
**Announcement of the JFE Group's
First Medium Term Business Plan**

The JFE Group has been comprehensively deliberating measures to actualize the management targets announced in December, 2001, and has developed its first medium term business plan. The new plan will serve as a guideline for operations up to the fiscal year ending March, 2006. Details are as follows:

I. Primary Objectives

The JFE Group intends to maximize free cash flow by ensuring a stable earnings base, slimming down assets and carefully selecting capital expenditure programs. It will aggressively reduce debts outstanding and strengthen the balance sheet.

To these ends, the Group will conduct business operations in ways best suited for each field of its activity so as to enhance competitiveness of its core businesses, steel and engineering, and at the same time build a robust structure of business operations.

The Group will also actively pursue opportunities in new business areas.

II. Key Measures

1. Group-wide Measures

(1) Strengthened Group-wide Management

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

In addition, the Group will upgrade infrastructure for financing and the information network for the entire group.

The Group will endeavor to reorganize and consolidate subsidiaries in the same business field at an early stage.

(2) Technology Based Group

To ensure the expansion and stability of operation bases in the future, the Group will make utmost efforts to develop the world's highest-level technology. For this purpose, the research centers of JFE Steel Corporation and JFE Engineering Corporation, and those of JFE R&D Corporation will work closely together toward:

- i) Continuing to create "only one" and "number one" technologies, thereby doubling the number of these products (JFE Steel: from the current level of 7 % to 15-20 %);
- ii) Developing process technology which contributes to achieving increasing productivity at facilities and targeted costs as early as possible;
- iii) Continuing to develop leading technology in the core businesses and in fields with future potential.

(3) Human Resource and Labor Management Policies

In order to enhance productivity by realizing synergistic effects and by fully utilizing the unique abilities and aptitudes of individual employees, the Group will promote policies consistent with the nature of each business and its particular business strategy.

The Group will also secure and develop human resources in preparation for a change of generations resulting from the anticipated retirement of a large number of employees.

【Number of Employees】

	(A)		(B)	(B) - (A) Break-down		
	At the end of March, 2002	At the end of March, 2003	At the end of March, 2006	Retirement	Recruitment	Total
JFE Group	51,800	48,800	44,600	▲6,000	1,800	▲4,200
JFE Steel	43,600	40,800	36,800	▲5,500	1,500	▲4,000
JFE Engineering	7,100	6,900	6,700	▲440	240	▲200

Note: The numbers include the personnel of JFE Holdings, operating companies and their domestic subsidiaries, but excluding personnel at their sub-subsidiaries.

(4) Reduction of Procurement Costs

The Group will reduce procurement costs by utilizing the full bargaining power of the entire group and combining production and technology expertise, for example, through the expanded use of inexpensive raw materials by sharing superior technology within the Group.

(5) Full Implementation of Environmental Management

The Group will proactively address global environmental issues and seek to achieve the world's highest level of responsible environmental management.

(6) Active Utilization of Information Technology

The Group will develop a new integrated system and enhance competitiveness by developing a more powerful management information system for financial control, integrated operations and group-wide networking.

2. Principal Measures for Operating Companies

(1) JFE Steel Corporation

i) Enhancing Marketing Capability

The company will build a win-win relationship with customers by responding to their sophisticated needs through the product-based managerial system in a prompt and responsive manner.

ii) Implementing Overseas Business Strategy

Following the basic policies below, the company will endeavor to secure earnings from export to and investment in overseas businesses:

- Building strategic alliances with foreign downstream companies and maximizing utilization of facilities through stable exports;
- Reinforcing its ability to respond to customers' needs on a worldwide basis with strategic products and through global alliances;
- Seeking to build strategic, win-win relationships with leading companies in Asia and with partners overseas.

iii) Establishing an Optimized Production System and Consolidating Production Facilities

In order to establish an optimized production system within the framework of two steel mills, the East Japan Works and the West Japan Works, and to reduce costs by consolidating redundant facilities and maximizing the utilization of remaining facilities, the company will close the following production facilities in addition to the ones already closed.

		Production Line		Schedule	Remarks
Blast Furnaces		Kurashiki Chiba	No1 BF No5 BF	January, 2002 End of fiscal year ending March, 2004	
Rolling Mills	Cold Rolled Products	Keihin Keihin	BAF CAL	August, 2002 August, 2002	
	Coated Products	Chiba Fukuyama	No1 EGL No2 EGL	March, 2004 September, 2002	
		Chiba	No3 CGL	Under review	
		Chiba Chiba	No1 ETL T2 Shearing	March, 2004 March, 2004	
		Long Products	Kurashiki Fukuyama	Medium Size No1 Large Size	October, 2003 October, 2003
	Welded Pipes	Chita	No1 Medium- Dia. ERW	March, 2003	
		Keihin	Small-Dia. ERW	March, 2003	NKK Welded Pipe Manufacturing
Chita Anegasaki		No2 Spiral No2 Spiral	April, 2003 April, 2003	NKK Bars & Shapes	

Furthermore, the company is considering the closure of one TFL, tin-free steel line, and one additional Spiral Mill.

iv) Reorganizing and Consolidating Group Companies

The following group companies will be reorganized and consolidated by the dates outlined below:

Business Field	Group Companies	Schedule for Reorganization & Consolidation
Containers	JFE Container Co., Ltd. (KAWASAKI STEEL CONTAINER CO., LTD. KOKAN DRUM CO., LTD.)	April, 2003
Construction Materials	JFE Metal Products & Engineering Inc. (Kawasaki Steel Metal Products & Engineering Inc. Nippon Kokan Light Steel Kabushiki Kaisha)	Ditto.
Chemicals	JFE Chemical Corporation (ADCHEMCO Corporation Kawasaki Steel Corporation, Chemical Division)	Ditto.
Coated Products	NKK Steel Sheet & Strip Corporation Kawatetsu Galvanizing Co., Ltd.	Under review
Logistics	NKK MARINE & LOGISTICS CORPORATION KAWATETSU TRANSPORTATION & TECHNOLOGY CO., LTD.	April, 2004 (target)
Mining, Slag	KAWATETSU MINING COMPANY, LTD. KOKAN MINING COMPANY, LTD.	Ditto.
Maintenance	KAWATETSU ELECTRIC ENGINEERING CO., LTD. Kawatetsu Machinery CO., LTD. KOKAN DENSETSU KOGYO K.K. MENTEC KIKO CORPORATION	Ditto.
Intellectual Property & Technology Information	KAWASAKI STEEL Techno-research Corporation NK Techno Service Co., Ltd.	Fiscal year ending March, 2004
Supporting R&D, Inspection & Analysis	KAWASAKI STEEL Techno-research Corporation KOKAN KEISOKU K.K.	Ditto.

Other group companies in the same business field, not listed above but which are still being considered for reorganization and consolidation, are targeted to have this process completed by the end of fiscal year ending March, 2005.

(2) JFE Engineering Corporation

i) System of Executing Operations

By strengthening a “division-company” system encompassing divisions of JFE Engineering and functional subsidiaries, the company will endeavor to promote a swifter response to changing environments, sharing common strategy, and maximizing consolidated earnings by business field.

ii) “Number one” Strategy

For its core products, such as pipelines, incineration plants and bridges, the company will reconstruct product strategy in an effort to adapt to the changing market, thereby maintaining and expanding market shares.

iii) "Only one" Strategy

In order to ensure future growth, the company will make aggressive use of its resources to develop new businesses and products for environmental conservation, providing solutions, and meeting new opportunities opened up by the liberalization of energy industries. The company will also promote expansion of life cycle-type businesses focusing not only on construction, but also on preliminary studies, operation and maintenance of plants and facilities.

(3) JFE Urban Development Corporation

- i) The company will undertake large-scale development and property utilization using group-owned real estate, for example the large tracts of land in the Yokohama Yamanouchi District (formerly the Asano dockyard) and in the North Watarida District at Kawasaki.
- ii) In order to secure a solid base of earnings, the company will promote its condominium development business in the Tokyo metropolitan area, targeting a sales volume of approximately 30 billion yen (approximately 700 units).

(4) Kawasaki Microelectronics Inc.

- i) By bolstering competitiveness for ASIC (Application Specific Integrated Circuit) and by developing the next generation ASIC, the company will endeavor to achieve sales of 50 billion yen and establish a basis for higher profitability into the future.
- ii) The company will seek an opportunity for an initial public offering at an early stage.

(5) JFE R&D Corporation

- i) In the area of research and development for group companies, the company will develop innovative production processes and products in a timely manner, contributing to the betterment of operating company performance.
- ii) The company will conduct leading edge, basic research and development activities focusing on future needs to enhance the technological potential of the entire group.

3. Identifying New Business Opportunities

The Group will identify new business opportunities by effectively realizing synergies among

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