

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2002 AND 2001

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 their 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.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2002, which was ¥133.25 to US\$1.00. These convenience 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 intercompany transactions and accounts are eliminated.

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

(b) Translation of Foreign Currencies

Revenues and expenses are translated at the rates of exchange prevailing when transactions are made, and 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. Revenue and expenses are also translated at the exchange rates in effect on the respective balance sheet dates.

(c) Cash and Cash Equivalents

For the purposes of the statements of cash flow, 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

Securities are classified into four categories: trading securities, held-to-maturity debt securities, investments in associates, and other securities.

(Trading Securities)

The Group has no trading securities.

(Held-to-maturity debt securities and other securities)

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates the classification as of each balance sheet date. Debt securities are classified as held-to-maturity when the Group has the positive intent and ability to hold the securities to maturity. Held-to-maturity debt securities are stated at amortized cost adjusted for the amortization of premiums and the accretion of discounts to maturity.

(Investments in associates)

Investments in consolidated associates are reflected in assets by equity method.

Investments in unconsolidated subsidiaries and associates, not reflected in assets by equity method, are carried at cost. The cost is determined by the moving average method.

(Other securities)

Securities not classified as trading securities, held-to-maturity debt securities and investments in associates are classified as other securities.

Marketable other securities are carried at fair value with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity. Under the Code, unrealized holding gains on securities, net of related taxes is not available for distribution as dividends and bonuses to directors and corporate auditors. The amortized cost of debt securities in this category is adjusted for the amortization of premium and the accretion of discounts to maturity. Realized gains and losses and declines in value judged to be other than temporary on other securities are charged to income.

Unmarketable other securities 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 using 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) Accrued Severance Indemnities

Accrued severance indemnities are provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at the end of the annual period.

Prior service cost is amortized in projected average years employees work for from the current fiscal year.

Actuarial losses are amortized in projected average years employees work for from the following fiscal year.

The transition obligation at the date of adoption of the new Accounting Standard for Retirement

Benefits standards, ¥51,001 million (\$382,752 thousand), is amortized in 5 years from fiscal year 2000.

(h) Leases

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

(i) Research and Development and Computer Software

Research and development expenditure is charged to income when incurred. Expenditure related to computer software developed for internal use is charged to income when incurred, except if it contributes to the generation of income or to future cost saving. Such expenditure is capitalized as an asset and is amortized using the straight-line method over its estimated useful life, which is in the range of 5 years.

(j) Income Taxes

In accordance with accounting principles generally accepted in Japan, the Group recognizes deferred income taxes arising from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

(k) Per Share Information

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. The average number of shares used in the computation was 3,186,303 thousand and 3,212,779 thousand for the years ended March 31, 2002 and 2001, respectively.

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

3 Short-term Investments, and Investments in Securities and Associates

The following is a summary of held-to-maturity debt securities and other securities at March 31, 2001:

	Millions of yen			
	March 31, 2001			
	Held-to-maturity debt securities			
	Book value (Carrying amount)	Gross unrealized gains	Gross unrealized losses	(Estimated fair value)
Market value available:				
Bonds	¥ 494	¥ 12	-	¥ 506
	¥ 494	¥ 12	-	¥ 506
Market value not available	607	-	-	-
Total	¥ 1,102	¥ 12	-	¥ 506

	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Market value available:				
Equity securities	¥ 88,638	¥ 62,744	¥ (1,794)	¥ 149,589
Other securities	10	-	(1)	8
	¥ 88,648	¥ 62,744	¥ (1,796)	¥ 149,597
Market value not available	-	-	-	35,177
Total	¥ 88,648	¥ 62,744	¥ (1,796)	¥ 184,774

The following is a summary of held-to-maturity debt securities and other securities at March 31, 2002:

	Millions of yen			
	March 31, 2002			
	Held-to-maturity debt securities			
	Book value (Carrying amount)	Gross unrealized gains	Gross unrealized losses	(Estimated fair value)
Market value available:				
Bonds	¥ 294	¥ 6	-	¥ 300
Total	¥ 294	¥ 6	-	¥ 300

	Other securities			
	Cost	Gross unrealized gains	Gross unrealized losses	Book value (Estimated fair value)
Market value available:				
Equity securities	¥ 61,302	¥ 27,069	¥ (8,745)	¥ 79,625
	¥ 61,302	¥ 27,069	¥ (8,745)	¥ 79,625
Market value not available	-	-	-	43,516
Total	¥ 61,302	¥ 27,069	¥ (8,745)	¥ 123,142

	Thousands of U.S. dollars			
	March 31, 2002			
	Held-to-maturity debt securities			
	Book value (Carrying amount)	Gross unrealized gains	Gross unrealized losses	(Estimated fair value)
Market value available:				
Bonds	\$ 2,207	\$ 52	-	\$ 2,258
Total	\$ 2,207	\$ 52	-	\$ 2,258

	Other securities			Book value (Estimated fair value)
	Cost	Gross unrealized gains	Gross unrealized losses	
Market value available:				
Equity securities	\$ 460,054	\$ 203,146	\$ (65,632)	\$ 597,568
	\$ 460,054	\$ 203,146	\$ (65,632)	\$ 597,568
Market value not available	-	-	-	\$ 326,576
Total	\$ 460,054	\$ 203,146	\$ (65,632)	\$ 924,144

4 Inventories

Inventories at March 31, 2002 and 2001 comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished goods	¥ 80,617	¥ 86,064	\$ 605,009
Work in process	77,070	92,144	578,392
Raw materials and supplies	100,116	104,815	751,343
	¥ 257,804	¥ 283,023	\$ 1,934,744

5 Short-term Bank Loans, Commercial Paper and Long-term Debt

The annual average interest rates of short-term bank loans and commercial paper at March 31, 2002 and 2001 are 0.51% and 1.17%, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Domestic unsecured convertible bonds due 2004	¥ 69,136	¥ 69,886	\$ 518,844
Domestic unsecured bonds due 2001 – 2010	300,000	270,000	2,251,407
Euro yen bonds due serially 2001 – 2002	-	3,050	-
Loans from banks and insurance companies due 2001 – 2033:			
Secured loans	53,044	137,548	398,083
Unsecured loans	638,775	631,078	4,789,308
	1,060,355	1,111,563	7,957,642
Less, current portion	205,812	217,090	1,544,561
	¥ 854,543	¥ 894,473	\$ 6,413,081

Aggregate annual maturities of long-term debt subsequent to March 31, 2002 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 205,812	\$ 1,544,561
2004	213,861	1,604,966
2005	383,333	2,876,799
2006	71,823	539,010
2007 and thereafter	185,524	1,392,306
	¥ 1,060,355	\$ 7,957,642

Note: Early redemption of the Convertible Bond was resolved at the board meeting on May 9, 2002. The detail of the redemption is as follows:

- Method of early redemption: Full amount of outstanding balance as of September 25, 2002
- Original redemption date: June 30, 2004
- Early redemption date: September 25, 2002
- Outstanding balance on March 31, 2002: ¥69,136 million
- Redemption price: ¥102 for par value (¥100)
- Condition of the redemption:
 - Each ordinary general meeting of shareholders meetings of KSC and NKK in June 26, 2002 resolves the establishment of a Wholly-owning Parent Company (JFE Holdings, Inc) through stock-for-stock exchange. *(These proposals are already resolved.)*

At March 31, 2002 and 2001, assets pledged as collateral for long-term debt, including the current portion of long-term debt, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Land	¥ 96,676	¥ 111,863	\$ 725,528
Buildings and structures	25,504	35,299	191,406
Machinery and equipment	12,895	13,518	96,776
Investments in securities	6,513	6,304	48,880
Notes and accounts receivable	5,092	12,311	38,216
Others	87	205	656

6 Revaluation of Land for Business

In fiscal year 2001, part of the subsidiaries and associates revaluated the land for business purposes based on the Law concerning Revaluation of Land and its amendment on March 31, 2001.

Evaluation differences, net of the portion charged to “Deferred tax assets”, “Deferred tax liabilities” and “Minority interests”, were recorded at “Net unrealized holding gains on land” in shareholders’ equity.

As a result, “Total assets” increased by ¥251 million (\$1,888 thousand), “Total liabilities” increased by ¥196 million (\$1,471 thousand), “Minority interests” increased by ¥11 million (\$85 thousand), and “Total shareholders’ equity” increased by ¥44 million (\$332 thousand), respectively.

- Method of revaluation : Calculations were made in accordance with article 2.3 of the Law concerning Revaluation of Land
- Date of revaluation : March 31, 2002
- Book-value of the land before revaluation : ¥379 million (\$2,847 thousand)

- Book-value of the land after the revaluation : ¥439 million (\$3,301 thousand)

Also in fiscal year 2000, part of the subsidiaries revaluated the land for business purposes based on this law. On March 31, 2002, the fair value of these lands is lower than the revaluated book-value. The difference is ¥6,090 million (\$45,711 thousand).

7 Accrued Severance Indemnities

The following tables set forth the changes in the benefit obligation, plan assets and funded status of the Company and its subsidiaries at March 31, 2002 and 2001.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Benefit obligation at end of year	¥ (239,333)	¥ (244,913)	\$ (1,796,119)
Fair value of plan assets at end of year	163,756	128,593	1,228,944
Benefit obligation in excess of plan assets	(75,576)	(116,319)	(567,176)
Unrecognized plan assets	-	(48)	-
Unrecognized net transition obligation at date of adoption	28,989	39,829	217,559
Unrecognized actuarial losses	25,445	12,332	190,962
Unrecognized prior service cost	(3,479)	284	(26,109)
	(24,619)	(63,922)	(184,764)
Prepaid cost	8,741	5,259	65,602
Accrued pension liability recognized in the consolidated balance sheet	¥ (33,361)	¥ (69,181)	\$ (250,365)

Note: Some domestic subsidiaries have adopted allowed alternative treatment of the accounting standards for retirement benefits for small business entities.

Severance and pension costs of the Company and its subsidiaries included the following components for the year ended March 31, 2002 and 2001.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥ 8,246	¥ 8,025	\$ 61,891
Interest cost	7,088	6,889	53,195
Expected return on plan assets	(5,002)	(4,895)	(37,540)
Amortization:			
Transition obligation at date of adoption	10,196	11,362	76,524
Actuarial losses	1,236	9	9,279
Prior service cost	89	35	675
Net periodic benefit cost	¥ 21,856	¥ 21,426	\$164,024

The assumptions used in accounting for the defined benefit plans for the year ended March 31, 2002 and 2001 were mainly as follows:

Method of attributing benefit to periods of service	Straight - Line basis
Discount rate	3.0%
Long-term rate of return on plan assets	4.1%
Amortization period for prior service cost	12 years
Amortization period for actuarial losses	12 years
Amortization period for transition obligation at date of adoption	5 years

8 Contingencies

At March 31, 2002 and 2001 the Group was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Guarantees of loans	¥ 7,284	¥ 7,396	\$ 54,668
Similar - to - guarantee acts	¥ 481	¥ 12,409	\$ 3,610
Trade notes discounted	¥ 1,735	¥ 3,437	\$ 13,027
Trade notes endorsed	¥ 2,352	¥ 2,324	\$ 17,658
Other contingencies	¥ 3,180	¥ -	\$ 23,869

9 Leases

The Group leases certain buildings and structures, machinery and equipment, office space and other assets. Total lease payments under these leases were ¥417 million (\$3,131 thousand) and ¥413 million for the years ended March 31, 2002 and 2001, respectively.

Pro forma information on leased property, such as acquisition costs, accumulated depreciation and future minimum lease payments for property held under finance leases which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2002 and 2001 was as follows:

(Note) The group sold its leasing business on March 29, 2002, consequently there are lots of differences between fiscal 2002 and 2001.

	Millions of yen		
	2002		
	Machinery and equipment	Others	Total
Acquisition costs	¥ 51,027	¥ 15,575	¥ 66,603
Accumulated depreciation	28,110	9,262	37,373
Net leased property	¥ 22,916	¥ 6,313	¥ 29,230

	Millions of yen		
	2001		
	Machinery and equipment	Others	Total
Acquisition costs	¥ 2,306	¥ -	¥ 2,306
Accumulated depreciation	1,487	-	1,487
Net leased property	¥ 819	¥ -	¥ 819

	Thousands of U.S. dollars		
	2002		
	Machinery and equipment	Others	Total
Acquisition costs	\$ 382,948	\$ 116,890	\$ 499,838
Accumulated depreciation	210,963	69,512	280,475
Net leased property	\$ 171,985	\$ 47,378	\$ 219,363

Future minimum lease payments under finance leases as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2001
Due within one year	¥ 9,106	¥ 325	\$ 68,344
Due after one year	20,123	493	151,019
Total	¥ 29,230	¥ 819	\$ 219,363

The 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 statements of income, computed by the straight-line method, were ¥417 million (\$3,131 thousand) and ¥413 million for the years ended March 31, 2002 and 2001, respectively.

Due to sales of leasing business, the group did not have the obligations as of March 31, 2002. The detail as of March 31, 2001 was as follows:

	Millions of yen
	2001
Due within one year	¥ 367
Due after one year	1,739
Total	¥ 2,106

Total lease payments receivable were ¥22,817 million for the year ended March 31, 2001.

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, 2001 was as follows:

	Millions of yen		
	2001		
	Machinery and equipment	Others	Total
Acquisition costs	¥ 93,943	¥ 12,253	¥ 106,196
Accumulated depreciation	44,929	6,691	51,621
Net leased property	¥ 49,014	¥ 5,561	¥ 54,575

Future minimum lease payments receivable under finance leases as of March 31, 2001 were as follows:

	Millions of yen
	2001
Due within one year	¥ 18,567
Due after one year	35,480
Total	¥ 54,048

The 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 ¥17,832 for the year ended March 31, 2001.

Future minimum lease payments receivable under non-cancelable operating leases as of March 31, 2001 were as follows:

	<u>Millions of yen</u>	
	<u>2001</u>	
Due within one year	¥	278
Due after one year		325
Total	¥	<u>603</u>

10 Derivatives and Hedging Activities

The Group 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 Group 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 Group 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 credit ratings.

11 Research and Development

Research and development expenditures charged to income were ¥18,547 million (\$139,190 thousand) and ¥19,336 million for the years ended March 31, 2002 and 2001, respectively.

12 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, 2002 and 2001. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The effective tax rate for the two years ended March 31, 2002 and 2001 differs from the statutory tax rate for the following reasons:

	<u>2002</u>		<u>2001</u>	
Statutory tax rate	41.0	%	41.0	%
Lump-sum amortization of goodwill on consolidation and equity of associates	13.5		(10.3)	
Equity in net losses of associates	6.5		(6.9)	
Others	(1.8)		(2.4)	
Effective tax rate	<u>59.2</u>	%	<u>21.4</u>	%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2002 and 2001 are presented below:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
	<u>2002</u>	<u>2002</u>
Deferred tax assets:		
Operating loss carry-forwards	¥ 37,065	\$ 278,168
Write-down of investments in securities	35,192	264,105
Accrued severance indemnities	6,405	48,068
Allowance for doubtful accounts	5,810	43,605
Accrued expenses	5,051	37,912
Unrealized holding losses on land	2,545	19,101
Others	20,029	150,312
Subtotal	<u>112,099</u>	<u>841,271</u>
Less valuation allowance	<u>(24,163)</u>	<u>(181,336)</u>
Total deferred tax assets	<u>87,936</u>	<u>659,935</u>
Deferred tax liabilities:		
Unrealized holding gains on land	(19,950)	(149,720)
Unrealized holding gains on securities	(6,808)	(51,099)
Reserve for advanced depreciation of property	(3,311)	(24,849)
Others	(857)	(6,438)
Total deferred tax liabilities	<u>(30,928)</u>	<u>(232,106)</u>
Net deferred tax assets	<u>¥ 57,008</u>	<u>\$ 427,829</u>

	<u>Millions of yen</u>
	<u>2001</u>
Deferred tax assets:	
Operating loss carry-forwards	¥ 45,387
Accrued severance indemnities	20,011
Write-down of investments in securities	19,964
Elimination of intercompany profits	10,627
Unrealized holding losses on land	5,152
Accrued expenses	4,211
Others	24,804
Subtotal	<u>130,159</u>
Less valuation allowance	<u>(19,021)</u>
Total deferred tax assets	<u>111,137</u>
Deferred tax liabilities:	
Unrealized holding gains on securities	(24,209)
Unrealized holding gains on land	(23,613)
Reserve for advanced depreciation of property	(17,258)
Others	(5,251)
Total deferred tax liabilities	<u>(70,333)</u>
Net deferred tax assets	<u>¥ 40,804</u>

13 Segment Information

Information about operations in industry segments, geographic segments and sales to foreign customers of the Group for the years ended March 31, 2002 and 2001, is as follows:

(1) Industry Segments

Sales:	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Steel			
Sales to customers	¥ 896,697	¥ 990,465	\$ 6,729,435
Intersegment	6,359	5,132	47,723
Total sales	¥ 903,056	¥ 995,598	\$ 6,777,158
Engineering			
Sales to customers	¥ 124,692	¥ 102,031	\$ 935,776
Intersegment	7,767	3,088	58,294
Total sales	¥ 132,459	¥ 105,120	\$ 994,070
Chemical			
Sales to customers	¥ 75,722	¥ 81,180	\$ 568,277
Intersegment	1,021	1,523	7,664
Total sales	¥ 76,744	¥ 82,703	\$ 575,941
LSI/IT			
Sales to customers	¥ 44,957	¥ 52,884	\$ 337,394
Intersegment	14,158	14,252	106,256
Total sales	¥ 59,116	¥ 67,137	\$ 443,650
Lease/Group Finance			
Sales to customers	¥ 45,225	¥ 50,471	\$ 339,406
Intersegment	30,438	17,190	228,428
Total sales	¥ 75,663	¥ 67,661	\$ 567,834
Others			
Sales to customers	¥ 28,692	¥ 38,524	\$ 215,331
Intersegment	4,891	6,076	36,706
Total sales	¥ 33,583	¥ 44,601	\$ 252,037
Elimination/Corporate			
Sales to customers	¥ -	¥ -	\$ -
Intersegment	(64,635)	(47,263)	(485,071)
Total sales	¥ (64,635)	¥ (47,263)	\$ (485,071)
Consolidated Total			
Sales to customers	¥ 1,215,988	¥ 1,315,559	\$ 9,125,619
Intersegment	-	-	-
Total sales	¥ 1,215,988	¥ 1,315,559	\$ 9,125,619

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Operating Expenses:			
Steel	¥ 867,814	¥ 929,426	\$ 6,512,675
Engineering	133,618	106,369	1,002,764
Chemical	72,598	76,028	544,828
LSI/IT	61,267	64,377	459,792
Lease/Group Finance	72,435	65,871	543,609
Others	29,292	40,878	219,828
Elimination/Corporate	(64,916)	(46,784)	(487,180)
Consolidated total	¥ 1,172,109	¥ 1,236,168	\$ 8,796,316

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Operating Income:			
Steel	¥ 35,242	¥ 66,171	\$ 264,483
Engineering	(1,158)	(1,249)	(8,694)
Chemical	4,145	6,675	31,113
LSI/IT	(2,150)	2,759	(16,142)
Lease/Group Finance	3,228	1,789	24,225
Others	4,291	3,722	32,209
Elimination/Corporate	280	(478)	2,108
Consolidated total	¥ 43,879	¥ 79,390	\$ 329,302

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Assets:			
Steel	¥ 1,249,737	¥ 1,305,555	\$ 9,378,898
Engineering	119,876	120,000	899,636
Chemical	33,156	64,821	248,830
LSI/IT	50,192	46,106	376,681
Lease/Group Finance	91,545	296,774	687,021
Others	293,578	281,185	2,203,214
Elimination/Corporate	92,834	65,868	696,696
Consolidated total	¥ 1,930,922	¥ 2,180,311	\$ 14,490,976

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Depreciation:			
Steel	¥ 80,596	¥ 86,849	\$ 604,856
Engineering	2,303	2,529	17,290
Chemical	4,440	4,101	33,328
LSI/IT	4,225	3,446	31,710
Lease/Group Finance	30,560	29,675	229,344
Others	2,474	2,409	18,569
Elimination/Corporate	(1,517)	(1,234)	(11,386)
Consolidated total	¥ 123,084	¥ 127,776	\$ 923,711

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Capital expenditures:			
Steel	¥ 65,387	¥ 46,529	\$ 490,716
Engineering	1,198	1,781	8,997
Chemical	5,381	4,432	40,386
LSI/IT	4,139	3,302	31,063
Lease/Group Finance	39,488	28,562	296,350
Others	6,125	2,610	45,971
Elimination/Corporate	(1,040)	(1,713)	(7,811)
Consolidated total	¥ 120,680	¥ 85,505	\$ 905,672

(2) Geographic Segments

Geographic segment information has not been disclosed because the sales and assets of consolidated foreign subsidiaries for the years ended March 31, 2002 and 2001 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, 2002 and 2001 amounted to ¥340,551 million (\$2,555,736 thousand) and ¥315,669 million, respectively.

14 Special Profit (Loss)

In March 31, 2002 and 2001, special profit (loss) consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
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 stocks of subsidiaries	16,926	-	127,031
Reversal of allowance for special repairs	6,924	-	51,969
Profit on creation of retirement benefit trust	35,270	901	264,691
Loss on disposal of tangible fixed assets	-	(7,707)	-
Write-down of investments in securities	(14,058)	(52,654)	(105,505)
Write-down of inventories - real estate for sale -	(3,635)	(1,909)	(27,283)
Lump-sum amortization of goodwill on consolidation and equity of subsidiaries and associates	(1,937)	(6,012)	(14,542)
Write-down of memberships in golf clubs	-	(4,598)	-
Allowance for doubtful receivables in and advances	(19,327)	-	(145,044)
Loss on financial assistance to Kawasho Corp.	(34,500)	-	(258,911)
Loss on liquidation of affiliates' businesses	(1,668)	-	(12,522)
Loss on restructuring of businesses	-	(9,122)	-
Expenses on special retirement payments	(5,220)	(6,495)	(39,175)
Amortization of transition obligation on accrued severance indemnities	(10,005)	(11,051)	(75,091)
	¥ (7,413)	¥ (77,586)	\$ (55,636)

15 Significant Subsidiaries

The Company's significant subsidiaries are as follows:

Name	Ownership interest	Country of incorporation (location of head office)
Daiwa Steel Corporation	73.6%	Japan (Kobe)
Kawatetsu Galvanizing Co., Ltd.	65.0%	Japan (Tokyo)
Kawasaki Steel Metal Products & Engineering Inc.	100.0%	Japan (Kobe)
Kawasaki Steel Container Co., Ltd.	40.6%	Japan (Itami)
Toyohira Steel Corporation	43.4%	Japan (Sapporo)
Kawatetsu Mining Co., Ltd.	68.6%	Japan (Tokyo)
Kawatetsu Transportation & Technology Co., Ltd.	99.7%	Japan (Kobe)
Mizushima Ferro-Alloy Co., Ltd.	88.1%	Japan (Kurashiki)
Kawatetsu Machinery Co., Ltd.	100.0%	Japan (Tokyo)
Kawasaki Refractories Co., Ltd.	98.7%	Japan (Ako)
River Steel Co., Ltd.	90.0%	Japan (Yokohama)
Kawatetsu Kozai Kogyo Kaisha, Ltd.	79.4%	Japan (Osaka)
Kawatetsu Kohnan Steel Center Co., Ltd.	75.0%	Japan (Kobe)
Kawasaki Steel Techno-Wire Corporation	100.0%	Japan (Chiba)
Kawatetsu Electrical Steel Co., Ltd.	98.0%	Japan (Osaka)
Kawatetsu Steel Tube Co., Ltd.	100.0%	Japan (Chiba)
Kawasaki Steel Techno-Research Corporation	100.0%	Japan (Tokyo)
Kawatetsu Electric Engineering Co., Ltd.	100.0%	Japan (Kobe)
Touhoku Steel Corporation	87.5%	Japan (Sendai)
Yabumoto Corp.	57.1%	Japan (Osaka)
Kawasaki Steel Civil Engineering & Constructions Corp.	100.0%	Japan (Tokyo)
Kawasaki Steel Lease System Corp.	100.0%	Japan (Tokyo)
Kawatetsu Ferrite Corporation	100.0%	Japan (Tokyo)
Kawasaki Microelectronics, Inc.	100.0%	Japan (Chiba)
Kawatetsu Systems, Inc.	67.7%	Japan (Tokyo)
KGF Corporation	100.0%	Japan (Tokyo)
KSC Urban Development Co., Ltd.	70.2%	Japan (Tokyo)
KGR Corporation	100.0%	Japan (Kobe)
Kawatetsu Life Corporation	100.0%	Japan (Kobe)
Philippine Sinter Corporation	100.0%	Philippines (Manila)

16 Subsequent Events

(a) The Agreement for Consolidation of Kawasaki Steel and NKK

Kawasaki Steel Corporation ("KSC") and NKK Corporation ("NKK") have entered into the Agreement for Consolidation, which was approved at the respective both annual shareholders' meetings on June 26, 2002.

1. Establishment of JFE Holdings, Inc.

KSC and NKK will jointly establish a Holding Company and become respectively a 100% subsidiary of the Holding Co. by the "stock-for-stock exchange" method on September 27, 2002.

2. Conditions of Stock-for-Stock Exchange

(1) Scheduled date for Stock-for-Stock Exchange

September 26, 2002

(2) Exchange Ratios

1,000 shares of KSC common stock for 100 shares of JFE Holdings common stock

1,000 shares of NKK common stock for 75 shares of JFE Holdings common stock

3. Capital of JFE Holdings, Inc.

The capital will be 100 billion yen, and the rest of total shareholder's equities of KSC and NKK on the date for Stock-for-Stock Exchange will be Capital surplus as Additional paid-in capital.