

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2000 and 1999

1 Basis of Presenting Consolidated Financial Statements

Kawasaki Steel Corporation (the “Company”) and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Commercial Code of Japan (the “Code”) and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company’s overseas subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the approximate exchange rate on March 31, 2000, which was ¥106.15 to US\$1.00. These 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 Summary of Significant Accounting Policies

(a) Consolidation Principles

The consolidated financial statements include the accounts of the Company’s domestic and foreign subsidiaries (the “Group” as a Kawasaki Steel Corporation consolidated group).

All significant inter-company transactions and accounts are eliminated.

Investments in associates are accounted for by the equity method, whereby the Group includes in net income its equity in earnings or losses of these companies and records its investments at cost adjusted for such equity in earnings or losses.

(b) Translation of Foreign Currencies

Current monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect on the balance sheet date. Long-term monetary assets and liabilities denominated in foreign currencies are translated at the historical exchange rate. However, the foreign currency receivables and payables covered by forward exchange contracts are translated at the contracted rates. Revenues and expenses are translated at the rates of exchange prevailing when transactions occur.

Assets and liabilities of foreign subsidiaries and associates are translated into Japanese yen at the exchange rates in effect on the respective balance sheet dates. Revenues and expenses are also translated at the exchange rates in effect on the respective balance sheet dates.

Translation adjustments resulting from translating foreign currency financial statements are not included in the determination of net income and are reported in assets.

(c) Cash and Cash Equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and all highly liquid investments with maturities of three months or less.

(d) Short-term Investments and Investments in Securities

Marketable securities included in short-term investments and investments in securities are stated at cost. Other investments are carried at cost. The cost is determined by the moving average method.

(e) Inventories

Inventories are mainly carried at cost as determined by the last-in, first-out method, except for inventories of the engineering business, which are valued by the individual identification method.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is mainly computed at rates based on the estimated useful lives of assets on the declining-balance method.

The principal estimated useful lives are as follows:

Buildings and structures	14 to 50 years
Machinery and equipment	5 to 15 years

The cost of maintenance, repairs and minor renewals is charged to expenses in the year incurred; major renewals and betterments are capitalized.

When assets are sold or otherwise disposed of, the profits or losses thereon, computed on the basis of the difference between the depreciated cost and proceeds, are credited or charged to income in the year of disposal, and the cost and accumulated depreciation are removed from the respective accounts.

(g) Employees' Retirement Benefits

Employees' retirement benefits, covering employees of the Company and certain consolidated subsidiaries, are provided through unfunded lump-sum benefit plans and funded noncontributory pension plans.

Under the plans, eligible employees are entitled, under most circumstances, to severance payments based on compensation at the time of severance and years of service.

An allowance for employees' retirement benefits is provided for the present value of the amount that would be required if all eligible employees voluntarily retired on the balance sheet date.

(h) Leases

In Japan, finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.

(i) Research and Development and Computer Software

Research and development expenditures are charged to income when incurred.

Expenditures related to computer software developed for internal use are charged to income when incurred, except if the software contributes to generation of income or to future cost saving. Such expenditures are capitalized as assets amortized by the straight-line method over the estimated useful life of the software, which is in the range of 5 years.

(j) Earnings Per Share

The computation of basic net income per share of common stock is based on the weighted average number of shares of common stock outstanding. The average number of shares used in the computation was 3,251,556 thousand and 3,251,555 thousand for the years ended March 31, 2000 and 1999, respectively.

Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

(k) Accounting for Revenues from Construction Contracts

The Company changed the criteria for the application of the percentage-of-completion method. Until the year ended March 31, 1999, the percentage-of-completion method was applied to construction work which takes longer than one year and exceeds 7 billion yen in contract amount.

Effective from the year ended March 31, 2000, the percentage-of-completion method is applied to construction work which takes longer than one year and exceeds 500 million yen (4,710 thousand dollars) in contract amount.

3 Short-term Investments, Investments in Securities

As of March 31, 2000 , short-term investments, investments in securities and investments in and advances to associates were as follows:

	Millions of yen		
	2000		
	Carrying amounts	Market value	Unrealized gain (loss)
Short-term Investments :			
Market value available:			
Bonds and debentures	¥ 69	¥ 69	¥ 0
Other securities	3	182	179
	¥ 72	¥ 252	¥ 180
Market value not available	3,592		
Total	¥ 3,665		

Investments in securities and associates:

Market value available:			
Equity securities	¥ 143,382	¥185,471	¥ 42,088
Market value not available	53,978		
Total	¥197,180		

	Thousands of U.S. dollars		
	2000		
	Carrying amounts	Market value	Unrealized gain (loss)
Short-term Investments:			
Market value available:			
Bonds and debentures	\$ 650	\$ 659	\$ 9
Other securities	30	1,719	1,689
	\$ 680	\$ 2,378	\$ 1,698
Market value not available	98,485		
Total	\$ 99,165		

Investments in securities and associates:

Market value available:			
Equity securities	\$ 1,350,750	\$ 1,747,254	\$ 396,504
Market value not available	506,818		
Total	\$ 1,857,568		

4 Inventories

Inventories as of March 31, 2000 and 1999 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Finished goods	¥ 130,486	¥ 56,217	\$ 1,229,261
Work in process	94,107	98,297	886,555
Raw materials and supplies	106,629	113,179	1,004,515
	<u>¥ 331,223</u>	<u>¥ 267,694</u>	<u>\$ 3,120,331</u>

5 Short-term Bank Loans and Long-term Debt

The annual average interest rate applicable to short-term bank loans as of March 31, 2000 was 0.92%.

Long-term debt as of March 31, 2000 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Domestic unsecured convertible bonds due 2004	¥ 69,886	\$ 658,370
Domestic unsecured bonds 2000 through 2010	310,000	2,920,396
Euro yen bonds due serially 2000 through 2002	32,937	310,294
U.S. dollars bonds due 2000	5,120	48,234
Loans from banks and insurance companies, maturing through 2027:		
Secured loans	148,346	1,397,517
Unsecured loans	708,052	6,670,305
	<u>1,274,343</u>	<u>12,005,116</u>
Less current portion	215,682	2,031,864
	<u>¥ 1,058,660</u>	<u>\$ 9,973,251</u>

Aggregate annual maturities of long-term debt subsequent to March 31, 2000 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 215,682	\$ 2,031,864
2002	209,260	1,971,364
2003	218,650	2,059,829
2004	318,678	3,002,153
2005 and thereafter	339,035	2,939,906
	<u>¥ 1,274,343</u>	<u>\$ 12,005,116</u>

As is customary in Japan, short-term and long-term bank loans are made under general

agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations due to the bank.

As of March 31, 2000, assets pledged as collateral for short-term bank loans, notes and accounts payable, and long-term debt, including the current portion of long-term debt, were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 72,794	\$ 685,772
Buildings and structures	34,048	320,758
Machinery and equipment	26,484	249,498
Investments in securities	11,383	107,237
Notes and accounts receivable	6,787	63,944
Others	123	1,163

6 Contingencies

As of March 31, 2000, the Group was contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans	¥ 9,253	\$ 87,169
Similar-to-guarantee acts	¥ 11,414	\$ 107,527
Trade notes discounted	¥ 4,959	\$ 46,716
Trade notes endorsed	¥ 2,206	\$ 20,781

7 Leases

The Group leases certain building and structures, machinery and equipment, office space and other assets. Total lease payments under these leases were ¥480 million (\$4,528 thousand) and ¥11,588 million for the years ended March 31, 2000 and 1999, respectively.

Pro forma information on leased property, such as acquisition costs, accumulated depreciation, and future minimum leases payments under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis, for the years ended March 31, 2000 and 1999, was as follows:

	Millions of yen	
	2000	
	Machinery and equipment	Total
Acquisition costs	¥ 2,528	¥ 2,528
Accumulated depreciation	1,666	1,666
Net leased property	¥ 861	¥ 861

Millions of yen

	1999		
	Machinery and equipment	Others	Total
Acquisition costs	¥ 63,016	¥ 19,221	¥ 82,238
Accumulated depreciation	33,631	12,774	46,405
Net leased property	¥ 29,385	¥ 6,447	¥ 35,832

	Thousands of U.S. dollars	
	2000	
	Machinery and equipment	Total
Acquisition costs	\$ 23,824	\$ 23,824
Accumulated depreciation	15,703	15,703
Net leased property	\$ 8,120	\$ 8,120

Future minimum lease payments under finance leases as of March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Due within one year	¥ 377	¥ 9,996	\$ 3,559
Due in one year or later	484	25,836	4,562
Total	¥ 861	¥ 35,832	\$ 8,120

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Depreciation expenses which are not reflected in the accompanying consolidated statement of income, computed by the straight-line method, were ¥480 million (\$4,528 thousand) for the year ended March 31, 2000.

Obligations under non-cancelable operating leases as of March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Due within one year	¥ 221	¥ 256	\$ 2,089
Due in one year or later	795	1,060	7,493
Total	¥ 1,017	¥ 1,317	\$ 9,582

Total lease payments receivable were ¥22,431 million (\$211,317 thousand) for the year ended March 31, 2000.

Pro forma information on leased property as lessor under finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis, for the year ended March 31, 2000, was as follows:

	Millions of yen		
	2000		
	Machinery and equipment	Others	Total
Acquisition costs	¥ 92,306	¥ 12,296	¥ 104,602
Accumulated depreciation	42,713	6,083	48,797
Net leased property	¥ 49,592	¥ 6,213	¥ 55,805

	Thousands of U.S. dollars		
	2000		
	Machinery and equipment	Others	Total
Acquisition costs	\$ 869,584	\$ 115,839	\$ 985,423
Accumulated depreciation	402,391	57,308	459,699
Net leased property	\$ 467,193	\$ 58,532	\$ 525,724

Future minimum lease payments receivable under finance leases as of March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Due within one year	¥ 18,305	\$ 172,446
Due in one year or later	37,262	351,040
Total	¥ 55,568	\$ 523,487

The amounts of acquisition costs and future minimum lease payments receivable under finance leases do not include the imputed interest expense portion.

Depreciation expenses which are not reflected in the accompanying consolidated statement of income, computed by the straight-line method, were ¥17,453 million (\$164,419 thousand) for the year ended March 31, 2000.

Future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Due within one year	¥ 203	\$ 1,917
Due in one year or later	281	2,655
Total	¥ 485	\$ 4,572

8 Derivatives and Hedging Activities

The Company has a basic policy that derivative financial instruments are used to reduce the interest rate risk and foreign exchange rate risk, not to gain profit. The Company has established a control environment which includes policies and procedures for risk assessments and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company does not hold or issue derivative financial instruments for trading purposes.

The Group is exposed to certain market risks arising from its forward exchange contracts and swap agreements. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest; however, the Group does not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high bond ratings.

As of March 31, 2000, forward exchange contracts outstanding were as follows:

	Millions of yen		
	2000		
	Nominal amount	Market value	Unrealized gain
U.S. dollar forward exchange contracts to buy U.S. dollars	¥ 28	¥ 28	¥ 0
U.K. pound forward exchange contracts to buy U.K. pounds	¥ 217	¥ 217	¥ 0

	Thousands of U.S. dollars		
	2000		
	Nominal amount	Market value	Unrealized gain
U.S. dollar forward exchange contracts to buy U.S. dollars	\$ 266	\$ 266	\$ 0
U.K. pound forward exchange contracts to buy U.K. pounds	\$ 2,048	\$ 2,050	\$ 2

The above amounts exclude contracts entered into in order to hedge receivables and payables denominated in foreign currencies which have been translated and reflected at the corresponding contracted rates in the accompanying consolidated balance sheet as of March 31, 2000.

As of March 31, 2000, the interest rate swap agreements outstanding were as follows:

	Millions of yen	
	2000	
	Nominal amounts	Unrealized gain (loss)
Interest-rate option agreements:		
Call options	¥ 200	¥ (3)
Interest-rate swap agreements:		
Fixed-rate into variable-rate obligations	¥ 256,300	¥ 8,899
Variable-rate into fixed-rate obligations	¥ 257,934	¥ (4,875)
Yen-rate into foreign currency-rate obligations	¥ 6,000	125

	Thousands of U.S. dollars	
	2000	
	Nominal amounts	Unrealized gain (loss)
Interest-rate option agreements:		
Call options	\$ 1,884	\$ (29)
Interest-rate swap agreements:		
Fixed-rate into variable-rate obligations	\$ 2,414,508	\$ 83,837
Variable-rate into fixed-rate obligations	\$ 2,429,904	\$ (45,927)
Yen-rate into foreign currency-rate obligations	\$ 56,524	\$ 1,180

The above amounts exclude swap agreements entered into in order to hedge the principal amounts of outstanding debt and the related interest denominated in foreign currencies, which have been translated and reflected at the corresponding swap rates in the accompanying consolidated balance sheets as of March 31, 2000.

9 Shareholders' Equity

Under the Code, at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The Company issued 924 shares in connection with the conversion of bonds for the year ended March 31, 2000. The portion which is to be designated as stated capital is determined by a resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital have been credited to additional paid-in capital.

10 Research and Development

Research and development expenditures charged to income were ¥19,637 million (\$184,995 thousand) for the year ended March 31, 2000.

11 Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 41.0% for the years ended March 31, 2000 and 1999, respectively. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

The effective rates of income taxes reflected in the consolidated statements of income differed from the statutory tax rates referred to above for the year ended March 31, 1999 due principally to expenses not deductible for income tax purposes, and temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

The effective rate for the year ended March 31, 2000 differs from the statutory tax rate for the following reasons:

Statutory tax rate	41.0	%
Adjustments of deferred tax assets by verifying realizability.....	(9.5)	
Equity in earnings of associates	(5.0)	
Lower tax rates of overseas subsidiaries	(3.9)	
Expenses not deductible for income tax purposes	10.4	
Others	1.7	
	<hr/>	
Effective tax rate	34.7	%
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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets as of March 31, 2000 and 1999 are presented below:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2000</u>	<u>1999</u>	<u>2000</u>
Deferred tax assets:			
Operating loss carry-forwards	¥ 60,027	¥ 48,692	\$ 565,501
Accrued severance indemnities	19,217	17,996	181,045
Elimination of intercompany profits	11,206	12,171	105,572
Accrued expenses	2,979	-	28,070
Allowance for doubtful accounts	1,633	5,985	15,390
Others	22,278	8,221	209,875
Total gross deferred tax assets			
.....	117,343	93,065	1,105,452
Less valuation allowance	(24,449)	-	(230,331)
Net deferred tax assets	92,894	93,065	875,121
Deferred tax liabilities:			
Reserve for advanced depreciation of property.....	(19,612)	(19,433)	(184,760)
Other	(3,220)	(2,765)	(30,337)
Total gross deferred tax liabilities	(22,832)	(22,198)	(215,096)
Net deferred tax assets	<u>¥ 70,061</u>	<u>¥ 70,867</u>	<u>\$ 660,025</u>

In assessing the realizability of deferred tax assets, the management of the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is entirely dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which those temporary differences become deductible. Although realization is not assured, management considered the projected future taxable income in making this assessment. Based on these factors, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, comprising the net of the existing valuation allowance as of March 31, 2000.

Income taxes have not been accrued for undistributed earnings of foreign subsidiaries and associated companies, as these amounts are considered to be reinvested indefinitely. The unrecognized deferred tax liabilities related to these earnings are immaterial.

12 Segment Information

Information about operations in industry segments, geographic segments and sales to foreign customers of the Group for the years ended March 31, 2000 and 1999, is as follows:

(1) Industry Segments

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Sales:			
Steel			
Sales to customers	¥ 935,001	¥ 739,208	\$ 8,808,300
Intersegment	5,318	4,044	50,101
Total sales	<u>¥ 940,319</u>	<u>¥ 743,252</u>	<u>\$ 8,858,401</u>
Engineering			
Sales to customers	¥ 117,478	¥ 166,811	\$ 1,106,719
Intersegment	-	54,701	-
Total sales	<u>¥ 117,478</u>	<u>¥ 221,513</u>	<u>\$ 1,106,719</u>
Chemical			
Sales to customers	¥ 73,067	-	\$ 688,346
Intersegment	139	-	1,316
Total sales	<u>¥ 73,207</u>	<u>-</u>	<u>\$ 689,663</u>
LSI/Information			
Sales to customers	¥ 35,995	¥ 30,918	\$ 339,101
Intersegment	14,071	14,505	132,559
Total sales	<u>¥ 50,066</u>	<u>¥ 45,423</u>	<u>\$ 471,660</u>
Lease/Finance			
Sales to customers	¥ 55,559	-	\$ 523,406
Intersegment	15,236	-	143,541
Total sales	<u>¥ 70,796</u>	<u>-</u>	<u>\$ 666,947</u>
Others			
Sales to customers	¥ 40,299	¥ 157,457	\$ 379,648
Intersegment	5,272	62,511	49,666
Total sales	<u>¥ 45,571</u>	<u>¥ 219,969</u>	<u>\$ 429,313</u>
Eliminations/Corporate			
Sales to customers	-	-	-
Intersegment	¥(40,037)	¥ (135,762)	\$(377,183)
Total sales	<u>¥(40,037)</u>	<u>¥ (135,762)</u>	<u>\$(377,183)</u>

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Sales:			
Consolidated total			
Sales to customers	¥ 1,257,401	¥ 1,094,396	\$11,845,520
Intersegment	-	-	-
Total sales	<u>¥ 1,257,401</u>	<u>¥ 1,094,396</u>	<u>\$11,845,520</u>
Operating Expenses:			
Steel	¥ 906,027	¥ 710,841	\$ 8,535,348
Engineering	119,087	224,075	1,121,875
Chemical	69,746	-	657,056
LSI/Information	49,968	49,414	470,734
Lease/Finance	69,044	-	650,443
Others	40,893	220,170	385,244
Eliminations/Corporate	(42,218)	(136,412)	(397,726)
Consolidated total	<u>¥ 1,212,548</u>	<u>¥ 1,068,088</u>	<u>\$11,422,974</u>
Operating Income:			
Steel	¥ 34,292	¥ 32,411	\$ 323,053
Engineering	(1,608)	(2,562)	(15,156)
Chemical	3,461	-	32,606
LSI/Information	98	(3,990)	925
Lease/Finance	1,751	-	16,504
Others	4,677	(200)	44,070
Eliminations/Corporate	2,180	649	20,543
Consolidated total	<u>¥ 44,853</u>	<u>¥ 26,307</u>	<u>\$ 422,546</u>
Assets:			
Steel	¥ 1,365,620	¥ 1,299,102	\$ 12,865,011
Engineering	128,728	193,611	1,212,704
Chemical	59,855	-	563,877
LSI/Information	40,504	40,833	361,580
Lease/Finance	368,317	-	3,469,787
Others	261,561	241,561	2,464,071
Eliminations/Corporate	122,478	196,724	1,153,821
Consolidated total	<u>¥ 2,347,066</u>	<u>¥ 1,971,833</u>	<u>\$ 22,110,851</u>

Depreciation:	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Steel	¥ 99,983	¥ 101,279	\$ 941,904
Engineering	1,718	2,320	16,191
Chemical	4,100	-	38,631
LSI/Information	3,647	3,662	34,364
Lease/Finance	29,547	-	278,356
Others	2,247	6,925	21,172
Eliminations/Corporate	(987)	(996)	(9,305)
Consolidated total	<u>¥ 140,257</u>	<u>¥ 113,192</u>	<u>\$ 1,321,313</u>

Capital expenditures:			
Steel	¥ 36,176	¥ 51,824	\$ 340,809
Engineering	5,959	5,685	56,140
Chemical	3,882	-	36,573
LSI/Information	3,697	3,215	34,837
Lease/Finance	30,216	-	284,659
Others	4,425	12,200	41,685
Eliminations/Corporate	(117)	(774)	(1,104)
Consolidated total	<u>¥ 84,240</u>	<u>¥ 72,151</u>	<u>\$ 793,599</u>

(Notes)

Segmentation was partly reclassified for the year ended March 31, 2000.

Beginning with the year ended March 31, 2000, Kawasaki Enterprises Inc. has been included in the consolidated financial statement, the Company discloses Lease/Finance segment information. In addition, Chemical, which had been included in "Others" for the year ended March 31, 1999, is listed independently as "Chemical" for the year ended March 31, 2000, due to its growing importance.

(2) Geographic Segments

Geographic segments information has not been disclosed because the sales and assets of consolidated foreign subsidiaries for the years ended March 31, 2000 and 1999 were less than 10% of consolidated net sales and assets.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2000 and 1999 amounted to ¥316,192 million (\$2,978,733 thousand) and ¥317,695 million, respectively.

13 Special Profit (Loss)

At March 31,2000 and 1999, special profit (loss) consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Profit on sales of property, plant and equipment	7,444	63,509	70,135
Profit on sales of marketable securities	22,556	11,623	212,493
Profit on sales of investments in securities	3,286	-	30,958
Reversal of allowance for doubtful receivables	-	2,618	-
Reversal of allowance for special repairs	-	10,501	-
Profit on cancellation of interest rate swaps	-	4,697	-
Loss on transfer of marketable securities	-	(17,626)	-
Write-down of marketable securities	(1,465)	(4,864)	(13,809)
Write-down of investments in securities	(2,245)	-	(21,156)
Write-down of inventories -real estate for sale -	(2,290)	-	(21,574)
Loss on financial assistance to Kawasaki Enterprises Inc.	-	(184,874)	-
Loss on disposal of affiliates' businesses	(7,519)	(16,556)	(70,836)
Loss on accidents involving blast furnaces	-	(2,538)	-
Expenses on special retirement payments	(20,298)	(18,329)	(191,223)
Cost of past service portion	(6,028)	(7,086)	(56,788)
	<u>(6,559)</u>	<u>(158,926)</u>	<u>(61,798)</u>

14 Significant Subsidiaries

The Company's significant subsidiaries are as follows:

Name	Ownership interest	Country of incorporation (location of head office)
Daiwa Steel Corporation	75.0%	Japan (Kobe)
Kawatetsu Galvanizing Co., Ltd.	55.4%	Japan (Tokyo)
Kawasaki Steel Metal Products & Engineering Inc.	78.5%	Japan (Kobe)
Kawasaki Steel Container Co., Ltd.	40.1%	Japan (Itami)
Toyohira Steel Corporation	43.0%	Japan (Sapporo)
Yabumoto Corp.	57.1%	Japan (Osaka)
Kawatetsu Mining Co., Ltd.	68.6%	Japan (Tokyo)
Kawatetsu Transportation & Technology Co., Ltd.	92.6%	Japan (Kobe)
Mizushima Ferro-Alloy Co., Ltd.	80.1%	Japan (Kurashiki)
Kawatetsu Machinery Co., Ltd.	91.8%	Japan (Tokyo)
Kawasaki Refractories Co., Ltd.	86.9%	Japan (Ako)
River Steel Co., Ltd.	80.0%	Japan (Yokohama)
Kawatetsu Kozai Kogyo Kaisha, Ltd.	74.9%	Japan (Osaka)
Kawatetsu Kohnan Steel Center Co., Ltd.	75.0%	Japan (Kobe)
Kawasaki Steel Techno-Wire Corporation	100.0%	Japan (Tokyo)
Kawatetsu Kizai Kogyo Co., Ltd.	95.0%	Japan (Tokyo)
Kawatetsu Electrical Steel Co., Ltd.	93.0%	Japan (Osaka)
Kawatetsu Steel Tube Co., Ltd.	95.0%	Japan (Chiba)
Kawasaki Steel Techno-Research Corporation	100.0%	Japan (Tokyo)
Kawatetsu Electric Engineering Co. Ltd.	95.0%	Japan (Kobe)
Touhoku Steel Corporation	82.7%	Japan (Sendai)
Kawatetsu Metal Fabrica Co., Ltd.	85.0%	Japan (Marugame)
Kawatetsu Techno-Construction Co., Ltd.	95.0%	Japan (Tokyo)
Kawatetsu Ferrite Corporation	99.4%	Japan (Tokyo)
Kawasaki Steel Systems R&D Corporation	89.8%	Japan (Tokyo)
Kawasaki Enterprises, Inc.	59.6%	Japan (Tokyo)
Kawatetsu Life Corporation	90.0%	Japan (Kobe)
Philippine Sinter Corporation	100.0%	Philippines (Manila)
Kawasaki LNP, Inc.	100.0%	United States of America (Delaware)

15 Subsequent Events

Cash dividends of the Company's retained earnings for the year ended March 31, 2000 were proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on June 29, 2000, as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥1.5 per share)	¥ 4,877	\$ 45,948