

Consolidated Financial Results for Fiscal Year ended March 2003

(All financial information has been prepared in accordance with generally accepted accounting principles in Japan)
English translation from the original Japanese document

May 22, 2003

Company name : JFE Holdings, Inc.
Stock exchange on which the stock is listed : Tokyo, Osaka, and Nagoya
Stock Exchanges in Japan
Code number : 5411
Location of the head office : 1-1-2, Marunouchi, Chiyoda-ku, Tokyo
URL : <http://www.jfe-holdings.co.jp/>

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Date of the board meeting for the financial results of Fiscal Year ended March 31, 2003 : May 22, 2003

1. Highlights of Consolidated Results for Fiscal Year ended March 31, 2003

(1) Statements of Income

	Net sales	(% of change from previous year)	Operating income	(% of change from previous year)	Ordinary income	(% of change from previous year)
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal Year ended March 31, 2003	2,426,886	-	146,879	-	104,670	-
Fiscal Year ended March 31, 2002	-	-	-	-	-	-

	Net income	(% of change from previous year)	Net income per share (EPS)	ROE	ROA (Ordinary income divided by total assets)	ROS (Ordinary income divided by net sales)
	(Millions of yen)	%	(yen)	%	%	%
Fiscal Year ended March 31, 2003	15,951	-	27.79	2.7	2.7	4.3
Fiscal Year ended March 31, 2002	-	-	-	-	-	-

Note1: Equity in earnings of affiliates (Millions of Yen) Fiscal Year ended March 31, 2003 5,925
Fiscal Year ended March 31, 2002 -

Note2: Weighted average number of shares of common stock outstanding during
Fiscal Year ended March 31, 2003 574,046,315
Fiscal Year ended March 31, 2002 -

(2) Balance Sheets

	Total assets	Stockholders' equity	Ratio of stockholders' equity	Stockholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(yen)
Fiscal Year ended March 31, 2003	3,831,643	594,563	15.5	1,036.03
Fiscal Year ended March 31, 2002	-	-	-	-

Note: Number of shares of common stock outstanding as of March 31, 2003 573,886,564
March 31, 2002 -

(3) Statements of Cash Flows

	Cash Flows from operating activities	Cash Flows from investing activities (outflow)	Cash Flows from financing activities (outflow)	Cash and cash equivalents
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal Year ended March 31, 2003	240,691	(126,871)	(183,746)	87,304
Fiscal Year ended March 31, 2002	-	-	-	-

(4) Dividend

	Dividend per share			Dividend Amount (Millions of yen)	Dividend Payout Ratio %	Dividend per Equity %
	(yen)	Interim (yen)	Year-end (yen)			
Fiscal Year ended March 31, 2003	15.00	-	15.00	8,612	69.7	1.1
Fiscal Year ended March 31, 2002	-	-	-	-	-	-

(5) Scope of consolidation and equity method

Number of consolidated subsidiaries	217 companies
Number of unconsolidated subsidiaries accounted for by the equity method	1 company
Number of affiliates accounted for by the equity method	42 companies

2. Forecast of Consolidated Financial Results for Fiscal Year ending March 31, 2004

	Net sales	Operating income	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Six months period ending Sept.30, 2003	1,070,000	87,000	60,000	25,000
Fiscal Year ended March 31, 2004	2,360,000	210,000	170,000	73,000

Reference: Net income(loss) per share 127.20 yen

Additional information of the above forecast is on page 7.

Management Policy

1. Basic Management Policy

JFE Holdings, Inc. was established on September 27, 2002, with the transfer of shares from NKK and Kawasaki Steel, which became wholly owned subsidiaries. The founding of JFE Holdings marked the start of the JFE Group.

The JFE Group is governed by the following basic management policy.

1) Corporate Vision

The JFE Group contributes to society with the world's most innovative technology.

2) Objectives of Consolidation

The JFE Group is determined to achieve the highest standards of global competitiveness by capitalizing on its strong customer base, advanced technology and state-of-the-art steelworks and manufacturing plants, while creating an innovative corporate culture with a challenging spirit. Specific objectives include:

- a) Responding to global customer needs better and faster
- b) Enhancing credibility among shareholders and capital markets worldwide
- c) Providing employees with more challenges and opportunities
- d) Contributing to local communities and global environmental conservation

2. Basic Guidelines on Profit Distribution

JFE Holdings considers the return of profits to shareholders to be one of its highest management priorities. It is committed to paying dividends in a manner consistent with business results and at a level that allows adequate earnings to be retained in order to strengthen the base of operations for the group as a whole.

3. Medium and Long-term Management Strategies and Tasks

Since its establishment, JFE Holdings has worked with NKK and Kawasaki Steel to reorganize into operating companies responsible for core businesses, and on April 1, 2003, it split the two companies to form JFE Steel Corporation, JFE Engineering Corporation, JFE Urban Development Corporation and JFE R&D Corporation. At this time, Kawasaki Microelectronics, Inc. also became a direct subsidiary. The JFE Group has made a fresh start under this new organization.

In January 2003, the JFE Group formulated its First Medium-term Business Plan that sets operational guidelines for the group through the fiscal year ending March 2006. This plan makes early achievement of stable profitability the highest financial priority for the group, and also commits the group to maximizing its free cash flow by

trimming assets and carefully selecting capital expenditure programs, as well as aggressively reducing outstanding debts. We are confident that these steps will strengthen the management base.

The JFE Group will build a robust business structure by strengthening the competitiveness of its core steel and engineering operations through appropriate execution of the business plan in light of the specific challenges and requirements of individual business areas.

Each of the operating companies is charged with implementing the following measures as warranted by the nature of their business to meet financial targets.

Consolidated Financial Targets

	Fiscal year ending March 31, 2006 (target)
Ordinary income	250 billion yen
JFE Steel	230 billion yen
JFE Engineering	16 billion yen
Return on sales (ROS)	10%
JFE Steel	11%
JFE Engineering	4%
Return on assets (ROA)	9%
Total assets	3,460 billion yen
Interest-bearing debts outstanding	1,600 billion yen
Total shareholders' equity	830 billion yen

Principal Measures at Operating Companies

JFE Steel Corporation

JFE Steel will use a product-based management system to maximize marketing capabilities, develop global alliances and international strategies to secure stable exports, build optimized production systems and consolidate facilities so as to reduce costs. The company will continue to actively reorganize and consolidate its group companies.

JFE Engineering Corporation

JFE Engineering will respond quickly and dynamically to changing business environments, share common strategies with group companies based on a “virtual-companies” system and maximize consolidated earnings for individual business areas.

JFE Urban Development Corporation

JFE Urban Development will undertake the development of large tracts of group-owned land and promote condominium development business with a focus on the greater Tokyo area.

Kawasaki Microelectronics, Inc.

Kawasaki Microelectronics will establish a high-earnings structure by bolstering competitiveness in ASICs (application specific integrated circuits) order bookings and developing next-generation ASICs.

JFE R&D Corporation

JFE R&D will enhance group competitiveness and explore new areas with strong growth potential that will lead to new businesses, focusing on research commissions from group companies for the development of common technologies.

4. Basic Corporate Governance Concepts and Implementation Status

1) Basic Corporate Governance Concepts

By realizing management independently tailored to the nature of each business, as well as administering corporate governance and compliance by JFE Holdings, the JFE Group intends to strengthen consolidated group-wide management.

2) Status of Corporate Governance Programs

a) Management Organization

JFE Holdings, Inc., JFE Steel Corporation, JFE Engineering Corporation and Kawasaki Microelectronics, Inc. use “corporate officer” systems that divide decision-making and execution so as to clearly delineate board authority and accountability while also accelerating decision-making and execution processes.

For internal governance, JFE Holdings and operating companies have established internal auditing organizations, providing an internal auditing mechanism for the group as a whole.

JFE Holdings is responsible for entire group strategic functions. It operates as a streamlined group head office that focuses on risk management, accountability and corporate communications for all subsidiaries and affiliates.

b) Compliance Mechanism

In December 2002, immediately after the founding of the JFE Group, JFE Holdings established the JFE Group Compliance Committee. The committee, charged with

setting up group-wide compliance mechanisms, has completed formulating the JFE Group Standards of Business Conduct.

The new committee is promoting rigorous adherence throughout the group to all applicable laws and ordinances and to JFE's corporate ethical standards, fostering better understanding of compliance issues in all business activities.

JFE has also established compliance mechanisms for JFE Steel, JFE Engineering and other operating companies. In addition, it has installed "Corporate Ethics Hot Lines" that allow employees at all levels to directly inform senior executives of important compliance-related information, further enhancing the compliance structure throughout the group.

Business Results and Financial Position

1. Performance in the fiscal year ended March 31, 2003

JFE Holdings was established on September 27, 2002, with the transfer of shares from NKK and Kawasaki Steel, which became wholly owned subsidiaries. Consolidated results for the fiscal year ended March 31, 2003, consist of this year's consolidated results of NKK and Kawasaki Steel and the non-consolidated results of JFE Holdings from its establishment (September 27, 2002) until the end of the fiscal year (March 31, 2003).

Consolidated net sales for the reporting year were ¥2,426.8 billion while consolidated operating income was ¥146.8 billion. These earnings, when combined with a non-operating income of ¥39.2 billion and non-operating expenses of ¥81.4 billion, produced an ordinary income of ¥104.6 billion. The company posted special losses on the valuation of its investment in securities and amortization of transitional obligations for employees' retirement benefits for a net income of ¥15.9 billion.

In light of these results, JFE has set a year-end dividend of ¥15 per share for the fiscal year.

Operating activities provided a cash inflow of ¥240.6 billion, while cash flow from investing activities produced expenditures of ¥126.8 billion and cash flow from financing activities produced expenditures of ¥183.7 billion. Total cash and cash equivalents at the end of the reporting term reached ¥87.3 billion. This resulted in outstanding debt and bonds of ¥2,057.1 billion.

2. Future outlook

We anticipate economic conditions to continue to be severe in Japan as deflation progresses, non-performing loan problems remain and international economic forecasts become increasingly uncertain.

The JFE Group will respond to this business environment by faithfully implementing its First Medium-term Business Plan and endeavoring to further expand its earnings.

For the current fiscal year ending March 2004, we anticipate substantial increases in profits for the steel business, resulting from the synergistic effects of consolidation and other cost-cutting measures as well as improvements in sales prices for steel products. In the engineering segment, we anticipate a reduction in profits as market conditions grow more severe for environmental products and other sectors. In other business areas, we forecast higher earnings for urban development as a result of increases in the number of condominiums for sale. In the field of LSIs, we predict higher profits from sales increases and cost reductions.

Based on these assumptions, JFE Holdings projects consolidated net sales of ¥2,360.0 billion and consolidated ordinary income of ¥170.0 billion for the current fiscal year. These earnings are substantial increases from a year earlier. Net income is forecast at approximately ¥73.0 billion due to the addition of special losses for amortization of transitional obligations for employees' retirement benefits and other expenses.

The company will vigorously endeavor to maximize its free cash flow by trimming assets and carefully selecting investment. We forecast that these efforts will reduce consolidated outstanding debt and bonds by ¥150.0 billion to ¥1,900.0 billion during the course of the current fiscal year.

Note: The forecasts in this document are based upon management's assumptions and beliefs in light of information available at the date of publication. Actual results may differ materially from these forecasts.

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Consolidated Statements of Income

(Millions of Yen)
Fiscal Year ended
Mar. 31, 2003

Net sales	2,426,886
Cost of sales	(1,961,918)
Selling, general and administrative expenses	(318,088)
Operating income	146,879
Non-operating income(loss):	
Interest income and dividends received	6,183
Interest expense	(38,806)
Others, net	(9,587)
Ordinary income	104,670
Special profit:	
Gain on sales of fixed assets	5,856
Gain on reversal of reserve for rebuilding furnaces	4,409
Gain on sales of shipbuilding business to Universal Shipbuilding Corp.	7,596
Total	17,863
Special loss:	
Loss on sales and disposal of fixed assets	(20,495)
Loss on sales of investments in securities	(2,063)
Loss on write-down of investments in securities	(28,776)
Loss on liquidation of investments	(5,980)
Amortization of transitional obligation for employees' retirement benefit	(22,700)
Expenses on special retirement payments	(11,390)
Loss on fire	(1,875)
Special charges for consolidation of Kawasaki Steel and NKK	(3,080)
Total	(96,363)
Income before income taxes	26,170
Income taxes:	
Current	(16,795)
Deferred	5,125
Minority interest	1,452
Net income	15,951

Consolidated Balance Sheets

(Millions of Yen)
as of March 31,
2003

(Assets)	
Current assets:	
Cash and time deposits	87,147
Notes and accounts receivable	476,709
Inventories	475,743
Deferred tax assets	91,517
Other current assets	83,886
Less allowance for doubtful accounts	(2,340)
Total current assets	1,212,663
Property, plant and equipment, net:	
Buildings and structures	565,584
Machinery and equipment	862,060
Land	582,174
Construction in progress	32,741
Others	35,476
Total property, plant and equipment	2,078,037
Intangible fixed assets	56,577
Investments and other assets:	
Investments in securities	272,801
Deferred tax assets	108,427
Other assets	138,705
Less allowance for doubtful accounts	(35,579)
Total investments and other assets	484,355
Deferred assets	9
Total assets	3,831,643
(Liabilities and stockholders' equity)	
Current liabilities:	
Notes and accounts payable	523,920
Short-term debt	351,958
Current portion of corporate bond	110,000
Other current liabilities	306,025
Total current liabilities	1,291,904
Fixed liabilities:	
Notes and Bonds	461,500
Long-term debt	1,133,647
Allowance for employees' retirement benefits	115,648
Allowance for special repairs	54,397
Other fixed liabilities	132,493
Total fixed liabilities	1,897,686
Minority interests in consolidated subsidiaries	47,488
Stockholders' equity:	
Common stock	100,000
Capital surplus	581,020
Retained earnings	(48,118)
Net unrealized holding gains on land	14,126
Net unrealized holding losses on securities	(3,699)
Foreign currency translation adjustments	(47,542)
Treasury stock	(1,222)
Total stockholders' equity	594,563
Total liabilities and stockholders' equity	3,831,643

Consolidated Statements of Cash Flows

(Millions of Yen)
Fiscal year ended
Mar. 31, 2003

Cash flows from operating activities	
Income before income taxes and minority interests	26,170
Adjustments for:	
Depreciation and amortization	173,219
Increase (decrease) in reserves	(10,716)
Interest and dividend income	(6,183)
Interest expense	38,806
Gain on sale of fixed assets	(5,856)
Gain on sales of shipbuilding business	(7,596)
Loss on sales and disposal of fixed assets	20,495
Loss on sale of investment in securities	2,063
Write-down of investments in securities	28,776
Loss on liquidation of investments	5,980
Loss on special retirement payments	11,390
Loss on fire	1,875
Special Charges for consolidation of Kawasaki Steel and NKK	3,080
Change in operating receivables and trade liabilities	(31,425)
Change in inventories	78,514
Others	(6,699)
Sub-total	321,894
Interest and dividend income received	7,787
Payments for interest	(40,915)
Payments for special retirement	(14,117)
Payments for expenses on fire	(1,875)
Payments for consolidation charges	(3,080)
Payments for income taxes	(26,319)
Others	(2,681)
Net cash provided by operating activities	240,691
Cash flows from investing activities:	
Payments for purchase of tangible fixed assets and intangible fixed assets	(128,805)
Proceeds from sales of tangible fixed assets and intangible fixed assets	17,075
Payments for purchase of investment securities	(47,060)
Proceeds from sales of investment securities	6,439
Proceeds from sales of shipbuilding business to Universal Shipbuilding Corp.	26,837
Others	(1,356)
Net cash used in investing activities	(126,871)
Cash flows from financing activities:	
Net change in commercial paper	(129,957)
Issuance of long-term debt	507,454
Repayments of long-term debt	(419,840)
Issuance of corporate bond	80,000
Redemption of corporate bond	(211,440)
Others	(9,962)
Net cash used in financing activities	(183,746)
Effect of exchange rate change on cash and cash equivalents	(8,352)
Net increase (decrease) in cash and cash equivalents	(78,279)
Cash and cash equivalents at beginning of year	166,133
Increase (decrease) in cash and cash equivalents at beginning of year by change of scope of consolidation	(549)
Cash and Cash equivalents at year end	87,304