

SELECTED FINANCIAL DATA

<Consolidated >

(Billions of Yen)

Items	Six months ended Sept 30, 2001	Six months ended Sept. 30, 2002	Increase (Decrease)	Year ended March 31,2002
Net sales	763.0	612.1	(150.9)	1,653.5
Operating income ( loss )	1.6	22.1	20.5	(7.6)
Net income ( loss )	(19.0)	0.5	19.5	(67.5)
( Deficit ) Retained earnings	37.1	(9.8)	(46.9)	(10.9)
ROA *1	% 0.2	% 2.0	% 1.8	% (0.1)
Free cash flow *2	87.7	28.0	(59.7)	78.9
Total assets	2,510.8	2,158.4	(352.4)	2,227.3
Debt	1,215.9	1,110.0	(105.9)	1,109.3

\*1 ROA (annual basis) = ordinary income before interest expenses ÷ total assets (average)

\*2 Free cash flow = operating cash flow + investment cash flow

National Steel Corp. filed the petition for reorganization under Chapter 11 of U.S. Bankruptcy Code on March 6, 2002. National Steel Corp. is not consolidated in the balance sheet of March 31,2002 and the financial statements for the six months ended September 30, 2002.

However, ROA (year ended March 31,2002) is calculated with total assets including National Steel's assets.

( Reference ) Non-Consolidated

(Billions of Yen)

Items	Six months ended Sept. 30, 2001	Six months ended Sept. 30, 2002	Increase (Decrease)	Year ended March 31,2002
Net sales	435.3	449.2	13.9	955.5
Operating income	9.3	11.3	2.0	12.1
Net income ( loss )	(3.0)	8.9	11.9	(18.5)
Debt	827.5	902.0	74.5	884.0

## **Management Policy**

JFE Holdings, Inc. was established on September 27, 2002, with the transfer of shares from NKK and Kawasaki Steel. As a holding company, it leads the new JFE Group, of which NKK and Kawasaki Steel are wholly owned subsidiaries.

The management policy and financial targets for the JFE Group are stated in the “Consolidated Financial Results for the 1st Half of Fiscal Year ending March 31, 2003 (Six months ended September 30, 2002)” of JFE Holdings, Inc.

## **Business Results and Financial Position**

1. Business Results for the first half of fiscal year ending March 31, 2003. (April 1 to September 30, 2002)

### 1) Overview

Conditions continued to be severe for the Japanese economy during the first half of fiscal year ending March 31, 2003. Exports increased, but consumer spending slumped and private-sector capital investment declined.

NKK endeavored throughout the first half to fortify earnings for the whole group, including an acceleration of the synergy effects from the consolidation with Kawasaki Steel.

The NKK group posted net sales of 612.1 billion yen. While this figure was a year-on-year decline largely due to the exclusion of National Steel’s sales, operating income was 22.1 billion yen and ordinary income was 8.6 billion yen, both large increases from a year earlier. The increases can be partially attributed to exclusion of National Steel’s losses from the consolidated statements. The group also recorded special credits on the sale of businesses following reorganization of the shipbuilding division and special charges on amortization of transitional obligations for employees’ retirement benefits. The result was a net income of 0.5 billion yen.

### 2) Overview by Business Sector

#### a) Steel Business

Domestic demand for steel was weak due to continued low demand from the construction and manufacturing sectors. However, exports, primarily to Asia, recorded improvements in both volume and price.

In the recycling business, waste plastics recycling for blast furnace feed progressed steadily.

Net sales declined from a year earlier to 442.1 billion yen because of exclusion of National Steel. However, operating income rose substantially to 19.1 billion yen, due

to exclusion of National Steel from the statements and the achievement of cost savings targets.

#### b) Engineering Business

The public and private-sector markets were both severe, and order bookings declined from a year earlier to 146.0 billion yen, despite concerted group-wide sales efforts. The total order backlog at the end of the first half also declined to 335.9 billion yen, impacted by the sale of shipbuilding operations.

Net sales increased from a year earlier to 184.9 billion yen, primarily from pipelines, municipal waste disposal plants, bridges, oil tankers and civil engineering projects. Operating income was 5.3 billion yen, roughly on par with last year's first half figures, thanks to determined cost reduction efforts in the face of worsening market conditions.

#### c) Other Businesses

The urban development business recorded sales and operating income below last year's first half levels, since condominium sales for the current fiscal year ending March 31, 2003, are concentrated in the second half.

Sales of other businesses came to 11.7 billion yen, a year-on-year decline, due to reclassification of EXA Corporation from a consolidated subsidiary to an equity-method affiliate at the beginning of the second half of last fiscal year. Operating income declined to 0.5 billion yen.

### 2. Financial Position

#### Cash Flow and Borrowings

Cash flow from operations recorded income of 60.1 billion yen during the first half thanks to net income before income taxes and minority interests and reductions in receivables. Cash flow from investments recorded expenditures of 32.1 billion yen primarily for the acquisition of tangible fixed assets. This resulted in free cash flow, defined as the sum of flows from operations and investments, of 28.0 billion yen.

This free cash flow increased the company's cash and deposits to prepare for bond redemptions and debt repayments during the second half.

Consolidated outstanding debt at the end of the first half came to 1,110.0 billion yen, roughly on par with the end of the previous fiscal year. Cash and cash equivalents at the midterm end were 90.1 billion yen, an increase of 26.9 billion yen compared to the end of the previous fiscal year.

### 3. Interim Dividend Payment to JFE Holdings

NKK decided to pay an interim dividend totaling 6.0 billion yen to its parent company, JFE Holdings, Inc. considering the first-half results as well as reserves on hand.