

## Consolidated Interim Statements of Income

*Kobe Steel, Ltd. and Consolidated Subsidiaries*

*Six months ended September 30, 2006*

*and 2005 (unaudited)*

Thousands of  
U.S. dollars  
(Note 1)

	Millions of yen		2006
	2006	2005	
<i>Net sales</i>	¥ 898,862	¥ 789,503	\$ 7,623,935
<i>Cost of sales</i>	(723,230)	(608,011)	(6,134,266)
Gross profit	175,632	181,492	1,489,669
<i>Selling, general and administrative expenses</i>	(76,788)	(73,257)	(651,298)
Operating income	98,844	108,235	838,371
<i>Other income (expenses):</i>			
Interest and dividend income	2,550	2,124	21,628
Interest expense	(10,085)	(10,639)	(85,539)
Seconded employees' salaries net of reimbursement	(9,277)	(9,208)	(78,685)
Equity in income of unconsolidated subsidiaries and affiliates	8,140	5,038	69,042
Loss on separation of real estate business	-	(14,101)	-
Casualty loss	-	(4,540)	-
Other, net	(2,811)	(10,135)	(23,842)
<i>Income before income taxes</i>	87,361	66,774	740,975
<i>Income taxes:</i>			
Current	29,209	23,322	247,744
Deferred	4,331	5,236	36,734
	33,540	28,558	284,478
<i>Minority interests in income of subsidiaries</i>	2,241	1,504	19,008
<i>Net income</i>	¥ 51,580	¥ 36,712	\$ 437,489

<i>Per share</i>	Yen		U.S. dollars (Note 1)
	2006	2005	2006
<i>Net Income</i>	¥ 16.61	¥ 12.37	\$ 0.14
<i>Diluted net income</i>	-	11.81	-
<i>Interim dividends</i>	3.00	-	0.03