

JFE Steel Group Companies —Reorganization Aiming at “Only One” and “Number One”—[†]

The JFE Group was established by NKK and Kawasaki Steel in 2002 with an aim of consolidating the operations of these two major steel makers and their affiliates. Following the reorganization of JFE Steel's business, the JFE Steel Group now consists of JFE Steel itself and 83 directly-affiliated group companies.

Categorized by business area in terms of their functions as seen from the viewpoint of JFE Steel, these companies are organized as shown in **Table 1**.

In the field of resources and raw materials, businesses related to supplemental raw materials, refractories and processed slag products historically have been

Table 1 JEF Steel group companies

(As of April 1, 2003)

Classification	Companies
Resources, Raw materials (10 companies)	KAWASAKI REFRACTORIES, KAWATETSU MINING, KOKAN MINING, JFE PRECISION, JFE MATEC, JFE MATERIAL, JFE ROCKFIBER, CHIBA RIVERMENT AND CEMENT, MIZUSHIMA FERRO-ALLOY, MIZUSHIMA RIVERMENT
Electric furnace, Bars and shapes (4 companies)	NKK BARS & SHAPES, DAIWA STEEL, TOUHOKU STEEL, TOYOHIRA STEEL
Steel material processing, Processed products (13 companies)	NKK STEEL SHEET & STRIP, GALVATEX, KAWASAKI KOKAN, KAWATETSU STEEL TUBE, KAWATETSU GALVANIZING, JFE METAL PRODUCTS & ENGINEERING, JFE WELDED PIPE MANUFACTURING, JFE CONTAINER, JFE TUBIC, JFE TECHNO-WIRE, JFE PIPE FITTING MFG., NIPPON CHUZO, RIVER STEEL
Distributive processing (5 companies)	KAWATETSU KOZAI KOGYO, JFE KOHNAN STEEL CENTER, JFE ELECTRICAL STEEL, DAIWA KOHTAI, TOKYO SHEARING
Equipment, Engineering works (7 companies)	KAWATETSU ADVANTECH, KAWATETSU ELECTRIC ENGINEERING, KAWATETSU MACHINERY, MENTEC KIKO, JFE CONFORM, JFE CIVIL, JFE SEKKEI
Steel structures, Temporary structures (4 companies)	KAWASHO GECOSS, KAWATETSU BRIDGE AND STEEL STRUCTURE, JFE METAL FABRICA, JFE LEASE SYSTEM
Material handling, Distribution (4 companies)	NKK WING, NKK MARINE & LOGISTICS, KAWATETSU TRANSPORTATION & TECHNOLOGY, FUKUYAMA STEEL TECHNOLOGY
Intellectual property, Technical information, Testing, Analysis (3 companies)	KAWASAKI STEEL TECHNO-RESEARCH, KOKAN KEISOKU, NK TECHNO SERVICE
Information systems (2 companies)	EXA, KAWATETSU SYSTEMS
Electric power, Utility (3 companies)	JFE SANSO CENTER, FUKUYAMA JOINT THERMAL POWER, MIZUSHIMA JOINT THERMAL POWER
Chemicals (1 company)	JFE CHEMICAL
Environmental recycling (4 companies)	JFE URBAN RECYCLE, JFE KANKYO, JAPAN RECYCLING, MIZUSHIMA ECO-WORKS
General service and administration (12 companies)	NKF, NKK APPLE, NKK FUKUYAMA SERVICE, NKGS, KAWATETSU LIFE, KEIYO CITY SERVICE, K. S. SECURITY, KGR, JFE MANAGEMENT CENTER, FUKUYAMA TECHNO-RESEARCH, MIZUSHIMA GENERAL SERVICE, MINAMIAICHI TOWN SERVICE
Facility operation (8 companies)	KAIHIN SHOGYOKAIHATSU, JFE OKUKUSATSU, JFE SETONAIKAI ENTERPRISE, NEW CHIBA DEVELOPMENT, CHIBA D. H. C, FUJIKAWA DEVELOPMENT, MAKUHARI TOWN CENTER, WASHU DEVELOPMENT
Trading concerns (3 companies)	NKK TRADING, KAWASHO, JFE WELDING ROD

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carried out within the group. In recent years, businesses of new functional materials and products in fields not related to the application of steel have also grown rapidly with new marketing and product development as a driving force.

In the field of steelmaking using electric furnaces, bars and shapes are produced at 7 works located throughout Japan. Beside this, rolling of bars and shapes at the JFE Steel's works is done by the group companies. The downstream steel product and its processing business has grown to encompass a wide range of businesses including not only manufacture of steel products such as coated steel sheets and welded pipes, but also production of construction materials and containers. The product processing business such as coil centers of steel sheets and shearing of steel plates has been expanded to support smooth marketing of JFE Steel's products.

The group companies in the plant engineering field have grown on the basis of mechanical, electrical and control technologies accumulated in steel plants. They do business in the areas of equipment engineering and some equipment and machinery products for clients both inside and outside the group.

Viewing construction businesses in civil engineering, building and construction, steel structures, and other fields, the group operates design, fabrication and installation businesses as well as equipment leasing businesses.

The areas of transportation, technology-related businesses such as intellectual property and testing/analysis, and information systems, all of which were cultivated as part of the company's core steel business, have high importance as group companies. The companies in these respective fields are also actively developing new business outside the JFE Steel Group.

As part of its integrated steel works, JFE Steel owns electric power generating plants, various utility plants, and chemical plants. Operation of these facilities is entrusted to JFE Steel Group Companies. In the field of chemicals, businesses which feature high value-added proprietary products are also being developed by group companies, using raw materials produced as by-products of the steel manufacturing process. In recent years, environmental and recycling businesses which utilize the special features of the steel works have also taken root and are expected to continue to grow in the years to come.

As can be seen from this brief outline, JFE Steel

has developed affiliated businesses in a wide range of areas. However, it goes without saying that the significance of these respective businesses for the JFE Group is in the contribution that they make to profitability. For this reason, it is the policy of JFE Steel to clarify the position of each business, and on this basis, reorganize businesses across the group's affiliated companies as a whole so as to nurture and strengthen each respective business. This policy is being implemented as follows.

First, in the areas where members of the former NKK Group and Kawasaki Steel Group had developed outside businesses in the same field, JFE Steel intends to maximize management efficiency by consolidating the companies from the two groups. In carrying out this policy, JFE Steel established three new consolidated companies on April 1, which began operation simultaneously with the launching of JFE Steel. They are JFE Metal Products & Engineering (established by consolidating Nippon Kokan Light Steel and Kawasaki Steel Metal Products & Engineering), JFE Container (Kawasaki Steel Container, Kokan Drum), and JFE Chemical (Kawasaki Steel's Chemical Div., Adchemco). It is JFE Steel's policy that each of these companies should develop a mid-term plan for expanding its "Only 1" and "No. 1" products and technologies.

Next, in the areas where group companies supply similar products and/or services to JFE Steel, these businesses will be reorganized with emphasis on improving the total capabilities of the JFE Steel Group and improving efficiency by eliminating redundancy and concentrating functions. In these areas as well, priority will be given to strengthening technology/product development capabilities, and optimum systems will be studied.

The businesses of the JFE Steel Group also include many products and services in which one of the partner companies, NKK or Kawasaki Steel, was not previously involved. Increasing the breadth and depth of products and technologies which the group now owns as a result of management consolidation is expected to generate new synergies which will further expand the group's business. As we move further into the future, JFE Steel intends to re-examine and re-evaluate these businesses from new perspectives, with the aim of nurturing "Only 1" and "No. 1" businesses in the JFE Steel Group as a whole.