

## Consolidated Interim Statement of Stockholders' Equity

Six months ended September 30, 2003 (unaudited)

	Millions of yen							
	Shares of common stock	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Land revaluation	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock
Balance at April 1, 2003	2,974,549,861	¥ 218,163	¥ 140,639	¥ (61,710)	¥ 2,422	¥ (939)	¥ (4,580)	¥ (857)
Net income	—	—	—	8,997	—	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	—	(3,166)	—
Unrealized holding gains on securities	—	—	—	—	—	13,006	—	—
Adjustment to additional paid-in capital	—	—	(72,728)	72,728	—	—	—	—
Gain on sale of treasury stock	—	—	64	—	—	—	—	—
Effect of merger of subsidiaries now accounted for by the equity method	—	—	—	(411)	—	—	—	—
Bonuses to directors	—	—	—	(21)	—	—	—	—
Increase due to merger of subsidiaries	—	—	—	7	—	—	—	—
Increase due to changes in consolidated subsidiaries	—	—	—	2	—	—	—	—
Increase due to changes in investees accounted for by the equity method	—	—	—	1,360	—	—	—	—
Adjustment to revaluation of land	—	—	—	(131)	832	—	—	—
Treasury stock	—	—	—	—	—	—	—	(160)
Balance at September 30, 2003	2,974,549,861	¥ 218,163	¥ 67,975	¥ 20,821	¥ 3,254	¥ 12,067	¥ (7,746)	¥ (1,017)

	Thousands of U.S. dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings (Accumulated deficit)	Land revaluation	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock	
Balance at April 1, 2003	\$ 1,961,016	\$ 1,264,171	\$ (554,697)	\$ 21,771	\$ (8,441)	\$ (41,169)	\$ (7,704)	
Net income	—	—	80,872	—	—	—	—	
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	(28,458)	—	
Unrealized holding gains on securities	—	—	—	—	116,908	—	—	
Adjustment to additional paid-in capital	—	(653,735)	653,735	—	—	—	—	
Gain on sale of treasury stock	—	575	—	—	—	—	—	
Effect of merger of subsidiaries now accounted for by the equity method	—	—	(3,694)	—	—	—	—	
Bonuses to directors	—	—	(189)	—	—	—	—	
Increase due to merger of subsidiaries	—	—	63	—	—	—	—	
Increase due to changes in consolidated subsidiaries	—	—	18	—	—	—	—	
Increase due to changes in investees accounted for by the equity method	—	—	12,225	—	—	—	—	
Adjustment to revaluation of land	—	—	(1,178)	7,479	—	—	—	
Treasury stock	—	—	—	—	—	—	(1,438)	
Balance at September 30, 2003	\$ 1,961,016	\$ 611,011	\$ 187,155	\$ 29,250	\$ 108,467	\$ (69,627)	\$ (9,142)	

See accompanying notes.

## Notes to Consolidated Interim Financial Statements September 30, 2003 (Unaudited)

### 1. Presentation of Financial Statements

Kobe Steel, Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated interim financial statements should be read in conjunction with the financial statements and related notes included in the Annual Report of the Company to stockholders for the year ended March 31, 2003.

Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying interim financial statements are intended for use by those who are informed about Japanese accounting principles and

practices.

The accompanying interim financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of stockholders' equity) from the consolidated interim financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at September 30, 2003, which was ¥111.25 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### 2. Contingent Liabilities

At September 30, 2003, the Company and its consolidated subsidiaries were contingently liable for guarantees of loans of ¥9,187 million (\$82,580 thousand). This figure includes contingent guarantees and letters of awareness of ¥821 million (\$7,380 thousand).