

## Consolidated Interim Balance Sheets

Kobe Steel, Ltd. and Consolidated Subsidiaries

September 30, 2006 and 2005 (unaudited)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
<b>Assets</b>			
<i>Current assets:</i>			
Cash and time deposits	¥ 70,469	¥ 84,402	\$ 597,701
Trade notes and accounts receivable			
Unconsolidated subsidiaries and affiliates	84,179	68,954	713,987
Other	237,300	213,208	2,012,723
Allowance for doubtful accounts	(844)	(1,025)	(7,159)
	320,635	281,137	2,719,551
Inventories	339,199	292,245	2,877,006
Other	82,099	78,501	696,344
Total current assets	812,402	736,285	6,890,602
<i>Investments and other assets:</i>			
Investments in securities	210,784	183,204	1,787,820
Other	94,639	88,219	802,706
Allowance for doubtful accounts	(6,619)	(8,427)	(56,141)
	298,804	262,996	2,534,385
<i>Plant and equipment:</i>			
Land	206,829	196,846	1,754,275
Buildings and structures	639,000	623,404	5,419,847
Machinery and equipment (Note 1)	1,872,347	1,843,196	15,880,806
Other	38,839	25,397	329,423
	2,757,015	2,688,843	23,384,351
Less accumulated depreciation	(1,780,348)	(1,741,359)	(15,100,492)
	976,667	947,484	8,283,859
<i>Intangible assets</i>			
Total assets	¥ 2,103,449	¥ 1,961,486	\$ 17,840,958

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
<b>Liabilities and net assets</b>			
<i>Current liabilities:</i>			
Short-term borrowings	¥ 141,750	¥ 131,351	\$ 1,202,290
Current portion of long-term debt	92,755	143,543	786,726
Trade notes and accounts payable			
Unconsolidated subsidiaries and affiliates	70,076	63,327	594,368
Other	362,975	333,483	3,078,669
	433,051	396,810	3,673,037
Allowances	11,477	16,595	97,345
Other	223,350	197,394	1,894,402
Total current liabilities	902,383	885,693	7,653,800

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
<i>Long-term liabilities:</i>			
Long-term debt	466,472	490,471	3,956,506
Employees' severance and retirement benefits	51,009	51,646	432,646
Allowances	2,662	-	22,578
Other	82,779	64,663	702,112
	602,922	606,780	5,113,842
<i>Minority interests</i>			
	-	35,836	-
<i>Contingent liabilities (Note 2)</i>			
<i>Stockholders' equity (Note 1):</i>			
Common stock			
Authorized-6,000,000,000 shares			
Issued - 2,977,460,202 shares in 2005			
	-	218,315	-
Capital surplus	-	68,132	-
Retained earnings	-	109,428	-
Land revaluation	-	432	-
Net unrealized holding gains on securities	-	48,843	-
Foreign currency translation adjustments	-	(10,678)	-
Treasury stock, at cost	-	(1,295)	-
Total stockholders' equity	-	433,177	-
Total liabilities, minority interests and stockholders' equity	¥ -	¥ 1,961,486	\$ -

### Net assets (Note 1):

<b>Stockholders' equity</b>			
Common stock			
Authorized-6,000,000,000 shares			
Issued - 3,115,061,100 shares in 2006			
	233,313	-	1,978,906
Capital surplus	83,273	-	706,302
Retained earnings	190,170	-	1,612,977
Treasury stock, at cost	(1,382)	-	(11,722)
Total stockholders' equity	505,374	-	4,286,463
Valuation and translation adjustments			
Net unrealized holding gains on securities	59,846	-	507,600
Deferred gains on hedges	2,631	-	22,315
Land revaluation	(4,595)	-	(38,974)
Foreign currency translation adjustments	(7,662)	-	(64,987)
Total valuation and translation adjustments	50,220	-	425,954
Minority interests	42,550	-	360,899
Total net assets	598,144	-	5,073,316
Total liabilities and net assets	¥ 2,103,449	¥ -	\$ 17,840,958