

**KAWASAKI STEEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2002 AND 2001**

<u>ASSETS</u>	Millions of yen		Thousands of U.S. dollars (Note 1)
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Current assets:			
Cash and cash equivalents	102,913	24,762	\$ 772,335
Short-term investments (Note 3)	175	611	1,317
Notes and accounts receivable (Note 5)	220,492	330,797	1,654,731
Allowance for doubtful accounts	(2,441)	(1,132)	(18,326)
Inventories (Note 4)	257,804	283,023	1,934,744
Deferred tax assets (Note 12)	12,720	18,699	95,461
Other current assets	37,939	44,446	284,724
Total current assets	<u>629,604</u>	<u>701,209</u>	<u>4,724,986</u>
Property, plant and equipment :			
Land (Note 5 and 6)	266,671	277,132	2,001,290
Buildings and structures (Note 5)	822,436	830,046	6,172,129
Machinery and equipment (Note 5)	2,617,951	2,864,518	19,646,918
Construction in progress	17,229	20,731	129,305
	<u>3,724,289</u>	<u>3,992,429</u>	<u>27,949,642</u>
Accumulated depreciation	(2,739,571)	(2,877,963)	(20,559,639)
Total property, plant and equipment	<u>984,717</u>	<u>1,114,465</u>	<u>7,390,003</u>
Investments and other assets:			
Investments in unconsolidated associates	29,389	22,847	220,562
Investments in securities (Note 3 and 5)	123,260	185,264	925,034
Long-term receivables, net	25,350	14,549	190,245
Less allowance for doubtful accounts	(26,310)	(34,535)	(197,453)
Deferred tax assets (Note 6 and 12)	69,593	47,799	522,278
Other (Note 5)	95,316	128,711	715,321
Total investments and other assets	<u>316,600</u>	<u>364,636</u>	<u>2,375,987</u>
Total assets	<u>1,930,922</u>	<u>2,180,311</u>	<u>\$ 14,490,976</u>

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Short-term bank loans and commercial paper (Note 5)	85,962	168,472	\$ 645,122
Current portion of long-term debt (Note 5)	205,812	217,090	1,544,561
Notes and accounts payable	168,530	226,875	1,264,769
Accrued income taxes	3,957	5,353	29,698
Deferred tax liabilities (Note 12)	15	28	114
Other current liabilities	154,422	166,218	1,158,895
Total current liabilities	<u>618,700</u>	<u>784,038</u>	<u>4,643,159</u>
Long-term Liabilities:			
Long-term debt (Note 5)	854,543	894,473	6,413,081
Accrued severance indemnities (Note 7)	33,361	69,181	250,365
Reserve for repair for blast furnace	23,213	34,887	174,210
Deferred tax liabilities (Note 6 and 12)	25,290	25,665	189,795
Other liabilities	57,490	34,954	431,451
Total Long-term liabilities	<u>993,898</u>	<u>1,059,162</u>	<u>7,458,902</u>
Total liabilities	<u>1,612,599</u>	<u>1,843,201</u>	<u>12,102,061</u>
Minority interests (Note 6)	33,367	31,542	250,413
Contingencies (Note 8)			
Shareholders' equity :			
Common stock			
Authorized 5,940,400,000 shares			
Issued 3,191,956,286 shares	239,644	239,644	1,798,458
Capital surplus	112,134	112,134	841,538
Consolidated surplus	(51,162)	(48,972)	(383,962)
Net unrealized holding gains on land (Note 6)	13,318	16,189	99,951
Net unrealized holding gains on securities	9,481	35,103	71,154
Foreign currency translation adjustments	(38,436)	(46,569)	(288,453)
	<u>284,979</u>	<u>307,531</u>	<u>2,138,686</u>
Less, treasury stock, at cost:			
2002- 182,877 shares	(24)	-	(184)
2001- 24,286,631 shares	-	(1,963)	-
Total shareholders' equity	<u>284,955</u>	<u>305,567</u>	<u>2,138,502</u>
Total liabilities and shareholders' equity	<u>1,930,922</u>	<u>2,180,311</u>	<u>\$ 14,490,976</u>

**KAWASAKI STEEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED MARCH 31, 2002 AND 2001**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Net sales	1,215,988	1,315,559	\$ 9,125,619
Cost of sales	1,002,719	1,061,800	7,525,098
Gross profit	<u>213,269</u>	<u>253,758</u>	<u>1,600,521</u>
Selling, general and administrative expenses	169,389	174,368	1,271,219
Operating income	<u>43,879</u>	<u>79,390</u>	<u>329,302</u>
Non-Operating income (expenses):			
Interest and dividend income	3,561	5,196	26,728
Interest expenses	(15,598)	(19,720)	(117,065)
Equity in earnings(loss) of associates	(2,689)	(3,994)	(20,183)
Other, net	(4,764)	(7,197)	(35,755)
Ordinary Profit	<u>24,388</u>	<u>53,674</u>	<u>183,027</u>
Special profit (loss) (Note 14)	(7,413)	(77,586)	(55,636)
Income (loss) before income taxes	<u>16,974</u>	<u>(23,911)</u>	<u>127,391</u>
Income taxes: (Note 12)			
Current	7,612	8,042	57,127
Deferred	2,436	(13,157)	18,285
	<u>10,048</u>	<u>(5,115)</u>	<u>75,412</u>
Income (loss) before minority interests	<u>6,926</u>	<u>(18,796)</u>	<u>51,979</u>
Minority interests in subsidiaries	103	(559)	778
Net income (loss)	<u><u>6,822</u></u>	<u><u>(18,236)</u></u>	<u><u>\$ 51,201</u></u>

	Yen		U.S. dollars (Note 1)
	2002	2001	2002
Basic net income (loss) per share:	2.14	(5.68)	\$ 0.016
Cash dividends per share	-	1.50	-

The accompanying notes are an integral part of these statements.

**KAWASAKI STEEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**YEARS ENDED MARCH 31, 2002 AND 2001**

	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, 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 associates							(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)
Net income for the year							6,822
Net unrealized holding gains on land				(2,871)			(4,843)
Net unrealized holding gains on securities					(25,622)		
Foreign currency translation adjustments						8,133	
Cash dividends							(4,751)
Bonuses to directors and corporate auditors							(32)
Sales of treasury stock by subsidiaries							616
Decrease due to deconsolidation of subsidiaries and associates							(2)
Balance at March 31, 2002	3,191,956	239,644	112,134	13,318	9,481	(38,436)	(51,162)

	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, 2001	\$ 1,798,458	\$ 841,538	\$ 121,499	\$ 263,441	\$ (349,491)	\$ (367,520)
Net income for the year						51,201
Net unrealized holding gains on land			(21,548)			(36,349)
Net unrealized holding gains on securities				(192,287)		
Foreign currency translation adjustments					61,038	
Cash dividends						(35,659)
Bonuses to directors and corporate auditors						(242)
Sales of treasury stock by subsidiaries						4,624
Decrease due to deconsolidation of subsidiaries and associates						(17)
Balance at March 31, 2002	\$ 1,798,458	\$ 841,538	\$ 99,951	\$ 71,154	\$ (288,453)	\$ (383,962)

The accompanying notes are an integral part of these statements.

**KAWASAKI STEEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2002 AND 2001**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Cash flows from operating activities:			
Net income(loss) before income taxes and minority interests	16,974	(23,911)	\$ 127,391
Adjustments for:			
Depreciation and amortization	123,084	127,776	923,711
Provision for allowance for doubtful accounts	15,144	2,996	113,657
Provision for accrued severance indemnities	5,696	4,645	42,751
Provision for allowance for special repair	(11,673)	-	(87,607)
Provision for allowance for others	278	1,622	2,089
Interest and dividend income	(3,561)	(5,196)	(26,728)
Interest expenses	15,598	19,720	117,065
Equity in loss of associates	2,689	3,994	20,183
Profit on sales of property, plant and equipment	(21,478)	(13,240)	(161,192)
Profit on sales of investments in securities	(2,339)	(7,824)	(17,554)
Profit on sales of stock of subsidiaries	(16,926)	-	(127,031)
Other adjustments	25,750	88,500	193,247
Change in assets and liabilities			
Decrease in notes and accounts receivable	33,783	23,951	253,538
Decrease in inventories	16,994	8,523	127,538
Increase (decrease) in notes and accounts payable	(44,551)	14,439	(334,342)
Other-net	25,923	(4,165)	194,547
Sub total	181,388	241,834	1,361,263
Payments for financial assistance to an associate	(34,500)	-	(258,912)
Payments for special retirement	(5,220)	(6,495)	(39,175)
Income taxes paid	(8,737)	(5,156)	(8,489)
Other	(1,131)	11,152	(65,576)
Net cash provided by operating activities	131,799	241,334	989,111
Cash flows from investing activities:			
Interest and dividend income received	4,457	7,170	33,453
Payments for purchase of investments in securities	(19,386)	(9,767)	(145,492)
Payments for purchase of stock of subsidiaries	(24,684)	-	(185,247)
Proceeds from sales of investments in securities	14,424	14,858	108,254
Proceeds from sales of stock of deconsolidated subsidiaries	32,391	-	243,090
Payments for purchase of property, plant and equipment	(118,581)	(82,997)	(889,921)
Proceeds from sales of property, plant and equipment	35,788	17,333	268,585
Issuance of loans receivable	(1,793)	(977)	(13,457)
Collection of loans receivable	2,766	11,119	20,760
Other	(1,569)	544	(11,776)
Net cash used in investing activities	(76,186)	(42,716)	(571,751)
Cash flows from financing activities:			
Interest expenses paid	(16,974)	(20,943)	(127,390)
Increase (decrease) in short-term bank loans, net	6,234	(14,633)	46,792
Issuance of commercial paper	43,000	8,000	322,702
Issuance of long-term debt	430,192	76,365	3,228,465
Repayment of long-term debt	(438,723)	(262,711)	(3,292,485)
Payment for purchase of treasury stock	-	(7,476)	-
Proceeds from sales of Parent stock held by subsidiaries	3,034	-	22,773
Cash dividends paid	(4,764)	(4,839)	(35,753)
Other	(841)	248	(6,317)
Net cash provided by (used in) financing activities	21,158	(225,991)	158,787
Effect of exchange rate change on cash and cash equivalents	1,512	1,899	11,349
Net increase (decrease) in cash and cash equivalents	78,283	(25,474)	587,496
Cash and cash equivalents at beginning of year	24,762	51,522	185,837
Decrease in cash and cash equivalents of deconsolidated subsidiaries at beginning of year	(132)	(1,285)	(998)
Cash and cash equivalents at end of year	102,913	24,762	\$ 772,335

The accompanying notes are an integral part of these statements.