

KAWASAKI STEEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2001 AND 2000

<u>ASSETS</u>	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>2001</u>	<u>2000</u>	<u>U.S. dollars</u>
			<u>(Note 1)</u>
			<u>2001</u>
Current assets:			
Cash and cash equivalents	¥ 24,762	¥ 51,522	\$ 199,862
Short-term investments (Note 3)	611	3,665	4,939
Notes and accounts receivable	330,797	354,499	2,669,878
Allowance for doubtful accounts	(1,132)	(1,295)	(9,142)
Inventories (Note 4)	283,023	294,222	2,284,289
Deferred tax assets (Note 13)	18,699	13,268	150,924
Other current assets	44,446	48,402	358,730
Total current assets	<u>701,209</u>	<u>764,285</u>	<u>5,659,480</u>
Property, plant and equipment:			
Land (Note 6)	277,132	254,344	2,236,745
Buildings and structures	830,046	836,106	6,699,326
Machinery and equipment	2,864,518	2,883,121	23,119,602
Construction in progress	20,731	21,552	167,325
	<u>3,992,429</u>	<u>3,995,124</u>	<u>32,222,998</u>
Accumulated depreciation	(2,877,963)	(2,840,575)	(23,228,116)
Total property, plant and equipment	<u>1,114,465</u>	<u>1,154,549</u>	<u>8,994,882</u>
Investments and other assets:			
Investments in unconsolidated subsidiaries and associates	22,847	24,305	184,405
Investments in securities (Note 3)	185,264	172,874	1,495,277
Long-term receivables, net	14,549	27,018	117,425
Less allowance for doubtful accounts	(34,535)	(55,782)	(278,737)
Deferred tax assets (Note 6 and 13)	47,799	57,729	385,788
Foreign currency translation adjustments	-	51,108	-
Other	128,711	150,976	1,038,832
Total investments and other assets	<u>364,636</u>	<u>428,231</u>	<u>2,942,990</u>
Total assets	<u>¥ 2,180,311</u>	<u>¥ 2,347,066</u>	<u>\$ 17,597,352</u>

The accompanying notes are an integral part of these statements.

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>2001</u>	<u>2000</u>	<u>U.S. dollars</u> <u>(Note 1)</u>
			<u>2001</u>
Current liabilities:			
Short-term bank loans and commercial paper (Note 5)	¥ 168,472	¥ 198,672	\$ 1,359,747
Current portion of long-term debt (Note 5)	217,090	215,682	1,752,139
Notes and accounts payable	226,875	212,180	1,831,117
Accrued income taxes	5,353	3,408	43,208
Deferred tax liabilities (Note 13)	28	2	230
Other current liabilities	166,218	148,240	1,341,555
Total current liabilities	<u>784,038</u>	<u>778,186</u>	<u>6,327,996</u>
Long-term Liabilities:			
Long-term debt (Note 5)	894,473	1,058,660	7,219,320
Accrued severance indemnities (Note 7)	69,181	64,536	558,368
Reserve for repair for blast furnaces	34,887	33,815	281,574
Deferred tax liabilities	25,665	934	207,147
Other liabilities	34,954	32,560	282,120
Total long-term liabilities	<u>1,059,162</u>	<u>1,190,506</u>	<u>8,548,529</u>
Total liabilities	<u>1,843,201</u>	<u>1,968,693</u>	<u>14,876,525</u>
Minority interests	31,542	46,947	254,581
Contingencies (Note 8)			
Shareholders' equity:			
Common stock, par value ¥ 50 per share			
Authorized 5,940,400,000 shares issued			
2001- 3,191,956,286 shares	239,644	-	1,934,177
2000- 3,251,556,286 shares	-	239,644	-
Capital surplus	112,134	119,611	905,044
Consolidated surplus	(48,972)	(25,866)	(395,255)
Net unrealized holding gains on land (Note 6)	16,189	-	130,668
Net unrealized holding gains on securities	35,103	-	283,322
Foreign currency translation adjustments	(46,569)	-	(375,865)
	<u>307,531</u>	<u>333,389</u>	<u>2,482,091</u>
Less, treasury stock, at cost:			
2001- 24,286,631 shares	(1,963)	-	(15,845)
2000- 24,287,133 shares	-	(1,963)	-
Total shareholders' equity	<u>305,567</u>	<u>331,425</u>	<u>2,466,246</u>
Total liabilities and shareholders' equity	<u>¥ 2,180,311</u>	<u>¥ 2,347,066</u>	<u>\$ 17,597,352</u>

KAWASAKI STEEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2001 AND 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
Net sales	¥ 1,315,559	¥ 1,257,401	\$ 10,617,913
Cost of sales	1,061,800	1,040,179	8,569,820
Gross profit	<u>253,758</u>	<u>217,222</u>	<u>2,048,093</u>
Selling, general and administrative expenses	174,368	172,368	1,407,329
Operating income	<u>79,390</u>	<u>44,853</u>	<u>640,764</u>
Non-operating income (expenses):			
Interest and dividend income	5,196	4,875	41,942
Interest expenses	(19,720)	(24,649)	(159,166)
Equity in earnings (loss) of associates	(3,994)	2,747	(32,241)
Other, net	(7,197)	(1,749)	(58,091)
Ordinary profit	<u>53,674</u>	<u>26,076</u>	<u>433,208</u>
Special profit (loss) (Note 15)	(77,586)	(6,559)	(626,199)
Income (loss) before income taxes	<u>(23,911)</u>	<u>19,516</u>	<u>(192,991)</u>
Income taxes (Note 13):			
Current	8,042	5,432	64,914
Deferred	(13,157)	1,346	(106,198)
	<u>(5,115)</u>	<u>6,778</u>	<u>(41,284)</u>
Income (loss) before minority interests	<u>(18,796)</u>	<u>12,737</u>	<u>(151,707)</u>
Minority interests in subsidiaries	(559)	307	(4,517)
Net income (loss)	<u>¥ (18,236)</u>	<u>¥ 12,429</u>	<u>\$ (147,190)</u>

	Yen		U.S. dollars (Note 1)
	2001	2000	2001
Net income (loss) per share	¥ (5.68)	¥ 3.82	\$ (0.046)
Cash dividends per share	1.50	1.50	0.012

The accompanying notes are an integral part of these statements.

KAWASAKI STEEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED MARCH 31, 2001 AND 2000

	Number of shares issued (thousands)	Millions of yen						Consolidated surplus
		Common stock	Capital surplus	Net unrealized holding gains on land	Net unrealized holding gains on securities	Foreign currency translation adjustments		
Balance at April 1, 1999	3,251,555	¥ 239,644	¥ 119,611	¥ —	¥ —	¥ —	¥ 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 stock							(51,552)	
Balance at March 31, 2000	3,251,556	239,644	119,611	—	—	—	(25,866)	
Net income for the year							(18,236)	
Net unrealized holding gains on land				16,189				
Net unrealized holding gains on securities					35,103			
Foreign currency translation adjustments						(46,569)		
Cash dividends							(4,839)	
Bonuses to directors and corporate auditors							(20)	
Decrease due to deconsolidation of subsidiaries and affiliates							(8)	
Retirement of treasury stock	(59,600)		(7,476)					
Balance at March 31, 2001	3,191,956	¥ 239,644	¥ 112,134	¥ 16,189	¥ 35,103	¥ (46,569)	¥ (48,972)	

61

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Net unrealized holding gains on land	Net unrealized holding gains on securities	Foreign currency translation adjustments	Consolidated surplus
Balance at March 31, 2000	\$ 1,934,177	\$ 965,388	\$ —	\$ —	\$ —	\$ (208,771)
Net income for the year						(147,190)
Net unrealized holding gains on land			130,668			
Net unrealized holding gains on securities				283,322		
Foreign currency translation adjustments					(375,865)	
Cash dividends						(39,063)
Bonuses to directors and corporate auditors						(162)
Decrease due to deconsolidation of subsidiaries and affiliates						(69)
Retirement of treasury stock		(60,344)				
Balance at March 31, 2001	\$ 1,934,177	\$ 905,044	130,668	\$ 283,322	\$ (375,865)	\$ (395,255)

The accompanying notes are an integral part of these statements.

KAWASAKI STEEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2001 AND 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
Cash flows from operating activities:			
Net income (loss) before income taxes and minority interests	¥ (23,911)	¥ 19,516	\$ (192,991)
Adjustments for:			
Depreciation and amortization	127,776	140,257	1,031,291
Provision for allowance for doubtful accounts	2,996	(2,018)	24,186
Provision for accrued severance indemnities	4,645	(3,346)	37,493
Provision for allowance for others	1,622	(2,088)	13,097
Interest and dividend income	(5,196)	(4,875)	(41,942)
Interest expenses	19,720	24,649	159,166
Equity in loss (earnings) of associates	3,994	(2,747)	32,241
Profit on sales of marketable securities and investments in securit	(7,824)	(25,842)	(63,148)
Profit on sales of property, plant and equipment	(13,240)	(7,444)	(106,864)
Other adjustments	88,500	35,093	714,288
Change in assets and liabilities:			
Decrease in notes and accounts receivable	23,951	63,243	193,310
Decrease in inventories	8,523	10,649	68,794
Increase (decrease) in notes and accounts payable	14,439	(5,732)	116,545
Other-net	(4,165)	33,863	(33,616)
Subtotal	241,834	273,177	1,951,850
Payments for special retirement	(6,495)	(15,524)	(52,426)
Payments for retirement pension	-	(6,047)	-
Income taxes paid	(5,156)	(4,351)	(41,617)
Other	11,152	(665)	90,008
Net cash provided by operating activities	241,334	246,587	1,947,815
Cash flows from investing activities:			
Interest and dividend income received	7,170	5,024	57,870
Payments for purchase of investments in securities	(9,767)	(5,792)	(78,833)
Proceeds from sales of investments in securities	14,858	46,969	119,925
Payments for purchase of property, plant and equipment	(82,997)	(73,652)	(669,874)
Proceeds from sales of property, plant and equipment	17,333	10,135	139,903
Issuance of loans receivable	(977)	(7,291)	(7,893)
Collection of loans receivable	11,119	13,952	89,746
Other	544	(462)	4,393
Net cash used in investing activities	(42,716)	(11,117)	(344,763)
Cash flows from financing activities:			
Interest expenses paid	(20,943)	(26,327)	(169,038)
Decrease in short-term bank loans, net	(14,633)	(120,238)	(118,108)
Issuance of commercial paper	8,000	-	64,568
Issuance of long-term debt	76,365	206,861	616,351
Repayment of long-term debt	(262,711)	(340,821)	(2,120,352)
Payments for purchase of treasury stock	(7,476)	-	(60,344)
Cash dividends paid	(4,839)	(59)	(39,063)
Other	248	4,485	2,004
Net cash provided by financing activities	(225,991)	(276,100)	(1,823,982)
Effect of exchange rate change on cash and cash equivalents	1,899	(1,367)	15,328
Net decrease in cash and cash equivalents	(25,474)	(41,997)	(205,602)
Cash and cash equivalents at beginning of year	51,522	64,998	415,843
Increase (decrease) in cash and cash equivalents at beginning of year by newly consolidated or deconsolidated subsidiaries	(1,285)	28,522	(10,379)
Cash and cash equivalents at end of year	24,762	¥ 51,522	\$ 199,862

The accompanying notes are an integral part of these statements.