

KAWASAKI STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2000 AND 1999

<u>ASSETS</u>	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Current assets:			
Cash and cash equivalents	¥ 51,522	¥ 64,998	\$ 485,379
Short-term investments (Note 3)	3,665	141,368	34,527
Notes and accounts receivable:	354,499	243,526	3,339,612
Allowance for doubtful accounts	(1,295)	(942)	(12,200)
Inventories (Note 4)	331,223	267,694	3,120,331
Deferred income taxes (Note 11)	13,268	4,383	124,994
Other current assets	48,402	57,755	455,978
Total current assets	<u>801,286</u>	<u>778,784</u>	<u>7,548,621</u>
Property, plant and equipment :			
Land	217,343	112,922	2,047,515
Building and structures	836,106	725,982	7,876,655
Machinery and equipment	2,883,121	2,544,284	27,160,820
Construction in progress	21,552	18,549	203,039
	<u>3,958,124</u>	<u>3,401,739</u>	<u>37,288,028</u>
Accumulated depreciation	(2,840,575)	(2,509,675)	(26,760,010)
	<u>1,117,549</u>	<u>892,064</u>	<u>10,528,018</u>
Investments and other assets:			
Investments in associates(Note 3)	24,305	68,374	228,976
Investments in securities (Note 3)	172,874	223	1,628,591
Long-term receivables, net	27,018	52,063	254,527
Deferred income taxes (Note 11)	57,729	66,484	543,850
Translation adjustments	51,108	44,577	481,475
Other	95,194	69,262	896,793
	<u>428,231</u>	<u>300,985</u>	<u>4,034,212</u>
	<u>¥ 2,347,066</u>	<u>¥ 1,971,833</u>	<u>\$ 22,110,851</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Current liabilities:			
Short-term bank loans (Note 5)	¥ 198,672	¥ 105,635	\$ 1,871,623
Current portion of long-term debt (Note 5)	215,682	197,333	2,031,864
Notes and accounts payable:	212,180	172,199	1,998,875
Accrued income taxes (Note 11)	3,408	1,459	32,111
Other current liabilities	148,242	141,503	1,396,536
Total current liabilities	<u>778,186</u>	<u>618,130</u>	<u>7,331,009</u>
Long-term debt (Note 5)	1,058,660	838,789	9,973,251
Accrued severance indemnities	64,536	62,461	607,974
Reserve for repair for blast furnace	33,815	32,735	318,559
Other liabilities	33,494	28,733	315,540
Total liabilities	<u>1,968,693</u>	<u>1,580,850</u>	<u>18,546,334</u>
Minority interests	46,947	18,453	442,278
Contingencies (Note 6)			
Shareholders' equity :			
Common stock, par value, ¥ 50 per share			
Authorized 6,000,000,000 shares			
Issued			
2000- 3,251,556,286 shares	239,644	—	2,257,603
1999- 3,251,555,362 shares	—	239,644	—
Additional paid-in capital	119,611	119,611	1,126,817
Consolidated surplus	(25,866)	13,277	(243,681)
	<u>333,389</u>	<u>372,532</u>	<u>3,140,739</u>
Less, treasury stock, at cost:			
2000- 24,287,133 shares	(1,963)		(18,500)
1999- 17,313 shares		(3)	
	<u>331,425</u>	<u>372,529</u>	<u>3,122,239</u>
	<u>¥ 2,347,066</u>	<u>¥ 1,971,833</u>	<u>\$ 22,110,851</u>

KAWASAKI STEEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
INCOME
YEARS ENDED MARCH 31, 2000 AND 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
Net sales	¥ 1,257,401	¥ 1,094,396	\$ 11,845,520
Cost of sales	1,040,179	923,001	9,799,151
Gross profit	217,222	171,394	2,046,369
Selling, general and administrative expenses	172,368	145,087	1,623,823
Operating income	44,853	26,307	422,546
Non-Operating income (expenses)			
Interest and dividend income	4,875	6,286	45,930
Interest expenses	(24,649)	(27,500)	(232,212)
Equity in earnings(loss) of associates	2,747	(660)	25,879
Other, net	(1,749)	(1,291)	(16,486)
Ordinary Profit	26,076	3,142	245,657
Special profit (loss) (Note 13)	(6,559)	(158,926)	(61,798)
Income (loss) before income taxes	19,516	(155,784)	183,859
Income taxes (Note 11):			
Current	5,432	3,043	51,182
Deferred	1,346	(44,519)	12,683
	6,778	(41,476)	63,865
Income (loss) before minority interests	12,737	(114,308)	119,994
Minority interests in subsidiaries	307	(482)	2,899
Net income (loss)	¥ 12,429	¥ (113,826)	\$ 117,095

	Yen		U.S. dollars (Note 1)
	2000	1999	2000
Net income (loss) per share:	¥ 3.82	¥ (35.00)	\$ 0.036
Cash dividends per share	1.50	1.50	0.014

The accompanying notes are an integral part of these statements.

KAWASAKI STEEL CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS'
EQUITY
YEARS ENDED MARCH 31, 2000 and 1999

	Number of shares issued (thousands)	Millions of yen				
		Common stock	Capital surplus	Legal reserve	Retained earnings	Consolidated surplus
Balance at April 1, 1998	3,251,555	¥ 239,644	¥ 119,611	¥ 38,746	¥ 84,180	¥ —
Transfer according to revision of "Regulations Concerning the Terminology, Forms and Preparation method of Consolidated Financial statement"				(38,746)	(84,180)	122,926
Adjustment for past years tax effect						13,975
Net income for the year						(113,826)
Cash dividends paid						(9,754)
Bonuses to directors and statutory auditors						(43)
Balance at March 31, 1999	3,251,555	239,644	119,611	0	0	13,277
Net income for the year						12,429
Cash dividends						—
Bonuses to directors and corporate auditors						(21)
Conversion of convertible debentures to common stock	1	0				
Adjustment for newly consolidated subsidiaries						(51,552)
Balance at March 31, 2000	3,251,556	¥ 239,644	¥ 119,611	¥ 0	¥ 0	¥ (25,866)

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Legal reserve	Retained earnings	Consolidated surplus
Balance at March 31, 1999	\$ 2,257,603	\$ 1,126,817	\$ 0	\$ 0	\$ 125,078
Net income for the year					117,089
Cash dividends					—
Bonuses to directors and corporate auditors					(198)
Conversion of convertible debentures to common stock	0				
Adjustment for newly consolidated subsidiaries					(485,652)
Balance at March 31, 2000	\$ 2,257,603	\$ 1,126,817	\$ 0	\$ 0	\$ (243,681)

The accompanying notes are an integral part of these statements.

KAWASAKI STEEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED MARCH 31, 2000

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2000	2000
Cash flows from operating activities:		
Net income before income taxes and minority interests	¥ 19,516	\$ 183,859
Adjustments for:		
Depreciation and amortization	140,257	1,321,313
Provision for allowance for doubtful accounts	(2,018)	(19,011)
Provision for accrued severance indemnities	(3,346)	(31,530)
Provision for allowance for others	(2,088)	(19,677)
Interest and dividend income	(4,875)	(45,930)
Interest expenses	24,649	232,212
Equity in earnings of associates	(2,747)	(25,879)
Profit on sales of marketable and investments in securities	(25,842)	(243,456)
Profit on sales of property, plant and equipment	(7,444)	(70,129)
Other adjustments	35,093	330,604
Change in assets and liabilities		
Decrease (increase) in notes and accounts receivable	63,243	595,791
Decrease in inventories	10,649	100,322
Increase (decrease) in notes and accounts payable	(5,732)	(54,003)
Other-net	33,863	319,019
Sub total	273,177	2,573,504
Payments for special retirement	(15,524)	(146,253)
Payments for retirement pension	(6,047)	(56,973)
Income taxes paid	(4,351)	(40,993)
Other	(665)	(6,272)
Net cash provided by operating activities	246,587	2,323,013
Cash flows from investing activities:		
Interest and dividend income received	5,024	47,330
Payments for purchase of investments in securities	(5,792)	(54,570)
Proceeds from sales of investments in securities	46,969	442,479
Payments for purchase of property, plant and equipment	(73,652)	(693,852)
Proceeds from sales of property, plant and equipment	10,135	95,485
Issuance of loans receivable	(7,291)	(68,693)
Collection of loans receivable	13,952	131,442
Other	(462)	(4,355)
Net cash used in investing activities	(11,117)	(104,734)
Cash flows from financing activities:		
Interest expenses paid	(26,327)	(248,021)
Decrease in short-term bank loans, net	(120,238)	(1,132,726)
Issuance of long-term debt	206,861	1,948,765
Repayment of long-term debt	(340,821)	(3,210,752)
Cash dividends paid	(59)	(560)
Other	4,485	42,252
Net cash provided by financing activities	(276,100)	(2,601,042)
Effect of exchange rate change on cash and cash equivalents	(1,367)	(12,885)
Net (increase) decrease in cash and cash equivalents	(41,997)	(395,647)
Cash and cash equivalents at beginning of year	64,998	612,323
Increase in cash and cash equivalents at beginning of year by newly consolidated subsidiaries	28,522	268,703
Cash and cash equivalents at end of year	¥ 51,522	\$ 485,379

The accompanying notes are an integral part of these statements.