a semiconductor company. Net cash used in investing activities went down 33.1 billion yen to 8.6 billion yen, due in part to the collection of loans from that semiconductor company. Net cash used in financing activities was 28.2 billion yen. Cash and cash equivalents at the end of the interim period increased 9.1 billion yen to 130.4 billion yen.

DIVIDENDS

As the company had undisposed deficits in fiscal 2000, Kobe Steel regrets that it must forgo interim dividend payments in accordance with Japan's Commercial Code.

PERFORMANCE BY BUSINESS SEGMENT

IRON & STEEL

Steel demand dropped rapidly due to stagnant construction and low exports brought about by a decelerating U.S. economy. While steel shipments were higher than the same period last year, growing signs of oversupply pushed down prices in the weak domestic market. As a result, steel sales decreased over the same period last year. Sales of steel castings and forgings, titanium products, and welding consumables were firm on account of rising demand. However, in general subsidiary companies saw a drop in sales and profits.

As a result, Iron & Steel segment sales decreased 11.8% from the same period last year to 241.6 billion yen. Operating income decreased 16.7 billion yen to 7.6 billion yen.

ALUMINUM & COPPER

Shipments of rolled aluminum products increased slightly. A rise in aluminum can stock due to the warm summer was offset by a decrease in aluminum plate for semiconductor manufacturing equipment due to weak IT demand. In rolled copper products, shipments went down due to a decrease in copper sheet and strip for electronic applications and a decrease in copper tube for air conditioners due to growing overseas production of air conditioners for the domestic market.

As a result, sales remained nearly the same at 132.5 billion yen. While overall shipments decreased over the same period last year, higher aluminum ingot and copper cathode prices bolstered sales. However, operating income fell 1.6 billion yen to 4.6 billion yen due to lower shipments.

MACHINERY

Domestic Machinery orders decreased 19.5% to 79.2 billion yen due to a decrease in demand for municipal solid waste treatment plants. Overseas, orders for optical fiber manufacturing equipment and gas compressors were firm, but plant engineering projects were stagnant, leading to a 21.7% decrease to 10.6 billion yen. Total orders decreased 19.8% to 89.8 billion yen and the backlog of orders was 240.5 billion yen.

As for Machinery sales, higher orders in the previous year contributed to higher sales, but overseas plant orders continued to be severely curtailed and subsidiary companies performed sluggishly. Thus, segment sales were 93.9 billion yen, on par with the same period last year, as was operating loss at 1.9 billion yen.

CONSTRUCTION MACHINERY

The domestic market was extremely severe due to long slump in public works investment, housing starts, and private-sector construction. In addition, growth in the equipment lease and rental business lowered demand for new machines. Overseas, the slow recovery in the Asian market, the decelerating U.S. economy, and stagnant European demand led to an overall decrease.

Construction machinery sales were 10.1% lower at 74.1 billion yen in comparison to the same period last year. Operating income was 1.4 million yen lower at 1.1 billion yen.

REAL ESTATE

Sales in this segment went down 11.0% to 23.2 billion yen, with operating income of 3.6 billion yen, down 2.8 billion yen. Factors include tough competition brought about by a large housing supply amid low interest rates, low land prices, and low sale prices.

OTHER BUSINESSES

The sale of a semiconductor subsidiary led to a 51.4% decrease in sales to 39.6 billion yen. Operating income was zero in comparison to 15.2 billion yen last year.

(Until fiscal 2000, Electronics & Information was a separate segment. After the transfer of the semiconductor company, remaining IT businesses have been included in the Other Businesses segment.)

OUTLOOK FOR FISCAL 2001 (ending March 2002)

Japan's economic outlook is likely to remain extremely severe for the rest of the fiscal year, ending March 2002. The terrorist acts in the United States had added to anxiety of a worldwide recession. In Japan recovery in private-sector capital investment and growth in personal spending are not anticipated. Kobe Steel's outlook on its business segments for the second half of fiscal 2001 are as follows:

IRON & STEEL

Domestic demand is anticipated to be similar to the first half of the fiscal year. While seasonal increases from the civil engineering and automotive markets are expected, demand is likely to decrease in the industrial machinery and construction sectors, on account of weak capital expenditure and housing investments. Exports

will be further dampened due to increasing signs of oversupply brought about by the weak U.S. economy and slumping world IT demand. Steel shipments are anticipated to decrease over the first half, as production decreases are planned to improve the market.

Although sales from subsidiaries are anticipated to be higher owing to seasonal demand, second half segment sales are expected to be similar to first half sales.

ALUMINUM & COPPER

Demand for both rolled aluminum and rolled copper products are expected to decrease. The IT market is forecast to be sluggish and can stock is expected to decline due to lower seasonal demand. As a result, segment sales are anticipated to be lower than in the first half of the fiscal year.

MACHINERY

Domestic and overseas market conditions will continue to be difficult. As domestic sales for municipal solid waste treatment plants and wastewater treatment plants tend to concentrate in the second half of the fiscal year, segment sales are anticipated to improve considerably in comparison to the first half period.

CONSTRUCTION MACHINERY

Market conditions in the second half will continue to be severe. Expanded excavator sales owing to the addition of new models and sales networks and the alliance in the crane business with Tadano Ltd. are major factors that are anticipated to increase sales over the first half of fiscal 2001.

REAL ESTATE

Condominium sales in O's Town South Square in Akashi, Hyogo are anticipated to be offset by lower revenue from real estate rentals and remodeling work. Consequently, second half sales are anticipated to be lower than first half sales.

FISCAL 2001 FULL YEAR FORECAST

Higher machinery segment sales are expected to increase second half consolidated sales to 620 billion yen, up 40 billion yen, from the first half. As a result, full year sales are expected to be 1.2 trillion yen.

Ordinary loss for fiscal 2001 is forecast at 6 billion yen. Higher profitability in the Machinery segment and cost reduction measures primarily in the ferrous and nonferrous metal segments are expected to lead to an almost 12 billion yen improvement, to a pretax ordinary income of 3 billion yen in the second half fiscal 2001. First half aftertax net loss of roughly 10 billion yen is anticipated to improve to net income of zero in the second half. For the year net loss is expected to be 10 billion yen.

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ADDITIONAL INFORMATION ON KOBEL STEEL'S FIRST HALF FISCAL 2001 RESULTS

MANAGEMENT POLICIES

1. Fundamental Management Strategy

Kobe Steel is focusing on three core areas of business. These areas are 1) materials (steel, welding, aluminum and copper); 2) the independent power producer (IPP) business, which utilizes the infrastructure of the Iron & Steel segment; and 3) the machinery and engineering segments (urban infrastructure, engineering and machinery). The company intends to improve the corporate value of the entire Kobe Steel group by becoming a unified company centered on high return on assets (ROA) and business units with high cash flow.

In fiscal 1999, Kobe Steel turned its business divisions into internal companies, appointed corporate officers, and implemented other measures to improve its management structure. One of management's priorities is to quickly and aggressively rebuild the company's business structure to improve ROA. While strengthening the company by channeling management resources into core businesses, Kobe Steel has been divesting businesses without synergy to the core businesses or those that are unprofitable under a policy called selection and consolidation.

2. Policy for Profit Distribution

Subject to its retained earnings and financial performance, the company aims for an early resumption of dividend payments to its shareholders as soon as possible.

3. Issues on Midterm Management Strategy

In May 2000, Kobe Steel unveiled a three-year Consolidated Midterm Management Plan to rapidly and decisively deal with changes in the business environment.

The plan is centered on reducing interest-bearing liabilities and enhancing ROA by increasing cash flow. By improving its financial position and building a solid business base, Kobe Steel intends to increase its corporate value, an issue of utmost importance. The priority areas in which Kobe Steel excels are automotive lightweighting, the IPP business and the environmental business. The company foresees high growth and high cash flow in these three strategic areas and is focusing its management resources in the three core areas. A companywide theme being pursued is to apply information technology in the company's businesses to implement change in its business structure.

However, the business environment has rapidly deteriorated. In September, Kobe Steel launched temporary cost-reduction measures to cover fiscal 2002 and 2003. Employees' annual income is to be decreased, remuneration of directors and corporate officers will be reduced, R&D expenses will be curtailed, and general expenses will be lowered. In addition, more employees will be decreased, the overseas plant engineering business will be rebuilt, and the head office will become smaller. These and other measures are intended to reduce Kobe Steel's accumulated deficits, improve its financial performance, and build a stable base for improved profitability. In fiscal 2004, the two IPP power plants will go into operation, providing a stable source of revenue. Through these steps, the company forecasts consolidated pretax ordinary income to reach 40 billion yen in fiscal 2004.

4. Corporate Governance

Kobe Steel introduced an internal company system to improve the profitability of each business unit and to reform its business structure through the selection and consolidation of its assets. Also implemented was a system of corporate officers to separate management from operation and to clarify responsibility and authority, as well as speed up decision-making.

Kobe Steel has established a Corporate Ethics Committee, which includes members from outside the company. The company has established a Corporate Code of Ethics to ensure compliance with the law implemented procedures to formulate a Corporate Code of Ethics to set standards for ethical conduct.

In June 2000, the Committee formulated the Corporate Code of Ethics to provide guidelines for business conduct. The guidelines provide parameters for operating within the acceptable norms of society under established laws and regulations. The Code of Ethics not only outlines policies and actions, but also describes corporate behavior and employee expectations, including contributing to society and creating a work environment that fosters employee individuality and creativity.

In October 2001, the company established risk management standards to improve its capabilities to deal with risks faced by its businesses. The standards systematically organize risks and set risk prevention measures, monitoring systems, and responsibility systems. Emphasis is being placed on compliance management to observe the law, and concrete measures have been established for corporate ethics to take root.

Through these policies, Kobe Steel is striving to be an ethical, law-abiding and transparent company.

1. SUMMARY OF FISCAL 2001 CONSOLIDATED FIRST HALF RESULTS
(April 1, 2001 – September 30, 2001)

(in millions of yen)

	FY2001	FY2000	% change	FY2000
	First half	First half	FY01/00	Full year
Net sales	578,003	654,690	(11.7%)	1,373,090
Operating income	15,249	52,455	(70.9%)	106,404
Ordinary income*	(8,871)	24,380	----	50,003
Extraordinary gains	9,119	11,850		42,923
Extraordinary losses	(9,019)	(45,526)		(98,261)
Aftertax net income (loss)	(10,494)	5,201	----	6,503
Net income (loss) per share	(3.70 yen)	1.83 yen		2.29 yen
Fully diluted earnings per share	----	----		

2. FINANCIAL POSITION

	FY2001	FY2000	FY2000
	First half	First half	Full year
Total assets	2,012,402	2,109,513	2,131,122
Total stockholders' equity	247,142	260,192	263,362
Stockholders' equity/total assets	12.3%	12.3%	12.4%
Stockholders' equity per share	87.34 yen	92.00 yen	93.07 yen

3. CONSOLIDATED CASH FLOWS

	FY2001	FY2000	FY2000
	First half	First half	Full year
Net cash provided by operating activities	39,882	75,244	137,356
Net cash used in investing activities	(8,684)	(41,801)	(42,366)
Net cash provided by financing activities	(28,274)	(81,463)	(139,125)
Cash & cash equivalents at end of year	130,471	121,318	126,186

4. SCOPE OF CONSOLIDATION

Consolidation is based on 154 significant, majority-owned subsidiaries and 47 significant, equity-valued affiliates.

5. CHANGES IN CONSOLIDATION

Newly consolidated subsidiaries:	8
Consolidated subsidiaries excluded:	3
New equity-valued affiliates	2
Equity-valued affiliates excluded:	3

6. CONSOLIDATED FORECAST FOR FISCAL 2001 (ending March 31, 2002)
(in millions of yen)

Estimated net sales	1,200,000
Estimated ordinary income*	(6,000)
Estimated net income (loss)	(10,000)
Estimated net income (loss) per share	(3.52 yen)

Notes for FY2001 Consolidated First Half Summary

- i. Equity value of net gain of affiliates in first half 2001: 620 million yen
Equity value of net gain of affiliates in first half 2000: 297 million yen
Equity value of net gain of affiliates in fiscal 2000: 1,426 million yen

- ii. Average number of shares in first half 2001: 2,829,629,832
Average number of shares in first half 2000: 2,828,817,737
Average number of shares in fiscal 2000: 2,829,637,237
- iii No changes have been made in accounting policies.
- .
- iv. Number of shares issued in first half 2001: 2,829,630,069
Number of shares issued in first half 2000: 2,827,990,594
Number of shares issued in fiscal 2000: 2,829,629,594
- iv. * Also known as pretax recurring profit

7. SEGMENT SALES

		FY2001	FY2000
		First half	First half
Sales to outside customers	Iron & Steel	236,322	263,494
	Aluminum & Copper	132,303	131,575
	Machinery	89,949	86,314
	Construction Machinery	73,206	82,295
	Real Estate	20,511	22,928
	Other Businesses	25,710	68,081
	Consolidated net sales	578,003	654,690
Inter-segment sales	Iron & Steel	5,291	10,532
	Aluminum & Copper	238	199
	Machinery	4,017	6,334
	Construction Machinery	961	249
	Real Estate	2,736	3,206
	Other Businesses	13,906	13,503
	Total	27,152	34,027
Total sales	Iron & Steel	241,613	274,027
	Aluminum & Copper	132,541	131,775
	Machinery	93,967	92,649
	Construction Machinery	74,168	82,545
	Real Estate	23,248	26,135
	Other Businesses	39,616	81,585
	Eliminations	(27,152)	(34,027)
	Consolidated net sales	578,003	654,690
Operating costs & expenses	Iron & Steel	233,953	249,631
	Aluminum & Copper	127,878	125,493
	Machinery	95,957	94,296
	Construction Machinery	73,029	79,969
	Real Estate	19,568	19,588
	Other Businesses	39,614	66,301
	Eliminations	(27,248)	(33,046)
	Consolidated operating costs	562,754	602,234

Operating income	Iron & Steel	7,660	24,396
	Aluminum & Copper	4,663	6,281
	Machinery	(1,990)	(1,647)
	Construction Machinery	1,138	2,575
	Real Estate	3,679	6,547
	Other Businesses	1	15,283
	Eliminations	96	(980)
	Consolidated operating income	15,249	52,455

8. SEGMENT INFORMATION BY REGION		FY2001	FY2000
(in millions of yen)		First half	First half
Sales to outside customers	Japan	520,910	592,556
	Asia	12,611	11,394
	North America	25,144	28,596
	Other areas	19,337	22,143
	Total	578,003	654,690
Inter-segment sales	Japan	15,009	20,426
	Asia	653	598
	North America	486	859
	Other areas	9	1
	Total	16,158	21,885
Total sales	Japan	535,919	612,982
	Asia	13,264	11,993
	North America	25,631	29,455
	Other areas	19,346	22,144
	Eliminations	(16,158)	(21,885)
	Total	578,003	654,690
Operating costs & expenses	Japan	552,786	562,346
	Asia	12,958	11,478
	North America	24,734	27,832
	Other areas	18,543	22,236
	Eliminations	(16,268)	(21,659)
	Total	562,754	602,234
Operating income	Japan	13,133	50,636
	Asia	305	515
	North America	897	1,622
	Other areas	803	(91)
	Eliminations	109	(226)
	Total	15,249	52,455

9. OVERSEAS SALES BY REGION (in millions of yen)

	FY2001	Percentage	FY2000	Percentage
	First half	of net sales	First half	of net sales
Asia	55,509	9.6%	91,906	14.1%
North America	26,159	4.5%	28,128	4.3%
Other areas	29,499	5.1%	31,666	4.8%
Total	111,167	19.2%	151,702	23.2%
Consolidated net sales	578,003		654,690	

Overseas sales consist of export sales of Kobe Steel and its domestic consolidated subsidiaries and sales of overseas consolidated subsidiaries, excluding sales to Japan. Asia includes China, Taiwan, South Korea, Malaysia and Indonesia. North America consists of the United States and Canada. Other areas include Venezuela and Australia.

SUMMARY OF FISCAL 2000 NON-CONSOLIDATED HALF-YEAR RESULTS (April 1, 2001 – September 30, 2001)

1. FINANCIAL HIGHLIGHTS (in millions of yen)

	FY2001	FY2000	% change	FY2000
	First half	First half	FY01/00	Full year
Net sales	389,231	385,868	0.9%	816,877
Operating income	19,485	25,917	(24.8%)	54,277
Ordinary income*	1,186	5,959	(80.1%)	14,648
Extraordinary gains	4,474	11,850		36,097
Extraordinary losses	(14,056)	(106,188)		(154,596)
Aftertax net income (loss)	(4,692)	(50,584)	----	(60,588)
Net income (loss) per share	(1.65 yen)	(17.83 yen)		(21.36 yen)

2. DIVIDENDS

	FY2001	FY2000	FY2000
	First half	First half	Full year
Dividends per share (yen)	-0-	-0-	-0-

3. FINANCIAL POSITION

	FY2001	FY2000	FY2000
	First half	First half	Full year
Total assets	1,467,887	1,551,404	1,520,815
Total stockholders' equity	295,435	320,669	307,013
Stockholders' equity/total assets	20.1%	20.7%	20.2%
Stockholders' equity per share	104.17 yen	113.07 yen	108.25 yen

4. FORECAST FOR FY2001 NON-CONSOLIDATED RESULTS (ending March 2002) (in millions of yen)

Net sales	810,000
Ordinary income	-0-
Net income	-0-
Estimated net income (loss) per share	-0-

Notes

- i. Average number of shares in first half 2001: 2,835,978,228
Average number of shares in first half 2000: 2,835,981,926
Average number of shares in 2000: 2,835,981,926
- iii. No changes have been made in accounting policies.
- iv. * Ordinary income is also known as pretax recurring profit.
Number of shares issued in first half 2001: 2,835,979,786
Number of shares issued in first half 2000: 2,835,981,926
Number of shares issued in fiscal 2000: 2,835,981,926
- v. Figures in parentheses denote losses or decreases.

INVESTOR INFORMATION

By the end of January 2001, Kobe Steel intends to send semi-annual reports for fiscal 2001 to its overseas shareholders through their proxies in Japan. This report will also be available upon request from:

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