December 21, 2001
Kawasaki Steel Corporation
NKK Corporation

Foundation of JFE Group

- Conclusion of the Basic Agreement for Consolidation of Kawasaki Steel and NKK -

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In April 2001, Kawasaki Steel Corporation ("KSC") (President: Fumio Sudo) and NKK Corporation ("NKK") (President: Yoichi Shimogaichi) announced that they had reached a basic agreement to consolidate the entire operations of the two companies including their subsidiaries and affiliates, on the basis of equal partnership and in mutual trust. The aim was and is to create a new group with a strong earnings base generated mainly from its core businesses of steel and engineering. Following that announcement, KSC and NKK have conducted intensive discussions through the Consolidation Preparation Committee as well as its sub-committees, and today entered into the Basic Agreement for Consolidation.

I. Name of the New Group
JFE Group

The letter J comes from "Japan", F from "Fe" which is a symbol for an element of steel, and E from "Engineering". JFE also implies Japan Future Enterprise, which embodies the image of a Japanese future-oriented business group with steel and engineering as core businesses.

II. Corporate Mission

JFE Group is determined to realize world-class competitiveness through its strong customer base, advanced technology, highly efficient steel works and manufacturing plants, and to create an innovative corporate culture with a challenging spirit. By doing so, JFE Group will pursue the following:

(1) Strengthening further the capabilities necessary to fulfill customers' needs on a global basis
(2) Enhancing credibility from shareholders and capital markets in the world
(3) Providing employees with more challenges and opportunities
(4) Contributing to local communities as well as global environmental conservation

III. Establishment of a Holding Company

By October 2002, KSC and NKK will jointly establish a Holding Company ("Holding Co.") and become respectively a 100% subsidiary of the Holding Co. by the "stock-for-stock exchange" method. Under the Holding Co., KSC and NKK will pursue coordinated operations with synchronized strategies for each business segment.
Before establishment of the Holding Co., both of KSC and NKK plan to have annual shareholders' meetings in June 2002 for resolution.

(1) Company Name
JFE Holdings, Inc.

(2) Functions
JFE Holdings will operate as a lean group headquarters that is responsible for strategic planning, risk management, accountability and corporate communications for all the subsidiaries and affiliates.

(3) Exchange Ratio

For each share of KSC common stock,	1	share of the JFE Holdings common stock
For each share of NKK common stock,	0.75	share of the JFE Holdings common stock

KSC and NKK conducted thorough discussions and came to an agreement on the exchange ratios. KSC's advisor, Morgan Stanley Japan Limited, NKK's advisor, Goldman Sachs (Japan) Ltd., and a joint advisor, Mizuho Securities Co., Ltd. respectively expressed their opinions that the mutually agreed exchange ratios above are fair and reasonable from a financial point of view.

(4) Location of the Headquarters
To be approved by the next shareholders' meetings

(5) Amount of Capital Stock
To be approved by the next shareholders' meetings

(6) Stock Transfer Agent
The Mizuho Trust and Banking Co., Ltd.

IV. Management Structure after the Reorganization of the Operating Companies

1. Business Formations
By April 2003, the businesses of KSC and NKK under JFE Holdings will be regrouped and reorganized by each business segment.

(1) JFE Steel Corporation	Steel
(2) JFE Engineering Corporation	Engineering

(3) JFE Urban Development Corporation	Urban Development
(4) Kawasaki Microelectronics Inc. *	Semiconductor
(5) JFE R&D Corporation	Research and Development (please refer to "4. R&D")

* Established in July 2001 as a 100% subsidiary of KSC by separating its LSI business.

2. Management of JFE Steel Corporation

(1) JFE Steel will adopt a product-wise management system strengthening responsiveness with customers' needs and thorough control over profitability of each product.

(2) In order to realize the highest level of competitiveness by integrated operations of adjacent steel works, and to accelerate the consolidation process, the four steel works of KSC and NKK - Keihin Works, Chiba Works, Fukuyama Works and Mizushima Works - will be reorganized into two steel works, East Works and West Works. JFE Steel will therefore have two major steel works and Chita Works specializing in production of pipes and tubes.

3. Management of JFE Engineering Corporation

JFE Engineering will adopt a consolidated division system encompassing divisions and functional group companies in order to flexibly respond to the changes in the business environment, promote common business strategies with the group companies, and to maximize profits on a consolidated basis.

4. Research and Development

R&D operations of KSC and NKK will be reorganized as follows:

(1) JFE Steel and JFE Engineering will each own R&D functions to realize closely linked operations among product/technology development, manufacturing and sales & marketing.

(2) JFE R&D will focus on research and development for common basic technologies and development on projects with growth potentials to effectively realize synergy effects of the whole group.

5. Reorganization of Subsidiaries and Affiliates

JFE Group will initiate the reorganization and restructuring of all subsidiaries and affiliates of KSC and NKK. As a first step, JFE Holdings plans to merge the following businesses in April 2003:

(1) Construction Material:
Nippon Kokan Light Steel Kabushiki Kaisha
Kawasaki Steel Metal Products & Engineering Inc.

(2) Containers:
KOKAN DRUM COMPANY, LTD.
Kawasaki Steel Container Co., Ltd.

As for chemical business, we are now in discussion of consolidating KSC's chemical division and NKK's subsidiary, ADCHEMCO Corporation.

V. New Management

The new management of JFE Group is as follows:

1. JFE Holdings Inc.	
Chairman of the Board: Kanji Emoto	(current position: Chairman of the Board, KSC)
President: Yoichi Simogaichi	(current position: President and CEO, NKK)
2. JFE Steel Corporation	
Chairman of the Board: Masayuki Hanmyo	(current position: Executive Vice President, NKK)
President: Fumio Sudo	(current position: President and CEO, KSC)
3. JFE Engineering Corporation	
President: Shigeharu Dote	(current position: Executive Vice President, NKK)

JFE Steel and JFE Engineering will adopt a "corporate officer system" in order to accelerate decision-making process and business execution.
New management of other operating companies will be determined later.

VI. Financial Targets (Consolidated base for the fiscal year ended March 31, 2006)

JFE Group will endeavor to enhance efficiency and profitability to match those of competitors in the world. The financial targets are as follows:

1. Synergy Effects

(1) Reducing overhead and related expenses	30 billion Yen
(2) Reducing procurement costs through volume discount and unified specifications	20 billion Yen
(3) Reducing costs of production, maintenance and logistics by optimized production allocation, and saving capital expenditure through integrating capex programs and optimized utilization of common facilities	20 billion Yen
(4) More efficient R&D operations and exchange of technology and know-how	10 billion Yen
Total	80 billion Yen

2. Financial Targets

By carrying out various profit-improving programs, as well as pursuing the synergy effects above, JFE Group will aim to reach the financial targets below:

	Fiscal Year ended March31, 2001	Fiscal Year ended March31, 2006
(1)Ordinary Income(*1)	110 billion yen	200 billion yen
(2) Interest-bearing Debts Outstanding	2,530 billion yen	1,800 billion yen
(3) Return on Assets(*2)	3.7%	6.5%
(4) Return on Sales(*3)	4.1%	7.5%

(Reference) Sales: 2,600 billion yen (the same level as the FY ended March 31, 2002)

*1 Income before Special Credits and Special Charges
*2 (Ordinary Income + Interest Expenses)/ Total Assets
*3 Ordinary Income/ Sales

Japan Fair Trade Commission commented on November 8, 2001 that the consolidation of KSC and NKK does not pose any problem in terms of Japan's Antimonopoly Law.

This release includes forward-looking statements that reflect plans and expectations of KSC and NKK in relation to the share exchange schemes described above and the benefits resulting from them. These forward-looking statements involve known and unknown risks, uncertainties and other factors, including in particular the ability of JFE Group to realize synergies effectively and future trends in the level of demand in the Japanese and overseas steel markets, that may cause JFE Group's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements of financial position expected or implied by these forward-looking statements.

<Notice to United States investors>

The business combination referred to in this release (the "Transaction") involves securities of foreign companies. The Transaction is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial information included in this release has been prepared in accordance with foreign accounting standards that may not be comparable to similar financial information of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since KSC and NKK are located in a foreign country, and some or all of their officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgement.

If you have any questions, please contact the persons listed below:

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