JFE Holdings, Inc.

Financial Report for

Fiscal year ended March 31, 2022

Financial Information

1. Preparation Policy of the Consolidated Financial Statements

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the "Ordinance on Consolidated Financial Statements").

2. Audit Certification

In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements of the Company for the fiscal year ended March 31, 2022 were audited by Ernst & Young ShinNihon LLC.

3. Particular Efforts to Secure the Appropriateness of Consolidated Financial Statements, etc.

The Company is making particular efforts to ensure the appropriateness of consolidated financial statements, etc. Specifically, in order to establish a system for gaining proper understanding of the details and revisions of accounting standards and relevant guidance and responding accordingly, the Company has joined the Financial Accounting Standards Foundation and attends seminars and workshops held by the foundation.

4. Development of a System for Fair Preparation of Consolidated Financial Statements, etc., in Accordance with IFRS

In order to prepare appropriate consolidated financial statements under IFRS, the Company keeps up to date with the latest accounting standards and assesses their impact by obtaining press releases and standards issued by the International Accounting Standards Board as necessary. The Company has also formulated the Group Accounting Policies in compliance with IFRS and conducts its accounting based on those policies. In addition, the Company attends seminars and workshops held by the Financial Accounting Standards Foundation, audit firms, and other organizations, thereby accumulating expertise within the Company.

Consolidated Financial Statements

Consolidated Statement of Financial Position

(million yen)

	Notes	As of March 31, 2021	As of March 31, 2022
Assets			
Current assets			
Cash and cash equivalents	7, 21	142,416	101,773
Trade and other receivables	8, 21,39	751,824	796,955
Contract assets	27	101,282	123,888
Inventories	9	785,632	1,227,935
Income taxes receivable		14,748	1,009
Other financial assets	10, 39	13,359	22,830
Other current assets	11	79,430	118,235
Total current assets		1,888,694	2,392,629
Non-current assets			
Property, plant and equipment	12, 21	1,772,303	1,850,779
Goodwill	13	6,200	8,174
Intangible assets	13	95,055	108,547
Right-of-use asset	14,21	111,938	98,417
Investment property	15	58,310	57,660
Investments accounted for using equity method	6, 18, 21	355,242	454,642
Retirement benefit asset	24	22,159	24,079
Deferred tax assets	19	86,014	60,372
Other financial assets	10, 21, 39	244,505	217,217
Other non-current assets	11	14,547	15,388
Total non-current assets		2,766,278	2,895,280
Total assets	6	4,654,972	5,287,909

(million yen)

	Notes	As of March 31, 2021	As of March 31, 2022
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	20, 21, 39	496,995	678,377
Bonds payable, borrowings, and lease liabilities	21, 38, 39	277,027	339,726
Contract liabilities	27	43,038	32,580
Income taxes payable, etc.		15,090	50,547
Provisions	23	11,518	12,345
Other financial liabilities	22, 39	86,836	143,406
Other current liabilities	11	208,510	236,856
Total current liabilities		1,139,017	1,493,840
Non-current liabilities			
Bonds payable, borrowings, and lease liabilities	21, 38, 39	1,529,112	1,509,739
Retirement benefit liability	24	141,186	125,927
Provisions	23	24,105	22,663
Deferred tax liabilities	19	7,591	12,065
Other financial liabilities	22, 39	45,417	43,976
Other non-current liabilities	11	8,387	8,957
Total non-current liabilities		1,755,800	1,723,330
Total liabilities		2,894,818	3,217,170
Equity			
Share capital	25	147,143	147,143
Capital surplus	25	652,465	652,233
Retained earnings	25	1,029,976	1,294,875
Treasury shares	25	(180,639)	(180,580)
Other components of equity		30,278	74,596
Equity attributable to owners of parent		1,679,223	1,988,268
Non-controlling interests		80,930	82,470
Total equity		1,760,154	2,070,739
Total liabilities and equity		4,654,972	5,287,909

Consolidated Statement of Profit or Loss

(million yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Revenue	27	3,227,285	4,365,145
Cost of sales	12, 13, 29	(2,912,766)	(3,694,690)
Gross profit		314,519	670,454
Selling, general and administrative expenses	12, 13, 28, 29, 30	(324,057)	(360,415)
Share of profit of investments accounted for using equity method	6, 18	14,239	99,730
Other income	31	25,782	37,524
Other expenses	32	(43,394)	(30,828)
Business profit (loss)		(12,911)	416,466
Profit on sales of fixed assets	6, 33	28,021	-
Impairment losses	6, 16	(7,544)	(11,355)
Loss on liquidation of subsidiaries and associates	6, 34	–	(4,918)
Operating profit		7,566	400,192
Finance income	6, 35	1,686	1,549
Finance costs	6, 35	(14,184)	(13,205)
Profit (loss) before tax		(4,930)	388,535
Income tax expense	19	(14,133)	(98,741)
Net profit (loss)		(19,063)	289,793
Profit (loss) attributable to:			
Owners of parent		(21,868)	288,058
Non-controlling interests		2,804	1,734
Net profit (loss)		(19,063)	289,793
Earnings per share			
Basic earnings (loss) per share (yen)	37	(37.98)	500.28
Diluted earnings (loss) per share (yen)	37	(37.98)	500.12

Consolidated Statement of Comprehensive Income

(million yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net profit (loss)		(19,063)	289,793
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	24, 36	12,020	8,978
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	36, 39	46,751	5,984
Share of other comprehensive income of investments accounted for using equity method	18, 36	13,284	(3,954)
Total of items that will not be reclassified to profit or loss		72,056	11,007
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	36	(609)	16,707
Effective portion of cash flow hedges	36	11,673	4,931
Share of other comprehensive income of investments accounted for using equity method	18, 36	(825)	32,808
Total of items that may be reclassified to profit or loss		10,238	54,447
Total other comprehensive income		82,295	65,455
Comprehensive income		63,231	355,249
Comprehensive income attributable to:			
Owners of parent		60,036	352,318
Non-controlling interests		3,195	2,930
Comprehensive income		63,231	355,249

Consolidated Statement of Changes in Equity

(million yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Balance as of April 1, 2020		147,143	652,430	1,002,076	(180,637)	–	39,768
Net profit (loss)		–	–	(21,868)	–	–	–
Other comprehensive income		–	–	–	–	12,186	59,433
Comprehensive income		–	–	(21,868)	–	12,186	59,433
Purchase of treasury shares		–	–	–	(65)	–	–
Disposal of treasury shares		–	(22)	–	26	–	–
Dividends	26	–	–	–	–	–	–
Share-based payment transactions	30	–	(23)	–	37	–	–
Changes in scope of consolidation		–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	80	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	49,768	–	(12,186)	(37,581)
Transfer to non-financial assets	39	–	–	–	–	–	–
Other		–	–	–	–	–	–
Total transactions with owners		–	34	49,768	(1)	(12,186)	(37,581)
Balance as of March 31, 2021		147,143	652,465	1,029,976	(180,639)	–	61,620

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity			Total		
		Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total			
Balance as of April 1, 2020		(31,941)	(1,813)	6,012	1,627,026	79,526	1,706,552
Net profit (loss)		–	–	–	(21,868)	2,804	(19,063)
Other comprehensive income		(314)	10,599	81,904	81,904	390	82,295
Comprehensive income		(314)	10,599	81,904	60,036	3,195	63,231
Purchase of treasury shares		–	–	–	(65)	–	(65)
Disposal of treasury shares		–	–	–	4	–	4
Dividends	26	–	–	–	–	(1,743)	(1,743)
Share-based payment transactions	30	–	–	–	13	–	13
Changes in scope of consolidation		–	–	–	–	694	694
Changes in ownership interest in subsidiaries		–	–	–	80	(854)	(774)
Transfer from other components of equity to retained earnings		–	–	(49,768)	–	–	–
Transfer to non-financial assets	39	–	(7,871)	(7,871)	(7,871)	–	(7,871)
Other		–	–	–	–	112	112
Total transactions with owners		–	(7,871)	(57,639)	(7,838)	(1,791)	(9,629)
Balance as of March 31, 2021		(32,256)	914	30,278	1,679,223	80,930	1,760,154

(million yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Balance as of April 1, 2021		147,143	652,465	1,029,976	(180,639)	–	61,620
Net profit (loss)		–	–	288,058	–	–	–
Other comprehensive income		–	–	–	–	9,015	2,120
Comprehensive income		–	–	288,058	–	9,015	2,120
Purchase of treasury shares		–	–	–	(68)	–	–
Disposal of treasury shares		–	47	–	77	–	–
Dividends	26	–	–	(40,355)	–	–	–
Share-based payment transactions	30	–	123	–	50	–	–
Changes in scope of consolidation		–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	(403)	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	17,195	–	(9,015)	(8,180)
Transfer to non-financial assets	39	–	–	–	–	–	–
Other		–	–	–	–	–	–
Total transactions with owners		–	(232)	(23,159)	58	(9,015)	(8,180)
Balance as of March 31, 2022		147,143	652,233	1,294,875	(180,580)	–	55,560

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity			Total		
		Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total			
Balance as of April 1, 2021		(32,256)	914	30,278	1,679,223	80,930	1,760,154
Net profit (loss)		–	–	–	288,058	1,734	289,793
Other comprehensive income		48,343	4,780	64,260	64,260	1,195	65,455
Comprehensive income		48,343	4,780	64,260	352,318	2,930	355,249
Purchase of treasury shares		–	–	–	(68)	–	(68)
Disposal of treasury shares		–	–	–	125	–	125
Dividends	26	–	–	–	(40,355)	(1,237)	(41,592)
Share-based payment transactions	30	–	–	–	173	–	173
Changes in scope of consolidation		–	–	–	–	232	232
Changes in ownership interest in subsidiaries		–	–	–	(403)	324	(79)
Transfer from other components of equity to retained earnings		–	–	(17,195)	–	–	–
Transfer to non-financial assets	39	–	(2,745)	(2,745)	(2,745)	–	(2,745)
Other		–	–	–	–	(709)	(709)
Total transactions with owners		–	(2,745)	(19,941)	(43,274)	(1,389)	(44,664)
Balance as of March 31, 2022		16,086	2,949	74,596	1,988,268	82,470	2,070,739

Consolidated Statement of Cash Flow

(million yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities			
Profit (loss) before tax		(4,930)	388,535
Depreciation and amortization		236,354	252,283
Changes in allowance		(2,696)	(2,917)
Interest and dividend income		(7,179)	(5,417)
Interest expenses		13,844	12,652
Share of loss (profit) of investments accounted for using equity method		(14,239)	(99,730)
Changes in trade and other receivables		(71,111)	(23,333)
Changes in inventories		86,569	(431,449)
Changes in trade and other payables		(42,479)	174,808
Other		61,619	39,122
Subtotal		255,751	304,554
Interest and dividends received		14,857	35,450
Interest paid		(12,362)	(11,559)
Income taxes paid		(10,972)	(29,706)
Net cash from operating activities		247,274	298,738
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets, and investment property		(308,123)	(313,328)
Proceeds from sale of property, plant and equipment, intangible assets, and investment property		29,547	2,711
Purchase of investments		(5,731)	(5,557)
Proceeds from sale of investments		128,898	33,449
Other		(8,812)	(5,309)
Net cash from investing activities		(164,221)	(288,034)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
			(million yen)
Cash flows from financing activities			
Changes in short-term borrowings	38	3,396	13,834
Changes in commercial papers	38	(88,999)	–
Proceeds from long-term borrowings	38	224,077	122,422
Repayments of long-term borrowings	38	(214,826)	(103,959)
Proceeds from issuance of bonds	38	60,000	35,000
Payments for redemption of bonds	38	–	(30,000)
Payments for purchase of treasury shares		(65)	(65)
Dividends paid to owners of parent	26	–	(40,355)
Other	38	(13,674)	(54,303)
Net cash from financing activities		(30,092)	(57,427)
Effect of exchange rate change on cash and cash equivalents		2,752	6,080
Changes in cash and cash equivalents		55,712	(40,643)
Cash and cash equivalents at beginning of period		86,704	142,416
Cash and cash equivalents at end of period	7	142,416	101,773

Notes to Consolidated Financial Statements

1. Reporting Entity

JFE Holdings, Inc. (the "Company") is an incorporated company established under Japan's Companies Act and is located in Japan.

The consolidated financial statements of the Company, as of March 31, 2022, encompass the Company and its subsidiaries (the "Group") and its interests in associates and joint arrangements of the Company.

Details of the Group's business are described in Note "6. Segment Information."

2. Basis of Presentation

(1) Statement of compliance with IFRS

The Company meets the requirements of a "specified company complying with designated international accounting standards" as stipulated in Article 1-2 of the Ordinance on Consolidated Financial Statements, and the Company therefore prepares its consolidated financial statements in accordance with IFRS, in accordance with Article 93 of the Ordinance on Consolidated Financial Statements.

The Group's consolidated financial statements for the fiscal year ended March 31, 2022 were authorized for issue on July 27, 2022 by Koji Kakigi, President and CEO.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments, etc., described in Note "3. Significant Accounting Policies."

(3) Functional currency and reporting currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. Amounts less than one million yen are rounded down.

(4) Change in presentation method

(Consolidated Statement of Cash Flow)

"Share of loss (profit) of investments accounted for using equity method," which was included in "Other" under cash flows from operating activities in the fiscal year ended March 31, 2021, is presented separately in the fiscal year under review due to its increased importance in terms of amount. The consolidated financial statements for the fiscal year ended March 31, 2021 have been reclassified to reflect this change in presentation.

As a result, (14,239) million yen included in "Other" under cash flows from operating activities in the consolidated statement of cash flow for the fiscal year ended March 31, 2021 has been reclassified as "Share of loss (profit) of investments accounted for using equity method."

3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those companies over which the Company has control. If the Group has an exposure or right to variable returns from involvement in the investee, and has the ability to use its power over the investee to affect the amount of returns, then it is regarded as controlling the investee.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date of acquisition of control to the date of loss of control.

If there is a change in equity interest in a subsidiary without loss of control, it is accounted for as a capital transaction. If there is a change in equity interest in a subsidiary accompanied by a loss of control, the subsidiary's assets and liabilities, non-controlling interests related to the subsidiary, and other components of equity are derecognized, with any gain or loss resulting therefrom recognized in profit or loss.

For subsidiaries whose reporting periods end on a date that differs from that of the parent entity, provisional financial statements as of the consolidated reporting date are used.

(ii) Associates and joint arrangements

Associates: An entity in which the Group owns at least 20% and at most 50% of the voting rights is considered an associate unless it can be clearly demonstrated that the Company cannot exercise influence over financial and operating policy decisions of the entity. An entity in which the Group owns less than 20% of the voting rights is considered an associate if the Company can exercise influence over financial and operating policy decisions of the entity. Investments in associates are accounted for using the equity accounting method.

A joint arrangement is an arrangement in which two or more parties have joint control such that decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. If the parties that share joint control have substantial rights to the assets and obligations for the liabilities relating to the arrangement, it is called a joint operation. If an arrangement is structured through a separate vehicle and the parties that share joint control have rights to the net assets of the arrangement, it is called a joint venture. In relation to its interest in a joint operation, the Group recognizes its share of assets, liabilities, revenue, and expenses. Joint ventures are accounted for using the equity accounting method.

For associates whose reporting periods end on a date that differs from that of the parent entity, provisional financial statements as of the consolidated reporting date are prepared.

For JSW Steel Limited, provisional financial statements are prepared based on December 31 as the reporting date because local legislation imposes restrictions on when certain information becomes available to the Company. Necessary adjustments have been made for material transactions or events disclosed between JSW Steel's provisional reporting date and the consolidated reporting date.

(iii) Consolidation eliminations

The balances of receivables and payables and transactions within the Group, and unrealized gains and losses arising from transactions within the Group, have been eliminated when preparing consolidated financial statements.

(2) Business combinations

Business combinations are accounted for using the acquisition method.

Identifiable assets acquired through business combinations, liabilities assumed, non-controlling interests of the acquiree, and goodwill are recognized on the acquisition date (the date on which the acquirer obtains control of the acquiree). As a general rule, identifiable assets acquired and liabilities assumed are measured at fair value.

If the total value of the fair value of consideration (including contingent consideration) transferred in the business combination, the amount of any non-controlling interests of the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree ("Value A") exceeds the net value (usually the fair value) of the acquiree's identifiable assets and liabilities assumed ("Value B"), the excess is recognized as goodwill. If, on the other hand, Value A is less than Value B, the difference is recognized in profit or loss as of the acquisition date.

Acquisition costs incurred are recognized as expenses when incurred.

For each individual transaction, the Company chooses to measure non-controlling interests at fair value or as a proportionate share of the fair value of identifiable net assets of the acquiree.

(3) Foreign currency translation

(i) Translation of foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company using the exchange rate or similar rate prevailing on the transaction date. Monetary items denominated in foreign currencies at the end of the reporting period are translated into the functional currency at the exchange rate prevailing at the end of the reporting period. Non-monetary items denominated in foreign currencies measured at fair value are translated into the functional currency at the exchange rate prevailing on the date on which the fair value is determined. The resulting exchange differences are recognized in profit or loss. When the valuation difference of a non-monetary item is recognized in other comprehensive income, any exchange component is recognized in other comprehensive income.

(ii) Translation of foreign operations

Assets and liabilities of foreign operations are translated at the exchange rates prevailing at the end of the reporting period. In addition, revenues and expenses of foreign operations are translated at the average exchange rates for the reporting period unless exchange rates fluctuated significantly during the period. Exchange differences arising from translation are recognized in other comprehensive income, and the accumulated amount is included in other components of equity.

When disposing of foreign operations, the cumulative amount of exchange differences related to the foreign operations is recognized in profit or loss at the time of disposal.

(4) Financial instruments

(i) Financial assets

a. Initial recognition and measurement

Financial assets are classified either as financial assets measured at amortized cost or as financial assets measured at fair value at the time of initial recognition. The Group recognizes a financial asset on the transaction date on which it becomes a party to the contractual provisions of the financial asset.

Financial assets that meet the following conditions are classified as financial assets measured at amortized cost:

- The asset is held in a business model of which the objective is to hold the asset in order to collect its contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets other than financial assets measured at amortized cost are classified as financial assets measured at fair value.

With the exception of equity financial assets held for trading purposes that must be measured at fair value through profit or loss, equity financial assets measured at fair value are individually classified either as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, with that classification being made when the asset is initially recognized and applying continuously thereafter.

With the exception of financial assets measured at fair value through profit or loss, financial assets are measured at fair value at initial recognition plus transaction costs directly attributable to the acquisition. Financial assets measured at fair value through profit or loss are measured at fair value at initial recognition, and transaction costs directly attributable to the transaction are recognized in profit or loss.

b. Measurement subsequent to initial recognition

(a) Financial assets measured at amortized cost

After initial recognition, measurement is the amortized cost using the effective interest method.

(b) Financial assets measured at fair value through profit or loss

After initial recognition, measurement is the fair value with subsequent changes recognized in profit or loss.

(c) Equity financial assets measured at fair value through other comprehensive income

After initial recognition, measurement is the fair value with subsequent changes recognized in other comprehensive income.

Amounts recognized in other comprehensive income are transferred to retained earnings when an asset is derecognized or its fair value declines significantly (except when recovery is deemed probable); they are not transferred to profit or loss. Dividends derived from such financial assets are recognized as profit or loss.

c. Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows have extinguished or when the contractual rights to receive cash flows have been transferred and substantially all risks and rewards of ownership of the financial asset are transferred to another entity.

d. Impairment

For financial assets measured at amortized cost, the Company recognizes allowance for doubtful accounts based on expected credit losses.

Allowance for doubtful accounts is calculated as the present value of the difference between the contractual cash flows due to the Group and the cash flows that the Group expects to receive.

The Group determines whether the credit risk on each financial asset has increased significantly since initial recognition on each reporting date, and if the credit risk has not increased significantly since initial recognition, the amount of the allowance for doubtful accounts is assessed based on the expected credit losses resulting from default events that may occur within 12 months (expected credit losses over 12 months). If, on the reporting date, credit risk on a financial asset has increased significantly since initial recognition, the amount of the allowance for doubtful accounts is assessed based on the expected credit losses arising from all possible default events over the expected lifetime of the financial asset (expected credit losses over full lifetime). However, in the case of trade receivables, contract assets, and lease receivables that do not contain a significant financing component, regardless of the above, the amount of the allowance for doubtful accounts is always measured using the expected credit losses for the instrument's full lifetime.

A receivable is determined to be credit-impaired when a fact such as the commencement of legal liquidation proceedings due to the obligor's bankruptcy, etc., or the significant deterioration of the obligor's financial condition occurs. When it becomes apparent that a receivable will be unrecoverable in the future due to a write-off under the provisions of the Corporate Reorganization Act, etc., the carrying amount of the receivable is directly reduced.

Provision of allowance for doubtful accounts on financial assets is recognized in profit or loss. In the case of events that reduce the allowance for doubtful accounts, reversals of allowance for doubtful accounts are recognized in profit or loss. Estimates of allowance for doubtful accounts relating to financial assets reflect the following.

- Unbiased probability-weighted amounts calculated by evaluating a range of possible outcomes;
- Time value of money; and
- Rational and supportable information about past events, current conditions, and forecasts of future economic conditions, available at the reporting date without undue cost or effort

(ii) Financial liabilities

a. Initial recognition and measurement

Financial liabilities are classified either as financial liabilities measured at amortized cost or as financial liabilities measured at fair value through profit or loss at the time of initial recognition. The Group initially recognizes issued debt securities on the date of issue, and other financial liabilities are initially recognized on the transaction date on which the Group becomes a party to the contractual provisions of the financial liability.

Financial liabilities measured at amortized cost are measured at fair value minus transaction costs directly attributable to the issue of the instruments at the time of initial recognition. However, financial liabilities measured at fair value through profit or loss are measured at fair value at the time of initial recognition.

b. Measurement subsequent to initial recognition

(a) Financial liabilities measured at amortized cost

After initial recognition, measurement is the amortized cost using the effective interest method.

(b) Financial liabilities measured at fair value through profit or loss

After initial recognition, measurement is the fair value with subsequent changes recognized in profit or loss.

c. Derecognition

Financial liabilities are derecognized when the financial liabilities extinguish; that is, when the liabilities are discharged, are canceled, or expire.

(iii) Derivative and hedge accounting

The Group enters into derivative transactions such as forward exchange contracts and interest rate swaps in order to hedge foreign exchange risk, interest rate risk, and the like.

At the inception of the hedge, the Group formally designates and documents the risk management purpose and strategy for the hedging relationship and the implementation of the hedge. This documentation identifies the hedging instrument, the item or transaction being hedged, the nature of the risk being hedged, and the method of evaluating the effectiveness of the hedging instrument in offsetting the exposure to changes in the fair value or cash flows of the hedged item due to the risk being hedged. Moreover, the Group assesses at the inception of the hedging relationship, and on an ongoing basis, whether a hedging relationship meets the hedge effectiveness requirements.

Derivatives are initially recognized at fair value. After initial recognition, fair value is measured and subsequent changes are treated as shown immediately below.

a. Fair value hedges

Changes in the fair value of derivatives used as hedging instruments are recognized in profit or loss or other comprehensive income. Changes in the fair value of the hedged item corresponding to the hedged risk are recognized in profit or loss or other comprehensive income, with the carrying amount of the hedged item being adjusted.

b. Cash flow hedges

The portion of the change in the fair value of derivatives used as hedging instruments that is determined to be an effective hedge is recognized in other comprehensive income, and the cumulative amount is included in other components of equity. The portion of hedges that is ineffective is recognized in profit or loss. Amounts accumulated in other components of equity are reclassified from other components of equity to profit or loss in the accounting period in which the transaction being hedged affects profit or loss. However, if the forecast transaction being hedged subsequently results in the recognition of a non-financial asset or non-financial liability, the amount accumulated in other components of equity is treated as an adjustment to the initial carrying amount of that non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the hedging instrument expires, is sold, or is terminated or exercised, or if the derivative no longer meets the requirements for hedge accounting. When the forecast transaction is no longer expected to occur, the amount accumulated in other components of equity is immediately reclassified from other components of equity to profit or loss.

c. Derivatives not designated as hedges

Changes in the fair value of such derivatives are recognized in profit or loss.

(iv) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented at net when the Group has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or intends to realize the asset and settle the liability simultaneously.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, readily available deposits, and short-term investments maturing within three months that are readily convertible to cash and subject to an insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost consists of material costs, direct labor costs, other direct costs, and an appropriate allocation of related manufacturing overhead costs. Net realizable value is calculated by deducting the estimated selling costs from the estimated selling price. Cost is mainly calculated based on the weighted average method.

(7) Property, plant and equipment

The Group uses the cost model to measure the carrying amount of property, plant and equipment subsequent to their recognition.

Under this model, property, plant and equipment are carried at their cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment other than land and construction in progress are mainly depreciated using the straight-line method.

The estimated useful lives of major asset items are as follows:

• Buildings and structures: 2–75 years

• Machinery and vehicles: 2–27 years

The estimated useful lives, depreciation methods, and residual values of property, plant and equipment are reviewed at the end of each fiscal year.

(8) Goodwill and intangible assets

(i) Goodwill

Goodwill is not amortized; it is tested for impairment annually or whenever an indication of impairment exists. Impairment losses on goodwill are recognized in the consolidated statement of profit or loss and are not subsequently reversed.

Goodwill is carried at its cost less any accumulated impairment losses.

(ii) Intangible assets

Intangible assets acquired separately are measured at cost at the time of initial recognition. Intangible assets acquired in business combinations are measured at fair value as of the acquisition date.

The Group uses the cost model to measure the carrying amount of intangible assets subsequent to their recognition. Under this model, intangible assets are carried at their cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. Intangible assets mainly comprise software for internal use and have estimated useful lives of 2–10 years.

(9) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is, or contains, a lease.

(i) Leases as a lessee

At the commencement date, the Group recognizes right-of-use assets and lease liabilities. At the commencement date, right-of-use assets are initially measured at the amount of the initial measurement of lease liabilities adjusted for any initial direct costs, costs for restoration as required pursuant to the contract, and other costs. After the commencement date, the Group uses the cost model to measure right-of-use assets. Under this model, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless it is reasonably certain that the Group will acquire ownership of the leased assets at the end of the lease term. The lease term is determined as the non-cancelable period of leased assets, together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate. After the commencement date, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. In case of lease modifications, the Group remeasures the lease liability. For a lease modification that is not accounted for as a separate lease and decreases the scope of the lease, the Group decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group makes a corresponding adjustment to the right-of-use asset for all other lease modifications.

However, the Group uses the exemption for short-term leases and leases of low-value assets; instead of recognizing right-of-use assets and lease liabilities for such leases, it expenses the lease payments on a straight-line basis over the lease term.

(ii) Leases as a lessor

Leases entered into as a lessor are classified as either finance leases or operating leases according to the substance of the transaction rather than the form of the contract. Assets held under finance leases are presented as receivables in an amount equal to the net investment in the lease.

In the case of subleases, the intermediate lessor classifies the sublease with reference to the right-of-use asset arising from the head lease.

In the case of operating leases, the Group records the leased assets on the consolidated statement of financial position and recognizes lease payments received as income on a straight-line basis over the lease term.

(10) Investment property

Investment property is real estate held for the purpose of earning rental income, capital gains, or both.

The Group uses the cost model to measure the carrying amount of investment property subsequent to its recognition. Under this model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property other than land is depreciated mainly using the straight-line method over the estimated useful life. The estimated useful life of the Company's main investment properties is 26 years.

The estimated useful lives, depreciation methods, and residual values of investment properties are reviewed at the end of each fiscal year.

(11) Impairment of non-financial assets

For property, plant and equipment and intangible assets, etc., if there is any indication at the end of each reporting period that an asset may be impaired, the asset is assessed based on its recoverable amount, being the higher of fair value less costs to sell and its value in use; if the carrying amount of the asset exceeds its recoverable amount, then the asset is impaired and is written down to its recoverable amount.

Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment annually or whenever an indication of impairment exists.

Impairment losses recognized on assets other than goodwill in previous years are assessed at the end of each reporting period to determine whether there is any indication that the recognized impairment loss may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated, and if the recoverable amount exceeds the carrying amount of the asset or the cash-generating unit to which the asset belongs, a reversal of the impairment loss is recognized and the carrying amount is increased to the recoverable amount subject to the condition that the carrying amount of the asset may not exceed the carrying amount (net of accumulated depreciation or accumulated amortization) that would have been determined had no impairment loss been previously recognized. Impairment losses recognized on goodwill are not reversed in subsequent periods.

(12) Post-employment benefits

(i) Defined benefit plans

Defined benefit plans are any retirement benefit plans other than defined contribution plans. For each separate plan, the defined benefit obligation is calculated by estimating the future benefits earned as consideration for services provided by employees in previous and current fiscal years, and discounting that amount to the present value. The fair value of plan assets is deducted from the result of that calculation. The discount rate is determined with reference to the market yields of high-quality corporate bonds that are denominated in the same currency as the expected benefit payment and that have approximately the same maturity as the Group's defined benefit obligation.

If a retirement benefit plan is revised, costs related to the variable portion of benefits related to employees' past service are immediately recognized in profit or loss.

The Group recognizes changes in net defined benefit liability (asset) due to remeasurement in other comprehensive income and immediately transfers the amounts to retained earnings.

(ii) Defined contribution plans

Expenses related to defined contribution plans are recognized as expenses in the period in which the employees provide the services.

(13) Share-based payment

The Company has instituted share-based payment plans through which a portion of the compensation of directors (excluding outside directors) and executive officers (excluding non-residents under income tax law) of the Company and its operating companies is provided in the form of cash-settled share-based payments and equity-settled share-based payments through employee stock ownership plans. The Group's objective is to establish a clear link between compensation and the Group's operating performance and equity value and encourage the sharing of value with shareholders, thereby creating a greater incentive to contribute toward enhancing corporate value over the medium and long term.

For equity-settled share-based payments, consideration for services received is measured with reference to the fair value of Company shares granted. The calculated consideration for services is recognized as an expense, and the same amount is recognized as an increase in equity.

For cash-settled share-based payments, the fair value of the amount paid is recognized as a liability, and changes in the fair value of the liability are recognized in profit or loss over the period up until an unconditional right to compensation is established.

(14) Provisions

Provisions are recognized when the Company has a present obligation (legal obligation or constructive obligation) resulting from past events, it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If the impact of the time value of money is material, provisions are measured at a discounted amount calculated using a discount rate that reflects the risks specific to the liability.

(15) Revenue

With the exception of interest, dividend income, etc., under IFRS 9 Financial Instruments, the Group uses the following five-step approach in recognizing revenue that reflects the amount of consideration to which the Company expects to be entitled in exchange for the transfer of goods and services to customers:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to a distinct performance obligation of the contract

Step 5: Recognize revenue when the performance obligation is fulfilled (or as it is fulfilled).

With respect to sales of steel products, etc., in the steel business, revenues are mainly recognized at the point of shipment, when the customer assumes the significant risk and economic value of ownership of the product being physically transferred and the right to receive payment is confirmed. Consideration for transactions is received mainly within one year from the fulfillment of performance obligations and includes no significant financing components.

With regard to construction contracts, etc., in the engineering business, the Group mainly estimates the progress of fulfilling performance obligations, and revenue is recognized over a fixed period based on the degree of progress. Consideration for transactions is mainly received in phases during the contract term separately from the fulfillment of performance obligations, and the remaining amount is received after a fixed period from the fulfillment of all performance obligations. Consideration for certain transactions includes significant financing components. A cost-based input method is used for performance obligations fulfilled over time in order to recognize revenue. The cost-based input method excludes the effects of any inputs that do not depict the Group's performance in transferring control of goods or services to the customer. When a cost incurred is not proportionate to progress, the Group's performance is faithfully depicted by adjusting the input method to recognize revenue only to the extent of that cost incurred.

With respect to sales of steel products, etc., in the trading business, revenues are mainly recognized at the point of delivery of the product to the customer, when the legal title and physical ownership of the product as well as the significant risk and economic value associated with ownership of the product are transferred to the customer, and the right to receive payment is confirmed. In addition, for certain transactions in the trading business, the Company has the responsibility to carry out work as an agent. Consideration for transactions is received mainly within one year from the fulfillment of performance obligations and includes no significant financing components.

When the Group is engaged in a transaction as a party to the transaction, revenue is presented as the total consideration received from the customer. When the Group is engaged in transactions as an agent for a third party, revenue is presented as a fee, calculated as the total amount of consideration received from the customer minus the amount collected for the third party.

(16) Business profit

Business profit is profit before income taxes excluding financial income and one-time items of materially significant value. It is a benchmark indicator of the Company's consolidated earnings.

(17) Finance income and finance costs

Finance income consists mainly of interest income, and finance costs consist mainly of interest expenses. Interest income is recognized as income when incurred using the effective interest method. Interest expense is recognized as an expense when incurred using the effective interest method.

(18) Dividend income

Dividend income is recognized in profit or loss when the right to receive the dividend is established.

Of the shares and investments held by the Group, dividends received on those held for the purpose of facilitating business transactions are included and presented in other income.

(19) Income taxes

Income tax expense consists of current tax expense and deferred tax expense. These items are recognized in profit or loss except when they arise from items that are directly recognized in other comprehensive income or equity and when they arise from business combinations.

Current tax expense is measured in an amount that reflects the amount the Company expects the tax authorities to refund or expects to pay to the tax authorities. The tax rate and tax law used to calculate the amount of tax are those that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are recognized for temporary differences, which are the differences between the carrying amounts and tax bases of assets and liabilities, and for unused tax losses carryforwards and unused tax credits. Deferred tax assets and deferred tax liabilities are determined at the tax rate estimated for the period when the asset is realized or the liability is settled, based on the tax rate and tax law that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognized for taxable temporary differences excluding the following:

- Temporary differences arising from initial recognition of goodwill;
- Temporary differences resulting from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting income or taxable income at the time of the transaction; and
- Taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangements, when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses carryforwards, and unused tax credits, but only to the extent that it is probable that future taxable income will be available against which the deductible temporary difference, etc., can be utilized, except when the deductible temporary difference, etc., results from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting income or taxable income at the time of the transaction.

Deferred tax assets are recognized for deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangements, only when it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable income will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities are offset only when there is a legally enforceable right to offset income taxes payable and income taxes receivable and either of the following criteria is met:

- The deferred tax assets and the deferred tax liabilities relate to income tax levied on the same taxable entity by the same tax authority; or
- The deferred tax assets and deferred tax liabilities relate to income tax levied on separate taxable entities by the same tax authority, and the taxable entities intend to settle income taxes receivable and income taxes payable on a net basis or realize the assets and settle the liabilities simultaneously.

The Company has applied consolidated tax reporting.

(20) Equity

(i) Share capital and capital surplus

Capital paid in by shareholders is recognized in share capital or capital surplus.

(ii) Treasury shares

When treasury shares are acquired, the consideration paid, including direct transaction costs, is recognized as contra equity.

(21) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to owners of parent by the weighted average number of common shares on issue during the fiscal year.

Diluted earnings per share are calculated by adjusting for the impact of all dilutive potential shares.

4. Significant Judgements, Accounting Estimates, and Assumptions

In preparing the consolidated financial statements, the Group makes judgments, accounting estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are based on management's best judgments reflecting historical experiences and various factors that are believed to be reasonable under the circumstances. By their nature, however, actual results may differ from the estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects resulting from revisions of these estimates are recognized in the period in which the estimates are revised and in future periods affected by the revision.

Judgments made in applying accounting policies that have a significant effect on the consolidated financial statements are mainly as follows:

- Scope of subsidiaries, associates, and joint arrangements (Note "3. Significant Accounting Policies")
- Revenue recognition (Note "3. Significant Accounting Policies")
- Leases (Note "3. Significant Accounting Policies")

Information on accounting estimates and assumptions that may have a significant effect on the consolidated financial statements is as follows:

- Valuation of inventories (Note "3. Significant Accounting Policies" and Note "9. Inventories")

  Inventories are measured at cost. However, if net realizable value is lower than cost at the end of the reporting period, inventories are measured at the net realizable value and the difference between cost is recognized in cost of sales in principle. Furthermore, for idle inventories outside the operating cycle, net realizable value and other items are determined by reflecting future demand and market trends. A significant decline in net realizable value due to worse-than-forecast market environment may cause losses.

- Impairment of non-financial assets (Note "3. Significant Accounting Policies" and Note "16. Impairment of Non-financial Assets")

  The Group tests property, plant and equipment, goodwill, and intangible assets for impairment in accordance with Note "3. Significant Accounting Policies." In determining recoverable amounts in impairment tests, assumptions are made for future cash flows, discount rates, and other items. Although these assumptions are determined based on management's best estimates and judgments, they may be affected by uncertain changes in economic conditions in the future and other factors. If a revision is necessary, it may have a significant effect on the consolidated financial statements.

- Recoverability of deferred tax assets (Note "3. Significant Accounting Policies" and Note "19. Income Taxes")

  Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized. In judging the probability of taxable income, the timing and amount of taxable income are estimated based on the business plan. Although such estimates are made based on management's best estimates, they may differ from actual results due to uncertain changes in economic conditions in the future and other factors.

- Valuation and accounting for provisions (Note "3. Significant Accounting Policies" and Note "23. Provisions")

  Provisions are measured based on the best estimates of the expenditures expected to be required to settle the obligations in the future on the reporting date. The expenditures expected to be required to settle the obligations in the future are determined by comprehensively taking into account future possible results. Since assumptions which are used for measuring these provisions may be affected by uncertain changes in economic conditions in the future and other factors, the assumptions involve the risk of causing a significant modification on the measurement of provisions prospectively.

- Measurement of defined benefit obligations (Note "3. Significant Accounting Policies" and Note "24. Post-employment Benefits")

  With respect to defined benefit corporate pension plans, the net amount of defined benefit obligations and fair values of plan assets are recognized as liabilities or assets. Defined benefit obligations are determined based on actuarial assumptions which include the estimates of discount, retirement, mortality, and salary increase rates. These assumptions are determined by comprehensively taking into account all available information, such as market trends in interest rate fluctuations. Since these actuarial assumptions may be affected by uncertain changes in the economic environment in the future, social trends, and other factors, the assumptions involve the risk of causing a significant modification on the measurement of defined benefit obligations prospectively.

• Matters related to financial instruments (Note “3. Significant Accounting Policies” and Note “39. Financial Instruments”)

The Group uses significant unobservable inputs for measuring the fair values of specified financial instruments. Unobservable inputs may be affected by future uncertain changes in economic conditions and other factors. If a revision is necessary, it may have a significant effect on the consolidated financial statements.

• Contingencies (Note “42. Contingent Liabilities”)

For contingencies, items that may have a significant effect on future businesses are disclosed after taking into account all available evidence as of the reporting date and considering the possibility and financial effect of the contingencies.

5. New IFRS Standards Not Yet Adopted

There are no IFRS standards and interpretations newly established or amended by the approval date of the consolidated financial statements that the Group has not yet adopted and that have a significant effect.

6. Segment Information

(1) Overview of reportable segments

The Group organized under JFE Holdings executes commercial activities through three operating companies—JFE Steel Corporation, JFE Engineering Corporation, and JFE Shoji Trade Corporation—in accordance with the characteristics of their respective businesses.

Consolidated reportable segments, one for each operating company, are characterized by their constituent products and services. There are no business segments which were consolidated for reporting.

Each segment has its own respective products and services. The steel business produces and sells various steel products, processed steel products, and raw materials, and provides transportation and other related businesses such as facility maintenance and construction. The engineering business handles engineering for energy, urban environment, steel structures and industrial machines, recycling, and electricity retailing. The trading business purchases, processes, and distributes steel products, raw materials for steel production, nonferrous metal products, and food, etc.

(2) Information on reportable segments

The accounting treatments for the Group's reportable segments are the same as those described in Note "3. Significant Accounting Policies."

The Group assesses segment performance on the basis of segment profit. Segment profit is profit before tax excluding one-time items of a materially significant value.

Intersegment transactions are based on market prices and the like.

Fiscal year ended March 31, 2021

(million yen)

	Steel	Engineering	Trading	Total	Adjustments (Note)	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	1,938,933	474,908	813,443	3,227,285	–	3,227,285
Intersegment revenue	316,283	10,842	119,066	446,192	(446,192)	–
Total	2,255,216	485,750	932,510	3,673,477	(446,192)	3,227,285
Segment profit (loss)	(65,461)	24,073	20,098	(21,289)	(4,118)	(25,408)
Profit on sales of fixed assets						28,021
Impairment losses						(7,544)
Loss before tax						(4,930)

Segment assets	3,864,262	478,146	717,270	5,059,679	(404,707)	4,654,972
Other items						
Depreciation and amortization	211,645	14,629	11,065	237,340	(987)	236,353
Impairment losses	(6,351)	(59)	(1,133)	(7,544)	–	(7,544)
Finance income	689	171	1,000	1,861	(174)	1,686
Finance costs	(11,880)	(838)	(2,053)	(14,772)	588	(14,184)
Share of profit of investments accounted for using equity method	16,873	277	671	17,822	(3,582)	14,239
Investments accounted for using equity method	312,476	11,903	17,144	341,525	13,717	355,242
Capital expenditures	308,384	22,358	12,798	343,540	(1,145)	342,395

Note: Adjustments are as follows:

- Adjustments to segment profit (loss) include corporate profit not allocated to a reportable segment: 9,334 million yen, elimination of dividend income from each reportable segment: (8,847) million yen, and share of loss of investments accounted for using equity method related to Japan Marine United Corporation: (4,136) million yen; elimination of other intersegment transactions: (469) million yen. Corporate profit is profit of the Company.
- Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 103,726 million yen and

elimination of intersegment receivables and payables, etc.: (508,433) million yen. Corporate assets are assets of the Company.

Fiscal year ended March 31, 2022

(million yen)

	Steel	Engineering	Trading	Total	Adjustments (Note)	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	2,790,084	496,834	1,078,225	4,365,145	–	4,365,145
Intersegment revenue	383,391	11,380	153,537	548,309	(548,309)	–
Total	3,173,475	508,215	1,231,763	4,913,454	(548,309)	4,365,145
Segment profit (loss)	323,776	26,005	55,973	405,756	(946)	404,809
Impairment losses						(11,355)
Loss on liquidation of subsidiaries and associates						(4,918)
Profit before tax						388,535

Segment assets	4,425,035	501,332	953,200	5,879,568	(591,659)	5,287,909
Other items						
Depreciation and amortization	225,486	16,143	11,743	253,372	(1,089)	252,283
Impairment losses	(7,308)	(2,778)	(1,269)	(11,355)	–	(11,355)
Finance income	633	182	951	1,767	(218)	1,549
Finance costs	(11,543)	(691)	(1,819)	(14,054)	848	(13,205)
Share of profit of investments accounted for using equity method	95,995	773	1,375	98,144	1,586	99,730
Investments accounted for using equity method	405,191	15,017	19,921	440,131	14,511	454,642
Capital expenditures	304,967	24,742	12,100	341,811	(875)	340,935

Note: Adjustments are as follows:

・ Adjustments to segment profit (loss) include corporate profit not allocated to a reportable segment: 49,716 million yen; elimination of dividend income from each reportable segment: (48,855) million yen; share of profit of investments accounted for using equity method related to Japan Marine United Corporation: 181 million yen; and elimination of other intersegment transactions: (1,989) million yen. Corporate profit is profit of the Company.

・ Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 54,197 million yen and elimination of intersegment receivables and payables, etc.: (645,856) million yen. Corporate assets are assets of the Company.

(3) Information about the categories of products and services

The information is the same as information on reportable segments.

(4) Information about revenue from external customers by geographical areas

The information is provided in Note “27. Revenue.”

(5) Information about non-current assets (excluding financial assets, retirement benefit asset, and deferred tax assets) by geographical areas

(million yen)

	As of March 31, 2021	As of March 31, 2022
Japan	1,898,718	1,984,409
Other	159,636	154,559
Total	2,058,355	2,138,968

Note: Non-current assets are based on the geographical location of each company of the Group.

(6) Information about major customers

The information of external customer that accounts for 10% or more of consolidated revenue of the Group is as follows:

(million yen)

	Relevant segments	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Marubeni-Itochu Steel Inc. and its group companies	Steel and trading	296,596	437,482

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Cash and bank deposits with maturities of three months or less	142,404	99,663
Negotiable certificates of deposit	–	2,100
Deposits paid	12	10
Total	142,416	101,773

Cash and cash equivalents are classified as financial assets measured at amortized cost.

The balance of cash and cash equivalents reported in the consolidated statement of financial position as of March 31, 2021 and 2022 is consistent with that reported in the consolidated statement of cash flow.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Notes and accounts receivable–trade	716,893	742,836
Other	37,012	56,453
Allowance for doubtful accounts	(2,080)	(2,333)
Total	751,824	796,955

Trade and other receivables are stated as net of allowance for doubtful accounts in the consolidated statement of financial position.

Trade and other receivables are classified as financial assets measured at amortized cost.

9. Inventories

The breakdown of inventories is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Merchandise and finished goods	378,785	626,321
Work in progress	39,436	33,782
Raw materials and supplies	367,409	567,831
Total	785,632	1,227,935

Inventories recognized as an expense in cost of sales for the fiscal years ended March 31, 2021 and 2022 amounted to 2,396,972 million yen and 3,171,818 million yen, respectively.

10. Other Financial Assets

(1) The breakdown of other financial assets is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Financial assets measured at amortized cost		
Lease receivables (non-current)	24,135	22,673
Other	35,580	33,208
Allowance for doubtful accounts	(655)	(303)
Subtotal	59,059	55,578
Financial assets measured at fair value through profit or loss		
Derivative assets	28,238	34,229
Other	3,871	3,853
Subtotal	32,109	38,083
Equity financial assets measured at fair value through other comprehensive income		
Equity securities	160,405	139,689
Investments in capital	6,290	6,697
Subtotal	166,696	146,387
Total	257,865	240,048
Current assets	13,359	22,830
Non-current assets	244,505	217,217
Total	257,865	240,048

Other financial assets are stated net of allowance for doubtful accounts in the consolidated statement of financial position.

(2) Equity financial assets measured at fair value through other comprehensive income

The issuers and fair values of major equity financial assets measured at fair value through other comprehensive income are as follows:

(million yen)

Issuers	As of March 31, 2021
Formosa Ha Tinh (Cayman) Limited	17,218
Central Japan Railway Company	13,680
Dongkuk Steel Mill Co., Ltd.	11,124
Isuzu Motors Limited	10,297
Sumitomo Realty & Development Co., Ltd.	6,210

(million yen)

Issuers	As of March 31, 2022
Formosa Ha Tinh (Cayman) Limited	20,991
Dongkuk Steel Mill Co., Ltd.	14,144
Companhia Nipo-Brasileira de Pelotização	10,201
Central Japan Railway Company	8,806
Isuzu Motors Limited	6,876

Equity securities and investments in capital are held mainly for the purpose of maintaining and developing the Group's business. Therefore, they are designated as equity financial assets measured at fair value through other comprehensive income.

In order to promote the efficiency of held assets and to use them effectively, the Group has sold (derecognized) equity financial assets measured at fair value through other comprehensive income.

The fair value and accumulated gains or losses recognized in other comprehensive income at the time of sale are as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Fair value	128,281	31,759
Accumulated gains or losses recognized in other comprehensive income	38,010	8,251

11. Other Assets and Liabilities

The breakdown of other current assets, other non-current assets, other current liabilities, and other non-current liabilities is as follows:

(1) Other current assets and other non-current assets

(million yen)

	As of March 31, 2021	As of March 31, 2022
Advance payments to suppliers	16,922	36,139
Other	77,054	97,484
Total	93,977	133,624
Current assets	79,430	118,235
Non-current assets	14,547	15,388
Total	93,977	133,624

(2) Other current liabilities and other non-current liabilities

(million yen)

	As of March 31, 2021	As of March 31, 2022
Accrued expenses	153,613	192,489
Other	63,284	53,324
Total	216,897	245,813
Current liabilities	208,510	236,856
Non-current liabilities	8,387	8,957
Total	216,897	245,813

12. Property, Plant and Equipment

The movement of carrying amount for property, plant and equipment during the year is as follows:

Fiscal year ended March 31, 2021

(million yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Balance at the beginning of the year	338,734	813,348	46,141	388,658	123,568	7,300	1,717,751
Acquisition	38,611	219,469	16,827	1,174	(2,341)	1,872	275,612
Sale or disposal	(642)	(2,477)	(221)	(964)	(1,798)	(13)	(6,118)
Depreciation	(27,346)	(139,298)	(16,487)	(25)	–	(1,894)	(185,051)
Impairment losses	(1,434)	(5,232)	(220)	(526)	(29)	–	(7,442)
Exchange differences on translation of foreign operations, etc.	(3,107)	(16,599)	503	(726)	(1,917)	(600)	(22,447)
Balance at the end of the year	344,815	869,209	46,542	387,590	117,481	6,663	1,772,303

Fiscal year ended March 31, 2022

(million yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Balance at the beginning of the year	344,815	869,209	46,542	387,590	117,481	6,663	1,772,303
Acquisition	49,469	254,959	16,726	1,181	(40,930)	2,760	284,166
Sale or disposal	(771)	(1,998)	(200)	(1,834)	(2,011)	(5)	(6,821)
Depreciation	(28,321)	(151,587)	(16,762)	(28)	–	(1,898)	(198,599)
Impairment losses	(4,150)	(1,789)	(119)	(920)	(2,289)	–	(9,269)
Exchange differences on translation of foreign operations, etc.	612	5,723	668	436	1,996	(437)	8,999
Balance at the end of the year	361,655	974,517	46,854	386,423	74,246	7,081	1,850,779

Notes:
1. Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
2. Acquisition of construction in progress represents an increase due to new acquisition, net of transfers to each item of property, plant and equipment.

The cost, accumulated depreciation, accumulated impairment losses, and carrying amount of property, plant and equipment are as follows:

(million yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
As of March 31, 2021							
Cost	1,890,019	6,286,086	202,399	410,263	122,588	17,901	8,929,258
Accumulated depreciation and accumulated impairment losses	(1,545,203)	(5,416,876)	(155,857)	(22,672)	(5,106)	(11,238)	(7,156,954)
Carrying amount	344,815	869,209	46,542	387,590	117,481	6,663	1,772,303
As of March 31, 2022							
Cost	1,937,455	6,461,920	206,108	411,182	77,421	19,917	9,114,004
Accumulated depreciation and accumulated impairment losses	(1,575,799)	(5,487,402)	(159,253)	(24,759)	(3,174)	(12,835)	(7,263,224)
Carrying amount	361,655	974,517	46,854	386,423	74,246	7,081	1,850,779

13. Goodwill and Intangible Assets

(1) Movement of goodwill and intangible assets

The movement of carrying amount for goodwill and intangible assets during the year is as follows:

Fiscal year ended March 31, 2021

(million yen)

	Goodwill	Software	Other	Total
Balance at the beginning of the year	6,497	81,054	7,747	95,299
Acquisition	–	29,048	414	29,463
Sale or disposal	–	(1,300)	(3)	(1,303)
Amortization	–	(21,866)	(355)	(22,221)
Impairment losses	–	(34)	(61)	(95)
Exchange differences on translation of foreign operations, etc.	(296)	442	(31)	114
Balance at the end of the year	6,200	87,344	7,711	101,256

Fiscal year ended March 31, 2022

(million yen)

	Goodwill	Software	Other	Total
Balance at the beginning of the year	6,200	87,344	7,711	101,256
Acquisition	2,439	34,589	3,763	40,791
Sale or disposal	–	(198)	(4)	(203)
Amortization	–	(24,232)	(324)	(24,556)
Impairment losses	(581)	(79)	(1,421)	(2,082)
Exchange differences on translation of foreign operations, etc.	116	1,121	278	1,517
Balance at the end of the year	8,174	98,545	10,002	116,721

Note: Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

The cost, accumulated amortization, accumulated impairment losses, and carrying amount of goodwill and intangible assets are as follows:

(million yen)

	Goodwill	Software	Other	Total
As of March 31, 2021				
Cost	10,244	389,962	25,051	425,258
Accumulated amortization and accumulated impairment losses	(4,043)	(302,618)	(17,340)	(324,002)
Carrying amount	6,200	87,344	7,711	101,256
As of March 31, 2022				
Cost	12,799	419,400	27,715	459,916
Accumulated amortization and accumulated impairment losses	(4,625)	(320,855)	(17,713)	(343,194)
Carrying amount	8,174	98,545	10,002	116,721

(2) Research and development expenses

Research and development expenses recorded in “Cost of sales” and “Selling, general and administrative expenses” for the fiscal years ended March 31, 2021 and 2022 amounted to 36,205 million yen and 39,658 million yen, respectively.

14. Lease Transactions

(1) Lease transactions as a lessee

The Group leases machinery, ships, buildings, and other assets as a lessee. Certain lease arrangements include renewal options, but no significant lease arrangements include escalation clauses. In addition, there are no material restrictions (such as restrictions related to additional borrowings and additional leases) imposed by the lease arrangements.

(i) Disclosure on profit or loss and cash outflow for leases

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation of right-of-use assets		
Buildings and structures	11,174	11,680
Machinery and vehicles	11,999	11,079
Tools, furniture and fixtures	2,631	3,169
Land	1,256	1,235
Other	1,029	981
Total	28,090	28,147
Interest on lease liabilities	583	550
Expense relating to short-term leases	4,316	3,699
Expense relating to leases of low-value assets	769	770
Income from subleasing right-of-use assets	1,587	1,631

Total cash outflow for leases	50,597	57,367

(ii) Disclosure on the breakdown of the carrying amounts of right-of-use assets

(million yen)

	As of March 31, 2021	As of March 31, 2022
Buildings and structures	40,711	39,852
Machinery and vehicles	51,824	42,765
Tools, furniture and fixtures	5,554	3,796
Land	11,271	9,485
Other	2,576	2,517
Total	111,938	98,417

Right-of-use assets for the fiscal years ended March 31, 2021 and 2022 increased by 36,591 million yen and 21,478 million yen, respectively.

(2) Lease transactions as a lessor

The Group leases buildings and other assets as a lessor and receives security deposits as a risk management strategy.

(i) Income from operating leases

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Lease income	11,355	11,281

(ii) Maturity analysis of non-cancelable operating lease payments

(million yen)

	As of March 31, 2021	As of March 31, 2022
Within one year	1,238	1,408
Over one year and within two years	1,225	1,408
Over two years and within three years	1,225	1,342
Over three years and within four years	1,159	1,144
Over four years and within five years	961	891
Over five years	1,828	997
Total	7,638	7,193

(iii) Income from finance leases

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Finance income on the net investment in the lease	919	873

(iv) Maturity analysis of lease payments receivable

(million yen)

	As of March 31, 2021	As of March 31, 2022
Within one year	6,951	6,940
Over one year and within two years	5,885	6,227
Over two years and within three years	4,111	6,066
Over three years and within four years	5,276	8,247
Over four years and within five years	7,839	5,657
Over five years	10,389	4,737
Total	40,453	37,877
Unearned finance income	6,407	5,240
Net investment in the lease	34,045	32,637

15. Investment Properties

(1) Movement of investment properties

The movement of carrying amount for investment properties is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	58,158	58,310
Acquisition	728	308
Reclassification from property, plant and equipment	982	270
Reclassification to property, plant and equipment	(155)	(245)
Depreciation	(989)	(979)
Impairment losses	(5)	–
Sale or disposal	(409)	(3)
Balance at the end of the year	58,310	57,660
Cost (balance at the beginning of the year)	127,821	128,205
Accumulated depreciation and accumulated impairment losses (balance at the beginning of the year)	(69,662)	(69,894)
Cost (balance at the end of the year)	128,205	126,388
Accumulated depreciation and accumulated impairment losses (balance at the end of the year)	(69,894)	(68,728)

(2) Fair values

The carrying amount and fair value of investment properties are as follows:

(million yen)

	As of March 31, 2021		As of March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	58,310	137,251	57,660	136,369

The fair value of investment properties is principally based on the real estate appraisal values provided by independent licensed real estate appraisers.

The fair value hierarchy of investment properties is categorized within Level 3 because unobservable inputs are included.

Fair value hierarchy is described in Note “39. Financial Instruments.”

(3) Income and expenses arising from investment properties

Rental income and direct sales expenses arising from investment properties are as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Rental income	11,355	11,281
Direct sales expenses arising from investment properties which generated income	3,104	3,084
Direct sales expenses arising from investment properties which did not generate income	20	24

16. Impairment of Non-financial Assets

When the Group assesses whether there is an indication that non-financial assets may be impaired, in principle, the assets are classified as idle assets, leased assets, assets for various projects and assets for business use, and then those classified assets are grouped by the smallest unit that generates independent cash flows.

Fiscal year ended March 31, 2021

The carrying amount was reduced to the recoverable amount mainly for idle assets, and the reduction was recorded as an impairment loss. Impairment losses in the consolidated statement of profit or loss totaled 7,544 million yen, consisting of 5,232 million yen of machinery and vehicles and 2,311 million yen of buildings and structures. The recoverable amount of these assets was primarily determined at their expected disposal price.

Fiscal year ended March 31, 2022

The carrying amount of business assets, mainly those held in Myanmar where business climate has deteriorated, has been reduced to the recoverable amount and the reduction was recorded as an impairment loss. Impairment losses in the consolidated statement of profit or loss totaled 11,355 million yen, consisting of 4,150 million yen of buildings and structures, 2,289 million yen of construction in progress, 1,789 million yen of machinery and vehicles, and 3,126 million yen of other intangible assets. The recoverable amount of these assets was primarily determined at their net sales value. Net sales value is determined mainly using cost approach, a valuation technique that includes unobservable inputs. It is categorized as Level 3 within the fair value hierarchy.

17. Subsidiaries and Associates

Name	Address	Paid-in capital (million yen)	Major business operations	Voting shares (%)	Details of relationship		
					Concurrent holding of director position, etc.	Business loans	Other
(Consolidated subsidiaries) [Steel business]							
JFE Steel Corporation*1, *3	Chiyoda-ku, Tokyo	239,644	Manufacture and sale of steel products	100.0	Yes	Yes	Conclusion of contract related to business management. Lease of buildings from this company.
JFE Bars & Shapes Corporation*1	Minato-ku, Tokyo	30,000	Manufacture and sale of shaped steel and rebar products	100.0 (100.0)	Yes	–	–
JFE Chemical Corporation	Taito-ku, Tokyo	6,000	Manufacture and sale of chemical products	100.0 (100.0)	–	–	–
JFE Metal Products & Engineering, Inc.	Minato-ku, Tokyo	5,000	Manufacture, processing, and sale of secondary steel products	97.4 (97.4)	–	–	–
JFE Galvanizing & Coating Co., Ltd.	Shinagawa-ku, Tokyo	5,000	Manufacture, processing, and sale of secondary steel products	100.0 (100.0)	–	–	–
GECOSS Corporation*2	Chuo-ku, Tokyo	4,397	Rental and sale of temporary construction materials	62.0 (62.0)	–	–	–
JFE Logistics Corporation	Chiyoda-ku, Tokyo	4,000	Various transportation and warehousing businesses	89.2 (89.2)	Yes	–	–
JFE Container Co., Ltd.*2	Chiyoda-ku, Tokyo	2,365	Manufacture and sale of various containers	59.6 (59.6)	–	–	–
JFE Civil Engineering & Construction Corporation	Taito-ku, Tokyo	2,300	Contracting for civil engineering and construction works	100.0 (100.0)	–	–	–

Name	Address	Paid-in capital (million yen)	Major business operations	Voting shares (%)	Details of relationship		
					Concurrent holding of director position, etc.	Business loans	Other
JFE Mineral Company, Ltd.	Minato-ku, Tokyo	2,000	Manufacture, processing and sale of mineral products; and manufacture and sale of iron and steel slag and functional materials	100.0 (100.0)	–	–	–
JFE Life Corporation	Taito-ku, Tokyo	2,000	Real estate, insurance agency, and various service businesses	100.0 (100.0)	–	Yes	–
JFE Plant Engineering Co., Ltd.	Taito-ku, Tokyo	1,700	Manufacture and sale of machinery and equipment, and contracting for electrical construction, telecommunications construction, equipment management, and construction works	100.0 (100.0)	–	–	–
JFE Systems, Inc.*2	Minato-ku, Tokyo	1,390	Development and sale of various computer systems	67.7 (67.7)	–	–	–
Mizushima Ferroalloy Co., Ltd.	Kurashiki, Okayama	1,257	Manufacture and sale of ferroalloy	100.0 (100.0)	–	–	–
JFE Pipe Fitting Mfg. Co., Ltd.	Kishiwada, Osaka	958	Manufacture and sale of steel pipe joints	86.6 (86.6)	–	Yes	–
JFE Kozai Corporation	Chuo-ku, Tokyo	488	Shearing and fusing of steel plates/sheets; and sale of steel materials	100.0 (100.0)	–	–	–
JFE Welded Pipe Manufacturing Co., Ltd.	Chuo-ku, Tokyo	450	Manufacture and sale of electric resistance welded steel pipes	100.0 (100.0)	–	–	–
JFE Material Co., Ltd.	Imizu, Toyama	450	Manufacture and sale of ferroalloy	100.0 (100.0)	–	Yes	–
JFE Precisions Co., Ltd.	Higashi-ku, Niigata	450	Manufacture and sale of formed and fabricated materials	100.0 (100.0)	–	Yes	–
JFE Advantech Co., Ltd.	Nishinomiya, Hyogo	319	Manufacture and sale of measuring and weighing instruments	100.0 (100.0)	–	–	–
JFE Techno-Research Corporation	Chiyoda-ku, Tokyo	100	Material analysis, environmental research, technical information surveys, and support for intellectual properties	100.0 (100.0)	–	–	–
JFE East Japan GS Co., Ltd.	Kawasaki-ku, Kawasaki	50	Various service businesses	100.0 (100.0)	–	–	–
JFE Steel Australia Resources Pty. Ltd.*1	Brisbane, Australia	Millions of AUD 460	Investments in coal mines and the iron ore mining business in Australia	100.0 (100.0)	–	–	–
Philippine Sinter Corporation*1	Manila, The Philippines	Millions of PHP 1,957	Manufacture and sale of sintered ore	100.0 (100.0)	–	–	–
PT. JFE Steel Galvanizing Indonesia	Bekasi, Indonesia	Millions of USD 139	Manufacture and sale of cold-rolled and hot-dip zinc galvanized steel products	100.0 (100.0)	–	–	–
JFE Steel Galvanizing (Thailand) Ltd.	Rayong, Thailand	Millions of THB 4,362	Manufacture and sale of hot-dip zinc galvanized steel products	100.0 (100.0)	–	–	–
Thai Coated Steel Sheet Co., Ltd.	Bangkok, Thailand	Millions of THB 2,206	Manufacture and sale of electrogalvanized steel products	81.4 (81.4)	–	–	–
Nova Era Silicon S.A.	Belo Horizonte, Brazil	Millions of BRL 149	Manufacture and sale of ferroalloy	100.0 (100.0)	–	–	–
122 other companies							
[Engineering business] JFE Engineering Corporation*1	Chiyoda-ku, Tokyo	10,000	Engineering business	100.0	Yes	Yes	Conclusion of contract related to business management

Name	Address	Paid-in capital (million yen)	Major business operations	Voting shares (%)	Details of relationship		
					Concurrent holding of director position, etc.	Business loans	Other
J&T Recycling Corporation	Tsurumi-ku, Yokohama	650	Total recycling business	64.0 (64.0)	–	Yes	–
JFE Project One Co., Ltd.	Mihama-ku, Chiba	450	Design, construction, and maintenance of oil refining, petrochemical, and energy-related plants	100.0 (100.0)	–	–	–
JFE Environment Technology Company, Ltd.	Mihama-ku, Chiba	450	Design, procurement, construction, operation management, and maintenance of various environmental facilities	100.0 (100.0)	–	Yes	–
Asukasoken Co., Ltd.	Shinagawa-ku, Tokyo	356	Gas pipe burial and gas facility construction works	57.2 (57.2)	–	–	–
JFE Technos Co., Ltd.	Tsurumi-ku, Yokohama	301	Machinery and facility maintenance	100.0 (100.0)	–	–	–
JFE Environmental Service Corporation	Tsurumi-ku, Yokohama	97	Operation, maintenance, and management of waste processing facilities, water treatment facilities, etc.	100.0 (100.0)	–	–	–
Urban Energy Corporation	Tsurumi-ku, Yokohama	50	Electricity retailing business	100.0 (100.0)	–	–	–
Standardkessel Baumgarte Holding GmbH	Mülheim, Germany	Thousands of EUR 1,300	Construction and maintenance of waste power plants, biomass power plants, waste heat recovery power plants, etc.	100.0 (100.0)	–	–	–
71 other companies							
[Trading business] JFE Shoji Corporation	Chiyoda-ku, Tokyo	14,539	Domestic and export/import trade of steel products; raw materials for ironmaking/steelmaking; non-ferrous metal products; chemical products; petroleum products; and various equipment and materials, etc.	100.0	Yes	Yes	Conclusion of contract related to business management.
JFE Shoji Steel Construction Materials Corporation	Chiyoda-ku, Tokyo	1,500	Sale of construction material products and equipment and materials for civil engineering/construction works; metallic processing business; and civil engineering/construction works and various other works	100.0 (100.0)	–	–	–
JFE Shoji Electronics Corporation	Chiyoda-ku, Tokyo	1,000	Sale of semiconductor products; and sale, installation, and maintenance of device assembling and inspection equipment for electronic components, etc.	100.0 (100.0)	–	Yes	–
Kawasho Foods Corporation	Chiyoda-ku, Tokyo	1,000	Domestic and import/export trade of various foods	100.0 (100.0)	–	–	–
JFE Shoji Pipe & Fitting Corporation	Chiyoda-ku, Tokyo	500	Sale of steel pipe and pipe material products	100.0 (100.0)	–	–	–
JFE Shoji Electrical Steel Co., Ltd.	Kita-ku, Osaka	400	Processing and sale of electromagnetic steel sheets	100.0 (100.0)	–	–	–
JFE Shoji Kohnan Steel Center Co., Ltd.	Higashinada-ku, Kobe	250	Processing and sale of steel sheets	100.0 (100.0)	–	–	–
JFE Shoji Coil Center Corporation	Kanazawa-ku, Yokohama	230	Processing and sale of steel sheets	85.7 (85.7)	–	Yes	–
K&I Tubular Corporation	Chiyoda-ku, Tokyo	50	Export/overseas trade of specialty pipes/tubes	60.0 (60.0)	–	–	–
Zhejiang JFE Shoji Steel Products Co., Ltd.	Pinghu, China	Millions of CNY 181	Processing and sale of steel sheets	97.9 (97.9)	–	–	–

Name	Address	Paid-in capital (million yen)	Major business operations	Voting shares (%)	Details of relationship		
					Concurrent holding of director position, etc.	Business loans	Other
VEST Inc.	Los Angeles, United States	Millions of USD 5	Sale and manufacture of welded steel pipes	100.0 (100.0)	–	–	–
Dongguan JFE Shoji Steel Products Co., Ltd.	Dongguan, China	Millions of CNY 90	Processing and sale of steel sheets	100.0 (100.0)	–	–	–
JFE Shoji Steel America, Inc.	Los Angeles, United States	Millions of USD 6	Processing and sale of steel sheets	100.0 (100.0)	–	–	–
Central Metals (Thailand) Ltd.	Samut Prakan, Thailand	Millions of THB 240	Processing and sale of steel sheets	100.0 (100.0)	–	–	–
JFE Shoji (Vietnam) Ltd.	Ho Chi Minh, Vietnam	Millions of VND 176,790	Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, various equipment and materials, etc.	100.0 (100.0)	–	–	–
JFE Shoji (Hong Kong) Ltd.	Hong Kong, China	Millions of USD 1	Export/import and domestic trade of steel products, chemical products, etc.	100.0 (100.0)	–	–	–
JFE Shoji (Thailand) Ltd.	Bangkok, Thailand	Millions of THB 20	Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, various equipment and materials, etc.	100.0 (100.0)	–	–	–
JFE Shoji (Shanghai) Co., Ltd.	Shanghai, China	Millions of CNY 3	Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, nonferrous metal products, chemical products, etc.	100.0 (100.0)	–	–	–
JFE Shoji Power Canada Inc.	Burlington, Canada	Millions of USD 0	Processing and sale of electromagnetic steel sheets	100.0 (100.0)	–	–	–
JFE Shoji America Holdings Inc.	Los Angeles, United States	Millions of USD 0	Business management, etc. of subsidiaries in the United States	100.0 (100.0)	–	–	–
JFE Shoji America, LLC	Los Angeles, United States	–	Export/import and domestic trade of steel products and raw materials for ironmaking/steelmaking	100.0 (100.0)	–	–	–
Kelly Pipe Co., LLC	Santa Fe Springs, United States	–	Sale of steel pipes	100.0 (100.0)	–	–	–
78 other companies							
(Equity method associates, etc.) [Steel business] Japan-Brazil Niobium Corporation	Chiyoda-ku, Tokyo	37,272	Investment in niobium mining in Brazil	25.0 (25.0)	–	–	–
Setouchi Joint Thermal Power Co., Ltd.	Fukuyama, Hiroshima	5,000	Thermal power generation business	50.0 (50.0)	–	–	–
Shinagawa Refractories Co., Ltd.*2	Chiyoda-ku, Tokyo	3,300	Manufacture and sale of various refractories, and contracting for furnace construction work	34.1 (34.1)	–	–	–
Nippon Chuzo K.K.*2	Kawasaki-ku, Kawasaki	2,627	Manufacture and sale of cast steel products, etc.	34.0 (34.0)	–	–	–
Nippon Chutetsukan K.K.*2	Kuki, Saitama	1,855	Manufacture and sale of cast-iron pipes, etc.	30.0 (30.0)	Yes	–	–
NKK Seamless Steel Pipe K.K.	Kawasaki-ku, Kawasaki	1,595	Manufacture and sale of seamless steel pipes	49.0 (49.0)	Yes	–	–
EXA Corporation	Nishi-ku, Yokohama	1,250	Development and sale of various computer systems	49.0 (49.0)	–	–	–

Name	Address	Paid-in capital (million yen)	Major business operations	Voting shares (%)	Details of relationship		
					Concurrent holding of director position, etc.	Business loans	Other
K.K. JFE Sanso Center	Fukuyama, Hiroshima	90	Manufacture and sale of oxygen gas, nitrogen gas, argon gas, etc.	40.0 (40.0)	–	–	–
Guangzhou JFE Steel Sheet Co., Ltd.	Guangzhou, China	Millions of CNY 3,191	Manufacture and sale of cold-rolled and hot-dip zinc galvanized steel products	50.0 (50.0)	–	–	–
Nucor-JFE Steel Mexico, S. Der. L. Dec.V.	Silao, Mexico	Millions of USD 361	Manufacture and sale of hot-dip zinc galvanized steel products	50.0 (50.0)	–	–	–
BaoWu JFE Special Steel Co., Ltd.	Shaoguan, China	Millions of CNY 1,372	Manufacture and sale of specialty steel rods	50.0 (50.0)	–	–	–
Thai Cold Rolled Steel Sheet Public Company Limited	Bangkok, Thailand	Millions of THB 4,816	Manufacture and sale of cold-rolled steel sheets	36.0 (36.0)	–	–	–
California Steel Industries, Inc.	Fontana, United States	Millions of USD 40	Manufacture and sale of steel products	49.0 (49.0)	–	–	–
JSW Steel Limited	Mumbai, India	Ten millions of INR 301	Manufacture and sale of steel products	15.0 (15.0)	–	–	–
Inner Mongolia Erdos EJM Manganese Alloys Co., Ltd.	Ordos, China	Millions of CNY 232	Manufacture and sale of ferroalloy	24.5 (24.5)	–	–	–
Bohai NKK Drill Pipe Co., Ltd.	Cangzhou, China	Millions of CNY 129	Processing, manufacture, and sale of drill pipes and drill pipe accessories	28.3 (28.3)	–	–	–
25 other companies							
[Engineering business]							
Iwate Geothermal Power Co., Ltd.	Hachimantai, Iwate	2,626	Geothermal power generation business	29.9 (29.9)	–	–	–
JP Steel Plantech Co.	Kohoku-ku, Yokohama	1,995	Design, manufacture, and installation of steelmaking machinery, etc.	34.0 (34.0)	–	–	–
15 other companies							
[Trading business] Hanwa Kozai Co., Ltd.	Yodogawa-ku, Osaka	1,076	Processing and sale of stainless steel products	47.9 (47.9)	–	–	–
MOBY Corporation	Ichikawa, Chiba	211	Processing and sale of steel plates for containers	20.0 (20.0)	–	–	–
Ohmi Sangyo Co., Ltd.	Taisho-ku, Osaka	100	Processing and sale of steel sheets	35.7 (35.7)	–	–	–
OSAKA KOWAZ Inc.	Taisho-ku, Osaka	60	Processing and sale of steel sheets	30.7 (30.7)	–	–	–
20 other companies*4							
[Other business] Japan Marine United Corporation	Nishi-ku, Yokohama	57,500	Design, manufacture, sale, installation, repair, and maintenance of ships, naval vessels, and marine structures, etc.	35.0	Yes	–	–

Notes:
1. *1 Falls under the category of a specified subsidiary.
2. *2 A securities report has been submitted.
3. The figures in parentheses of "voting shares" are voting shares that are indirectly held and included in the percentage of voting rights.
4. *3 Net sales of JFE Steel Corporation account for over 10% of the Group's consolidated revenue.
   Principal information on profits and losses, etc. (JGAAP)

Net sales	¥2,352,909 million
Ordinary income	¥173,922 million
Net income	¥142,224 million
Net assets	¥847,005 million
Total assets	¥3,261,304 million

5. Equity-method associates include joint operations.

6. Changes in associates
   - JFE Advantech Co., Ltd. and JFE Shoji (Vietnam) Ltd. are listed as important consolidated subsidiaries from the consolidated fiscal year under review.
   - Mitsui E&S Plant Engineering Inc. became a consolidated subsidiary of JFE Engineering Corporation via the acquisition of shares on April 1, 2021. On the same date, the company changed its corporate name to JFE Environment Technology Co., Ltd.
   - Cogent Power Inc. changed its corporate name to JFE Shoji Power Canada Inc. on July 1, 2021.
   - JFE Mineral Company, Ltd., Mizushima Ferroalloy Co., Ltd., and JFE Material Co., Ltd. merged on April 1, 2022 with JFE Mineral Company, Ltd. as the surviving company.
   - JFE Container Co., Ltd. will become a wholly-owned subsidiary of JFE Steel Corporation on August 1, 2022 via share exchange.
   - It has been decided to dissolve NKK Seamless Steel Pipe K.K. by the end of December 2022.
7. *4 The other 20 equity-method associates of the trading business include three consolidated subsidiaries and one equity-method associate of the steel business.

18. Investments Accounted for Using Equity Method

(1) Material associates

JSW Steel Limited

JSW Steel, located in Mumbai, India, engages primarily in manufacture and sales of steel products. The condensed consolidated financial statements of JSW Steel are as follows.

For JSW Steel, provisional financial statements are prepared based on December 31 as the reporting date because local legislation imposes restrictions on when certain information becomes available to the Company.

However, in the accompanying notes, the condensed consolidated financial statements of JSW Steel that were already released at the end of each fiscal year are disclosed. Accordingly, financial information as of September 30 is stated in the statement of financial position, and financial information for the first nine months of the reporting period ended December 31 is stated in the statement of profit or loss and the statement of comprehensive income.

(million yen)

	As of March 31, 2021	As of March 31, 2022
Current assets	426,411	770,877
Non-current assets	1,393,517	1,876,724
Total assets	1,819,928	2,647,601
Current liabilities	576,718	728,469
Non-current liabilities	717,355	986,714
Total liabilities	1,294,074	1,715,183
Total equity	525,854	932,418
Equity attributable to owners of parent	534,047	942,896
Non-controlling interests	(8,193)	(10,478)

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Revenue	767,122	1,492,140
Profit	53,389	263,925
Other comprehensive income	8,859	28,125
Comprehensive income	62,248	292,050

An adjustment between the amount of equity attributable to owners of parent in the above condensed consolidated financial statements and the carrying amount of interests in JSW Steel Limited and the fair value of interests in JSW Steel Limited are as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Equity attributable to owners of parent	534,047	942,896
Ownership interest (%)	15.0	15.0
Equity attributable to the Group	80,107	141,434
Consolidation adjustment	6,408	6,473
Carrying amount of interests in JSW Steel Limited	86,515	147,908
Fair value of interests in JSW Steel Limited	258,175	433,003

Dividends received from JSW Steel Limited for the fiscal years ended March 31, 2021 and 2022 were 1,062 million yen and 3,504 million yen, respectively.

(2) Immaterial associates and joint ventures

The carrying amount of investments in immaterial associates and joint ventures is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Associates	128,887	131,464
Joint ventures	139,840	175,269

Financial information on immaterial associates and joint ventures is as follows, which represents the amounts attributable to the Group based on the Group's interest in those associates and joint ventures.

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Associates		
Profit	(45)	10,094
Other comprehensive income	13,750	(5,110)
Comprehensive income	13,705	4,984
Joint ventures		
Profit	4,963	36,210
Other comprehensive income	46	(715)
Comprehensive income	5,009	35,494

(3) Commitments to joint ventures

The Group has commitments to make equity investments in certain jointly controlled entities. The amounts of potential new or additional capital contributions by the Group under material equity investment commitments were 1,090 million yen and 6,527 million yen as of March 31, 2021 and 2022, respectively.

19. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major cause of accrual is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Retirement benefit liability	36,295	32,304
Impairment losses	36,676	31,472
Accrued bonuses	13,426	17,412
Accrued expenses	9,989	9,983
Other	50,320	39,045
Total deferred tax assets	146,708	130,217
Deferred tax liabilities		
Retained earnings of subsidiaries and associates	18,670	33,742
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	23,403	20,183
Reserve for tax purpose reduction entry of non-current assets	6,526	6,747
Other	19,684	21,237
Total deferred tax liabilities	68,285	81,910
Net deferred tax assets	78,422	48,307

The breakdown of changes in net deferred tax assets (liabilities) is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	91,207	78,422
Deferred tax expense	4,552	(26,173)
Deferred taxes on items of other comprehensive income		
Effective portion of cash flow hedges	(1,316)	(2,257)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(11,470)	(446)
Remeasurements of defined benefit plans	(5,089)	(2,935)
Other	538	1,697
Balance at the end of the year	78,422	48,307

Deductible temporary differences and unused tax loss carryforwards for which deferred tax assets are not recognized in the consolidated statement of financial position are as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Deductible temporary differences	347,458	366,197
Unused tax loss carryforwards	414,328	342,079

Unrecognized deferred tax assets for the above deductible temporary differences were 106,425 million yen and 112,450 million yen as of March 31, 2021 and 2022, respectively. Unrecognized deferred tax assets for the above unused tax loss carryforwards were 21,709 million yen and 25,934 million yen as of March 31, 2021 and 2022, respectively.

The breakdown by expiration date of unused tax loss carryforwards for which deferred tax assets are not recognized in the consolidated statement of financial position is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Year one	108,151	5,977
Year two to year five	76,886	91,433
Over five years	226,774	227,649
No specified expiration date	2,515	17,018
Total	414,328	342,079

Taxable temporary differences arising from investments in subsidiaries and associates for which deferred tax liabilities were not recognized as of March 31, 2021 and 2022 amounted to 62,727 million yen and 58,193 million yen, respectively.

Deferred tax liabilities are not recognized for such temporary differences, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets of 124,021 million yen and 108,191 million yen were recognized as of March 31, 2021 and 2022, respectively, for taxable entities that incurred net loss in the current or previous period, and whose recoverability of deferred tax assets depends on future taxable income.

In assessing the recoverability of deferred tax assets, the Group considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies.

(2) Income tax expense

The breakdown of income tax expense is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Current tax expense	18,685	72,568
Deferred tax expense	(4,552)	26,173
Total	14,133	98,741

(3) Reconciliation of effective tax rate

The breakdown by major cause of a difference between the effective statutory tax rate and the burden ratio of corporation tax, etc., after application of tax effect accounting is as follows:

(%)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Effective statutory tax rate	30.0	30.0
(Reconciliation)		
Items permanently not tax-deductible, such as entertainment expenses	(9.9)	0.2
Items permanently not taxable, such as dividend income	6.7	(0.1)
Changes in valuation allowance	(242.7)	2.6
Share of profit (loss) of investments accounted for using equity method	86.6	(7.7)
Retained earnings of subsidiaries and associates	(90.2)	3.9
Other	(67.2)	(3.6)
Burden ratio of corporation tax, etc., after application of tax effect accounting	(286.6)	25.4

20. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Notes and accounts payable–trade	436,211	615,923
Accounts payable–other	60,784	62,454
Total	496,995	678,377

Trade and other payables are classified as financial liabilities measured at amortized cost.

21. Bonds Payable, Borrowings, and Lease Liabilities

(1) The breakdown of bonds payable, borrowings, and lease liabilities is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Short-term borrowings (Note 1)	125,816	149,834
Current portion of long-term borrowings (Note 1)	72,151	128,134
Current portion of bonds (Note 2)	30,183	19,990
Bonds payable (Note 2)	259,401	274,197
Long-term borrowings (Note 1)	1,159,012	1,133,287
Lease liabilities	159,573	144,021
Total	1,806,139	1,849,466
Current liabilities	277,027	339,726
Non-current liabilities	1,529,112	1,509,739
Total	1,806,139	1,849,466

Bonds payable, borrowings, and lease liabilities are classified as financial liabilities measured at amortized cost.

Bonds payable and borrowings are not subject to financial covenants that have significant effects on the financing activities of the Group.

(Note 1) The weighted average interest rate and repayment date for the balance of borrowings as of March 31, 2022 are as follows:

	(%)	Repayment date
Short-term borrowings	1.30	–
Current portion of long-term borrowings	0.42	–
Long-term borrowings	0.76	May 31, 2023 to March 22, 2078

(Note 2) Terms and conditions of issuance of bonds are summarized as follows:

(million yen)

Company name	Issuers	Date of issuance	As of March 31, 2021	As of March 31, 2022	Interest rate (%)	Collateral	Redemption date
The Company	The 17th unsecured bond	June 8, 2011	30,183	–	1.326	None	June 8, 2021
The Company	The 21st unsecured bond	March 13, 2014	9,983	9,989	0.804	None	March 13, 2024
The Company	The 22nd unsecured bond	September 19, 2014	19,965	19,975	0.703	None	September 19, 2024
The Company	The 23rd unsecured bond	May 23, 2017	9,989	9,998	0.090	None	May 23, 2022
The Company	The 24th unsecured bond	March 1, 2018	9,982	9,991	0.110	None	March 1, 2023
The Company	The 25th unsecured bond	May 21, 2018	20,117	20,010	0.260	None	May 21, 2025
The Company	The 26th unsecured bond	November 22, 2018	9,975	9,984	0.150	None	November 22, 2023
The Company	The 27th unsecured bond	May 27, 2019	29,923	29,947	0.170	None	May 27, 2024
The Company	The 28th unsecured bond	May 27, 2019	9,965	9,972	0.260	None	May 27, 2026
The Company	The 29th unsecured bond	May 27, 2019	19,919	19,929	0.365	None	May 25, 2029
The Company	The 30th unsecured bond	September 20, 2019	9,968	9,977	0.120	None	September 20, 2024
The Company	The 31st unsecured bond	September 20, 2019	29,904	29,921	0.250	None	September 18, 2026
The Company	The 32nd unsecured bond	September 20, 2019	19,916	19,926	0.320	None	September 20, 2029
The Company	The 33rd unsecured bond	July 14, 2020	19,943	19,968	0.050	None	July 14, 2023
The Company	The 34th unsecured bond	July 14, 2020	29,895	29,920	0.250	None	July 14, 2025
The Company	The 35th unsecured bond	July 14, 2020	9,950	9,955	0.470	None	July 12, 2030
The Company	The 1st unsecured bond with interest deferral and early redemption clauses (subordinated)	June 10, 2021	–	34,718	0.680 (*1)	None	June 10, 2081
Total	–	–	289,584	294,188	–	–	–

*1 The interest rate will be fixed until June 10, 2027, and variable after the following day, with a step-up in interest rates after June 11, 2031.

(2) Assets pledged as collateral and corresponding secured obligations

Assets pledged as collateral

(million yen)

	As of March 31, 2021	As of March 31, 2022
Cash and cash equivalents	842	892
Trade and other receivables	7,921	11,860
Property, plant and equipment	10,783	9,703
Right-of-use assets	159	110
Investments accounted for using equity method	2,307	3,246
Other financial assets (non-current)	802	803
Total	22,815	26,618

Note: Industrial foundation's assets of property, plant and equipment as mortgage

(million yen)

	As of March 31, 2021	As of March 31, 2022
Property, plant and equipment	9,434	8,252

In addition, shares of consolidated subsidiaries have been pledged as collateral.

(million yen)

	As of March 31, 2021	As of March 31, 2022
Shares of consolidated subsidiaries (carrying amount posted on the non-consolidated financial statements of the consolidated subsidiaries)	649	649

Corresponding secured obligations

(million yen)

	As of March 31, 2021	As of March 31, 2022
Trade and other payables	128	430
Bonds payable, borrowings, and lease liabilities (current)	1,006	1,007
Bonds payable, borrowings, and lease liabilities (non-current)	12,309	11,302
Total	13,444	12,739

Note: Those corresponding to the industrial foundation's assets in the above obligations

(million yen)

	As of March 31, 2021	As of March 31, 2022
Bonds payable, borrowings, and lease liabilities (current)	559	559
Bonds payable, borrowings, and lease liabilities (non-current)	5,014	4,455
Total	5,574	5,014

22. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Financial liabilities measured at amortized cost		
Deposits received	81,320	135,411
Other	48,218	48,055
Subtotal	129,538	183,467
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	2,715	3,915
Total	132,253	187,383
Current liabilities	86,836	143,406
Non-current liabilities	45,417	43,976
Total	132,253	187,383

23. Provisions

The breakdown and movement of provisions are as follows:

Fiscal year ended March 31, 2022

(million yen)

	Provision for loss on disposal of inventories	Other provisions	Total
Balance at the beginning of the year	3,353	32,270	35,624
Increase during the year	3,022	7,952	10,975
Interest expense incurred over the discount period	–	41	41
Decrease due to intended use	(157)	(10,717)	(10,874)
Decrease due to reversal	(29)	(2,803)	(2,833)
Increase due to business combination, etc.	–	2,075	2,075
Balance at the end of the year	6,189	28,819	35,009
Current liabilities	–	12,345	12,345
Non-current liabilities	6,189	16,474	22,663
Total	6,189	28,819	35,009

Provision for loss on disposal of inventories

A provision for loss is provided for possible losses on certain by-products that are expected to incur losses at the time of disposal, at an estimated amount of losses to be incurred from the following fiscal year onwards.

These expenses are expected to be paid primarily after one year.

24. Post-employment Benefits

The Group has adopted mainly retirement lump-sum payment plans, defined benefit pension plans, and defined contribution pension plans. Retirement lump-sum payment plans and defined benefit pension plans are exposed to general investment risk, interest rate risk, inflation risk, and other risks. However, the Group determines that those risks are immaterial.

The defined benefit pension plans are operated by corporate pension funds legally separated from the Group. The corporate pension funds and pension fund trustees are required by laws and regulations to act in the best interests of the plan participants, and are responsible for managing the plan assets in accordance with the designated policies.

(1) Reconciliation of defined benefit obligations and plan assets

The reconciliation of the defined benefit obligations and plan assets to the retirement benefit liability and asset recognized in the consolidated statement of financial position is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Funded defined benefit obligations	190,721	178,469
Plan assets	(133,600)	(133,491)
Subtotal	57,120	44,978
Unfunded defined benefit obligations	61,906	56,869
Total	119,027	101,847
Amounts recognized in the consolidated statement of financial position		
Retirement benefit liability	141,186	125,927
Retirement benefit asset	(22,159)	(24,079)
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	119,027	101,847

(2) Reconciliation of defined benefit obligations

The movement of defined benefit obligations is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	253,037	252,627
Current service cost	15,344	14,403
Interest expense	1,545	1,516
Remeasurements		
Actuarial losses arising from changes in demographic assumptions	(1,311)	112
Actuarial losses arising from changes in financial assumptions	(2,240)	(3,173)
Experience adjustments	3,808	(2,241)
Past service cost	(1,228)	(14,092)
Benefits paid	(16,309)	(14,975)
Effects of business combinations and disposals	(19)	1,161
Balance at the end of the year	252,627	235,339

The weighted average duration of defined benefit obligations is as follows:

(years)

	As of March 31, 2021	As of March 31, 2022
Weighted average duration	10.9	12.0

(3) Reconciliation of plan assets

The movement of plan assets is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	125,241	133,600
Interest income	747	869
Remeasurements		
Return on plan assets (excluding interest income)	17,467	6,688
Contribution to the plan by employer	2,297	2,236
Benefits paid	(12,010)	(10,966)
Effects of business combinations and disposals	(143)	1,062
Balance at the end of the year	133,600	133,491

The Group expects to contribute 2,467 million yen to its defined benefit plans in the fiscal year ending March 31, 2023.

(4) Major breakdown of plan assets

The breakdown of the total plan assets by major category is as follows:

(million yen)

	As of March 31, 2021			As of March 31, 2022		
	With quoted market price in an active market	With no quoted market price in an active market	Total	With quoted market price in an active market	With no quoted market price in an active market	Total
Equity instruments						
Domestic stocks	53,241	378	53,620	44,598	403	45,001
Foreign stocks	8,490	1,024	9,515	8,312	1,031	9,344
Debt instruments						
Domestic bonds	13,610	3,685	17,295	16,405	3,730	20,135
Foreign bonds	3,082	2,265	5,347	3,125	2,433	5,558
Cash and deposits	9,356	–	9,356	15,539	–	15,539
Life insurance general accounts	–	36,759	36,759	–	35,708	35,708
Other	–	1,705	1,705	–	2,202	2,202
Total	87,781	45,818	133,600	87,980	45,510	133,491

The Group's management policy for the plan assets is to secure stable returns in the medium and long term for ensuring future payments of defined benefit obligations pursuant to internal regulations. Specifically, the target rate of returns and the asset mix ratio by investment asset class are determined within the acceptable risk range every fiscal year, and the plan assets are managed with the asset mix ratio maintained.

(5) Actuarial assumptions

Major actuarial assumptions are as follows:

(%)

	As of March 31, 2021	As of March 31, 2022
Discount rate	Mainly 0.6	Mainly 0.8
Anticipated rate of salary increase	Mainly 0.8 to 2.8	Mainly 0.9 to 3.0

Note: The sensitivities of defined benefit obligations due to changes in the discount rate as of each fiscal year are as follows. Each of these sensitivities assumes that other variables are held constant; however, they do not always change independently. Negative figures indicate a decrease in defined benefit obligations, while positive figures indicate an increase.

The Group does not expect any significant changes in the anticipated rate of salary increase.

(million yen)

	Change in assumptions	As of March 31, 2021	As of March 31, 2022
Discount rate	Increase by 0.5%	(11,827)	(11,704)
	Decrease by 0.5%	12,769	12,623

(6) Defined contribution pension plans

Contributions to the defined contribution pension plans are as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Contributions to the defined contribution pension plans	35,998	36,761

The above amounts include contributions to employees' pension insurance based on Japan's Employees' Pension Insurance Act.

25. Equity and Other Equity Items

(1) Share capital

(i) Authorized shares

The number of authorized shares as of April 1, 2020, March 31, 2021, and March 31, 2022 was 2,298,000 thousand common shares.

(ii) Fully paid and issued shares

The movement of the number of issued shares is as follows:

	Number of issued common shares (thousand shares)
As of April 1, 2020	614,438
Increase (decrease)	–
As of March 31, 2021	614,438
Increase (decrease)	–
As of March 31, 2022	614,438

Note: All the shares issued by the Company are non-par value common shares that have no restrictions on the rights.

(2) Treasury shares

The movement of the number of treasury shares is as follows:

	Number of shares (thousand shares)
As of April 1, 2020	38,601
As of March 31, 2021	38,646
As of March 31, 2022	38,599

Note: Treasury shares as of March 31, 2021 and 2022 include the Company shares held in trust accounts for employee stock ownership plans.

(3) Capital surplus and retained earnings

Under the Companies Act of Japan, at least one-half of the proceeds from issuance of shares shall be credited to share capital, while the remainder of the proceeds shall be credited to capital reserves included in capital surplus. In addition, the Companies Act of Japan provides that one-tenth of the dividends of retained earnings shall be appropriated as capital reserves or as retained earnings reserves until their aggregate amount equals one-quarter of share capital.

26. Dividends

(1) Amounts of dividends paid

Fiscal year ended March 31, 2021

There is no applicable item.

Fiscal year ended March 31, 2022

Resolution	Type of share	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	5,765	10	March 31, 2021	June 28, 2021

Note: The total amount of dividends of 5,765 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 5 million yen.

Resolution	Type of share	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors' Meeting held on November 5, 2021	Common stock	34,590	60	September 30, 2021	December 3, 2021

Note: The total amount of dividends of 34,590 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 32 million yen.

(2) Of the dividends for which the record date belongs to the fiscal year, those dividends for which the effective date will be after the end of the fiscal year

Fiscal year ended March 31, 2021

Resolution	Type of share	Total amount of dividends (million yen)	Source of funds for dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2021	Common stock	5,765	Retained earnings	10	March 31, 2021	June 28, 2021

Note: The total amount of dividends of 5,765 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 5 million yen.

Fiscal year ended March 31, 2022

Resolution	Type of share	Total amount of dividends (million yen)	Source of funds for dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2022	Common stock	46,118	Retained earnings	80	March 31, 2022	June 27, 2022

Note: The total amount of dividends of 46,118 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 43 million yen.

27. Revenue

(1) Disaggregation of revenue

Fiscal year ended March 31, 2021

(million yen)

	Steel Business	Engineering Business	Trading Business	Elimination of intersegment revenue	Total
Region					
Japan	1,500,177	439,083	424,070	(193,350)	2,169,980
Other	755,039	46,667	508,440	(252,842)	1,057,304
Total	2,255,216	485,750	932,510	(446,192)	3,227,285
Transfer of goods or services					
At a point in time	2,050,372	4,046	932,477	(426,091)	2,560,804
Over time	204,844	481,704	32	(20,100)	666,480
Total	2,255,216	485,750	932,510	(446,192)	3,227,285

Fiscal year ended March 31, 2022

(million yen)

	Steel Business	Engineering Business	Trading Business	Elimination of intersegment revenue	Total
Region					
Japan	1,946,166	444,463	639,658	(295,691)	2,734,597
Other	1,227,308	63,751	592,105	(252,617)	1,630,548
Total	3,173,475	508,215	1,231,763	(548,309)	4,365,145
Transfer of goods or services					
At a point in time	2,972,437	4,846	1,231,734	(527,886)	3,681,132
Over time	201,038	503,368	29	(20,422)	684,013
Total	3,173,475	508,215	1,231,763	(548,309)	4,365,145

(2) Contract balances

(million yen)

	As of April 1, 2020	As of March 31, 2021	As of March 31, 2022
Receivables from contracts with customers	639,997	716,893	742,836
Contract assets	142,075	101,282	123,888
Contract liabilities	44,813	43,038	32,580

Contract assets consist primarily of rights on consideration received for construction contracts in the engineering business in exchange for the portion of contract obligations fulfilled measured based on the percentage of completion at the end of the reporting period, excluding receivables. They are reclassified to receivables when all performance obligations have been satisfied.

The amount recognized as receivables that was included in the opening balance of contract assets was 110,985 million yen and 70,394 million yen as of March 31, 2021 and 2022, respectively.

Contract liabilities consist primarily of the portion of consideration for construction contracts in the engineering business received in stages during the contract period, apart from the satisfaction of performance obligations, that exceeds the amount recognized as revenue. They are reclassified to revenue upon satisfaction of performance obligations.

The amount recognized as revenue that was included in the opening balance of contract liabilities was 37,770 million yen and 36,465 million yen as of March 31, 2021 and 2022, respectively.

(3) Remaining performance obligations

(million yen)

	As of March 31, 2021	As of March 31, 2022
Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the fiscal year	959,342	1,059,781
Expected timing of revenue recognition		
Within one year	345,029	390,451
Over one year	614,313	669,329

These obligations are mainly related to the engineering business.

28. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Employee benefit expenses	133,846	146,891
Product shipping-related expenses	75,387	87,652
Provision of allowance for doubtful accounts	463	336
Other	114,359	125,534
Total	324,057	360,415

29. Employee Benefit Expenses

Employee benefit expenses are as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Employee benefit expenses	480,417	506,610

Employee benefit expenses include salaries, bonuses, legal welfare expenses, and retirement benefit expenses, and are recorded in "Cost of sales" and "Selling, general and administrative expenses."

30. Share-based Payment

The Company has instituted a share-based payment plan through which a portion of the compensation of directors (excluding outside directors) and executive officers (excluding non-residents under income tax law) (hereinafter referred to collectively as the "Directors/Officers") of the Company and its operating companies is provided in the form of employee stock ownership plans. The Group's objective is to establish a clear link between compensation and the Group's operating performance and equity value and encourage the sharing of value with shareholders, thereby creating a greater incentive to contribute toward enhancing shareholder value over the medium and long term.

The plan is a compensation plan whereby shares in the Company are acquired through a trust funded by cash contributed by the Company, and the Company's shares and an amount of cash equivalent to the market price of the Company's shares (hereinafter referred to as the "Company's Shares") are provided through the trust to the Directors/Officers, pursuant to the Stock Grant Regulations for Officers established by the Company and its operating companies.

The Company's Shares are granted to the Directors/Officers, in principle, upon their retirement.

Compensation under the plan is granted to the Directors/Officers as consideration for their execution period of duties, provided the Directors/Officers have been in office for at least a month during the period specified as follows (the "Execution Period"):

- Directors of the Company: From the date of the Ordinary General Meeting of Shareholders of the Company for the respective year to the date of the Ordinary General Meeting of Shareholders of the Company for the following year
- Others: From April 1 of the respective year to March 31 of the following year

The Company and its operating companies calculate points equivalent to the performance-linked portion and the service-length portion for each Execution Period and grant them to the Directors/Officers.

The points granted for each Execution Period are accumulated until retirement, and the number of the Company's Shares is calculated by converting the accumulated points as "one point = one share."

Part of the plan that provides the Company's Shares is accounted for an equity-settled share-based payment transaction while part of the plan that provides cash is accounted for a cash-settled share-based payment transaction.

Expenses recognized for the plan as "Selling, general and administrative expenses" in the consolidated statement of profit or loss are as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity-settled	13	173
Cash-settled	28	104
Total	41	277

The carrying amount of liabilities for the plan is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Other non-current liabilities	44	136

The number of points granted and the weighted-average fair value of points at the grant date for the equity-settled portion of the plan are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Number of points granted (points)	18,900	129,360
Weighted average fair value of points at the grant date (yen)	743	1,346

Note: The fair value of points granted approximates the share price at the grant date, and thus represents the share price at the grant date.

31. Other Income

The breakdown of other income is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	5,492	3,936
Foreign exchange gains	2,137	9,516
Rental income	6,727	6,524
Gain on sale of investments in subsidiaries	–	11
Other	11,424	17,535
Total	25,782	37,524

The breakdown of dividend income from equity financial assets measured at fair value through other comprehensive income is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Financial assets derecognized during the year	2,976	573
Financial assets held as of the reporting date	2,515	3,363

32. Other Expenses

The breakdown of other expenses is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Loss on retirement of fixed assets	20,760	16,089
Other	22,633	14,739
Total	43,394	30,828

33. Profit on Sales of Fixed Assets

Fiscal year ended March 31, 2021

Profit on sales of fixed assets resulted primarily from the sale of land and buildings in Aiko-gun, Kanagawa Prefecture.

34. Loss on Liquidation of Subsidiaries and Associates

Fiscal year ended March 31, 2022

Losses were recorded due to the business withdrawal of NKK Seamless Steel Pipe K.K., one of the equity-method associates of the steel business. They comprise mainly of share of loss of investments accounted for using equity method relating to the said company’s withdrawal.

35. Finance Income and Finance Costs

(1) Finance income

The breakdown of finance income is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Interest income		
Financial assets measured at amortized cost	1,686	1,480
Other	–	68
Total	1,686	1,549

(2) Finance costs

The breakdown of finance costs is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Interest expenses		
Financial liabilities measured at amortized cost	13,701	12,611
Other	143	41
Other	339	553
Total	14,184	13,205

36. Other Comprehensive Income

The amount arising during the year, reclassification adjustments to profit or loss, and tax effects for each component of other comprehensive income are as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Remeasurements of defined benefit plans		
Amount arising during the year	17,109	11,914
Before tax effects	17,109	11,914
Tax effects	(5,089)	(2,935)
Remeasurements of defined benefit plans	12,020	8,978
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income		
Amount arising during the year	58,221	6,430
Before tax effects	58,221	6,430
Tax effects	(11,470)	(446)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	46,751	5,984
Exchange differences on translation of foreign operations		
Amount arising during the year	(607)	16,713
Reclassification adjustments	(1)	(5)
Before tax effects	(609)	16,707
Tax effects	–	–
Exchange differences on translation of foreign operations	(609)	16,707
Effective portion of cash flow hedges		
Amount arising during the year	15,966	18,257
Reclassification adjustments	(2,977)	(11,068)
Before tax effects	12,989	7,189
Tax effects	(1,316)	(2,257)
Effective portion of cash flow hedges	11,673	4,931
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the year	13,773	29,539
Reclassification adjustments	(1,314)	(686)
Share of other comprehensive income of investments accounted for using equity method	12,459	28,853
Total other comprehensive income	82,295	65,455

37. Earnings per Share

(1) Basic earnings per share and diluted earnings per share

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Basic earnings (loss) per share (yen)	(37.98)	500.28
Diluted earnings (loss) per share (yen)	(37.98)	500.12

(2) Basis for calculation of basic earnings per share and diluted earnings per share

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit (loss) attributable to owners of parent (million yen)	(21,868)	288,058
Amount not attributable to common shareholders of parent (million yen)	–	–
Profit (loss) used in calculation of basic earnings per share (million yen)	(21,868)	288,058
Profit adjustments (million yen)	–	–
Profit (loss) used in calculation of diluted earnings per share (million yen)	(21,868)	288,058
Weighted average number of common shares used in calculation of basic earnings per share (thousand shares)	575,829	575,793
Impact of dilutive potential common shares		
Share-based payments (thousand shares)	–	187
Weighted average number of common shares used in calculation of diluted earnings per share (thousand shares)	575,829	575,980

Notes: 1. The Company shares held in trust accounts for employee stock ownership plans are included in treasury shares, which are excluded from the calculation of the weighted average number of shares used in the calculation of basic earnings per share. The weighted average number of treasury shares excluded from the calculation of basic earnings per share for the fiscal years ended March 31, 2021 and 2022 is 567 thousand and 548 thousand, respectively.

2. Share-based payments for the fiscal year ended March 31, 2021 (107 thousand shares) have a reverse dilution effect and are not included in the calculation of diluted earnings per share for the said fiscal year.

38. Supplemental Information on the Consolidated Statement of Cash Flow

The movement of liabilities arising from financing activities is as follows:

Fiscal year ended March 31, 2021

(million yen)

Liabilities arising from financing activities	Balance at the beginning of the year	Changes from financing cash flows	Non-cash changes		Balance at the end of the year
			Increase due to new leases	Other	
Short-term borrowings	123,505	3,396	–	(1,084)	125,816
Current portion of long-term borrowings	122,846	(123,234)	–	72,539	72,151
Current portion of bonds	–	–	–	30,183	30,183
Commercial papers	88,999	(88,999)	–	–	–
Bonds payable	230,066	60,000	–	(30,665)	259,401
Long-term borrowings	1,097,012	132,486	–	(70,486)	1,159,012
Lease liabilities	151,877	(44,927)	51,942	681	159,573
Total	1,814,308	(61,279)	51,942	1,168	1,806,139

Note: "Other" in non-cash changes mainly includes the transfer of long-term borrowings due within one year to current portion of long-term borrowings and the transfer of bonds payable to current portion of bonds.

Fiscal year ended March 31, 2022

(million yen)

Liabilities arising from financing activities	Balance at the beginning of the year	Changes from financing cash flows	Non-cash changes		Balance at the end of the year
			Increase due to new leases	Other	
Short-term borrowings	125,816	13,834	–	10,183	149,834
Current portion of long-term borrowings	72,151	(71,459)	–	127,441	128,134
Current portion of bonds	30,183	(30,000)	–	19,806	19,990
Bonds payable	259,401	35,000	–	(20,203)	274,197
Long-term borrowings	1,159,012	89,922	–	(115,647)	1,133,287
Lease liabilities	159,573	(52,346)	36,826	(32)	144,021
Total	1,806,139	(15,048)	36,826	21,548	1,849,466

Note: "Other" in non-cash changes mainly includes the transfer of long-term borrowings due within one year to current portion of long-term borrowings and the transfer of bonds payable to current portion of bonds.

39. Financial Instruments

(1) Capital management

The Group's capital management principle is to enhance capital efficiency and ensure sound financial conditions in order to achieve sustainable growth and the medium- to long-term improvement of corporate value.

The Group's major indicators for capital management are as follows:

	As of March 31, 2021	As of March 31, 2022
ROE*1	(1.3)%	15.7%
D/E ratio*2	93.2%	80.8%
Debt / EBITDA multiple*4	8.1x	2.8x

Notes: 1 *1 ROE = Profit attributable to owners of parent / Equity attributable to owners of parent

2. *2 D/E ratio = Bonds payable, borrowings, and lease liabilities / Equity attributable to owners of parent
For debt with an equity component*3, a portion of its issue price is deemed to be equity attributable to owners of parent, as assessed by rating agencies.

3 *3 Debt with an equity component (subordinated loans)

(million yen)

Borrowing date	Amount borrowed	Assessment of equity content	Amount deemed to be equity
June 30, 2016	167,500	25%	41,875
March 19, 2018	300,000	25%	75,000
June 10, 2021	35,000	50%	17,500

4. *4 Debt / EBITDA multiple = Bonds payable, borrowings, and lease liabilities / EBITDA
EBITDA: Business income + Depreciation and amortization

These indicators are monitored as necessary and appropriate.

The Group is not subject to material capital regulation.

(2) Basic policy on financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, interest rate risk, and market price fluctuation risk) in the course of business activities. In order to mitigate these risks, the Group conducts risk management under certain policies. The Group uses derivative transactions to avoid or mitigate the risks described later and does not use them for speculative purposes.

(3) Credit risk

(i) Credit risk management

Trade receivables held by the Group are exposed to the credit risks of customers. To manage such risks, each company of the Group conducts regular reassessments of the financial standing of business partners.

The Group does not have excessive concentration of credit risk on any particular counterparty.

(ii) Maximum exposure to credit risk

Other than undrawn loan commitments and guaranteed obligations, the Group's maximum exposure to credit risk is the carrying amount of financial assets less impairment losses in the consolidated statement of financial position.

The maximum exposure to the credit risk of loan commitments and financial guarantee contracts is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Loan commitments	3,215	4,994
Financial guarantee contracts	53,061	41,525

(iii) Movement of allowance for doubtful accounts

(million yen)

	Fiscal year ended March 31, 2021		
	Allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses	Lifetime expected credit losses	
		Allowance for doubtful accounts for trade receivables, contract assets, and lease receivables	Allowance for doubtful accounts for credit-impaired financial assets
Balance at the beginning of the year	62	898	1,161
Increase during the year	82	270	1,421
Decrease during the year (intended use)	–	(17)	(105)
Decrease during the year (reversal)	(48)	(340)	(652)
Other	0	(0)	3
Balance at the end of the year	96	810	1,828

(million yen)

	Fiscal year ended March 31, 2022		
	Allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses	Lifetime expected credit losses	
		Allowance for doubtful accounts for trade receivables, contract assets, and lease receivables	Allowance for doubtful accounts for credit-impaired financial assets
Balance at the beginning of the year	96	810	1,828
Increase during the year	167	271	266
Decrease during the year (intended use)	–	(16)	(392)
Decrease during the year (reversal)	(45)	(127)	(176)
Other	(33)	(142)	130
Balance at the end of the year	184	795	1,656

Note: An increase during the year and decrease during the year (reversal) in allowance for doubtful accounts for trade receivables, contract assets, and lease receivables (lifetime expected credit losses) resulted from an increase and decrease in trade and other receivables mainly due to sale and collection.

(iv) Carrying amounts (before deducting allowance for doubtful accounts) of financial assets and receivables for which allowance for doubtful accounts is provided

(million yen)

	As of March 31, 2021	As of March 31, 2022
Financial assets with allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses	40,427	63,716
Trade receivables, contract assets, and lease receivables	851,091	897,919
Credit-impaired financial assets	1,840	2,223

(v) Analysis of credit risk

Credit risk ratings are almost similar among financial assets with allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses.

Past due information on trade receivables, contract assets, and lease receivables is as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Not past due	842,435	884,890
Past due within 30 days	5,674	7,862
Past due between 30 days and 90 days	1,356	3,789
Past due over 90 days	1,625	1,376
Total	851,091	897,919

(4) Liquidity risk

(i) Liquidity risk management

Liquidity risk is the risk that the Group may become unable to meet its payment obligations on their due date, including for trade payables and borrowings, owing to deterioration in the financing environment and other factors.

The Group raises the necessary funds mainly through bank loans and the issuance of commercial papers and bonds, taking into consideration the stability and cost of funds, while the due dates of those obligations are managed so as to avoid concentration of payments in view of the liquidity risk. In addition, the Group manages the funds of the domestic Group companies intensively and efficiently in an attempt to mitigate the liquidity risk.

The Group also maintains sufficient liquidity by setting commitment lines with financial institutions (500,000 million yen at the end of the fiscal year ended March 31, 2022).

(ii) Financial liabilities (including derivative financial instruments) by maturity date

As of March 31, 2021

(million yen)

	Carrying amount	Contractual cash flows	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	496,995	496,995	496,995	-	-	-	-	-
Bonds payable and borrowings	1,646,565	1,694,217	271,388	353,890	137,342	145,019	117,459	669,117
Installment payables	37,500	38,048	4,199	3,716	15,991	2,072	12,067	-
Lease liabilities	159,573	162,465	49,484	33,043	21,209	16,668	16,790	25,268
Subtotal	2,340,635	2,391,727	822,068	390,650	174,544	163,760	146,316	694,386
Derivative liabilities	2,715	2,104	1,376	291	70	143	221	1
Total	2,343,351	2,393,831	823,445	390,942	174,614	163,903	146,538	694,387

As of March 31, 2022

(million yen)

	Carrying amount	Contractual cash flows	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	678,377	678,377	678,377	–	–	–	–	–
Bonds payable and borrowings	1,705,444	1,749,030	509,577	181,348	169,541	124,947	267,937	495,677
Installment payables	37,397	37,903	4,283	16,580	2,658	12,650	580	1,151
Lease liabilities	144,021	146,171	42,042	32,950	23,075	19,189	12,512	16,399
Subtotal	2,565,241	2,611,483	1,234,281	230,879	195,275	156,788	281,029	513,228
Derivative liabilities	3,915	3,890	3,755	92	38	4	0	0
Total	2,569,157	2,615,373	1,238,036	230,972	195,314	156,792	281,029	513,228

(5) Foreign exchange risk

(i) Foreign exchange risk management

Financial instruments denominated in foreign currencies held by the Group are exposed to foreign exchange rate fluctuation risk. Hedge transactions, including forward exchange contracts, are entered into as necessary for the net balance of foreign currencies received from exports of products, etc., and foreign currencies paid for imports of raw materials, etc., under transactions denominated in the relevant foreign currencies.

(ii) Foreign exchange sensitivity analysis

The financial impact on profit before tax in the case of a 1% appreciation of Japanese yen against foreign currencies for financial instruments held by the Group at the end of each fiscal year is as follows. The analysis is based on the assumption that all other variables are held constant.

The sensitivity does not include the effects of translating financial instruments and the assets and liabilities of foreign operations denominated in the functional currency into the presentation currency.

(million yen)

	Currency	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Impact on profit before tax	U.S. dollar	(462)	(432)

(6) Interest rate risk

(i) Interest rate risk management

Bonds payable and borrowings with floating interest rates held by the Group are exposed to interest rate fluctuation risk. Hedge transactions, including interest rate swaps, are entered into for certain bonds payable and borrowings to cope with interest rate fluctuations and to reduce interest rate payments.

(ii) Interest rate sensitivity analysis

The financial impact on profit before tax in the case of a 1% increase in interest rate for financial liabilities with floating interest rates held by the Group at the end of each fiscal year is as follows. The analysis is based on the assumption that all other variables are held constant.

The sensitivity does not include borrowings with floating interest rates which are converted to fixed rates by derivative transactions, including interest rate swap agreements.

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Impact on profit before tax	(6,435)	(6,062)

(7) Share price fluctuation risk

(i) Share price fluctuation risk management

Equity instruments (stock) held by the Group are exposed to market price fluctuation risk. Most of the equity instruments are equities of the companies with which business relationships are maintained, and the fair values of such equities are regularly monitored.

(ii) Share price fluctuation sensitivity analysis

The financial impact on other comprehensive income (before tax) in the case of a 1% decrease in quoted price for equity financial assets (stock) in an active market held by the Group at the end of each fiscal year is as follows.

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Impact on other comprehensive income (before tax)	(974)	(693)

(8) Carrying amounts and fair values of financial instruments

(million yen)

	As of March 31, 2021		As of March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	1,159,012	1,164,546	1,133,287	1,133,063
Current portion of bonds	30,183	30,069	19,990	19,999
Bonds payable	259,401	259,748	274,197	274,681

The fair value of financial assets and financial liabilities measured at amortized cost excluding long-term borrowings, current portion of bonds, and bonds payable are not included as they are close to their carrying amount.

Financial instruments measured at fair value on a recurring basis are also not included as the fair value and the carrying amount are equal.

The fair value of long-term borrowings is determined by discounting the total of principal and interest to present value with the estimated interest rate on a similar new loan.

The fair value of current portion of bonds and bonds payable is based on market prices.

Long-term borrowings, current portion of bonds, and bonds payable are categorized as Level 2 within the fair value hierarchy.

(9) Fair value hierarchy of financial instruments

The fair value hierarchy of financial instruments measured at fair value on a recurring basis after initial recognition is categorized into the following three levels depending on the observability and materiality of inputs used in the measurement.

Level 1: Fair value measured using market prices in active markets for identical assets or liabilities

Level 2: Fair value measured using observable inputs other than those categorized within Level 1, either directly or indirectly

Level 3: Fair value measured using significant unobservable inputs.

When two or more inputs are used for the measurement of fair value, the level of fair value measurement is determined based on the lowest level input that is significant to the entire measurement.

Transfers between levels of the fair value hierarchy are determined at the end of each fiscal year.

There were no transfers between Level 1 and Level 2 for the fiscal years ended March 31, 2021 and 2022.

As of March 31, 2021

(million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	28,238	–	28,238
Other	–	3,871	–	3,871
Equity financial assets measured at fair value through other comprehensive income				
Equity securities	97,475	–	62,929	160,405
Investments in capital	–	–	6,290	6,290
Total	97,475	32,109	69,220	198,805
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	2,715	–	2,715
Total	–	2,715	–	2,715

As of March 31, 2022

(million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	34,229	–	34,229
Other	–	3,853	–	3,853
Equity financial assets measured at fair value through other comprehensive income				
Equity securities	69,332	–	70,357	139,689
Investments in capital	–	–	6,697	6,697
Total	69,332	38,083	77,055	184,470
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	3,915	–	3,915
Total	–	3,915	–	3,915

• Equity securities and investments

Listed equity securities are categorized within Level 1 as their fair value is determined based on the market price.

Unlisted equity securities and investments in capital are categorized within Level 3 as their fair value is determined using the comparable peer company analysis or other appropriate valuation techniques, where one or more significant inputs are not based on observable market data. The major significant unobservable input is a discount for illiquidity. The fair value decreases as a discount for illiquidity due to unlisted nature increases. A 30% illiquidity discount has been applied.

• Derivative assets and derivative liabilities

Derivative transactions, such as forward exchange contracts and interest rate swaps, are categorized within Level 2 as their fair value is determined based on the quoted prices from counterparty financial institutions.

The fair value of financial instruments categorized within Level 3 is determined by each Group company which directly holds the relevant equity securities and other instruments, in accordance with the valuation policy and procedures for fair value measurements established by the Group. The results of fair value measurements are approved by an appropriate responsible person.

The movement of financial instruments measured at fair value on a recurring basis that are categorized within Level 3 for the fiscal years ended March 31, 2021 and 2022 is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	56,583	69,220
Other comprehensive income (Note)	10,043	6,985
Acquisition	2,733	1,087
Sale	(68)	(116)
Other	(72)	(122)
Balance at the end of the year	69,220	77,055

Note: The amount is included in "Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

(10) Derivative transactions and hedging activities

Derivative transactions used by the Group carry risks of market price fluctuations in the future, including that of currencies, interest rates, etc. The Group uses derivatives that are only based on actual demand, such as export and import transactions, and bonds payable and borrowings. Accordingly, these risks are limited within the scope of loss of opportunity gains. Furthermore, as the Group only conducts derivative transactions primarily with financial institutions with high credit ratings, the risk of failure to perform contracts due to bankruptcy of the counterparty, etc., is considered to be close to non-existent. The Company has established the internal rule on derivative transactions, and conducts transactions related to derivatives pursuant to the rule. On each actual transaction, the Company conducts a transaction upon authority by the Corporate Officer for Finance pursuant to the rule stated above. Balances, market prices, and losses/gains on valuation of derivatives are to be reported to the management council regularly. The consolidated subsidiaries also conduct derivative transactions pursuant to the respective internal rules.

If the risk management objective for a hedging relationship is altered, the application of hedge accounting is discontinued.

(i) Fair value hedges

The Group uses interest rate swaps primarily to hedge the fluctuation risk of the fair value of bonds payable and borrowings, and designates those interest rate swaps as fair value hedges.

The amount recognized in profit or loss for the hedge ineffectiveness portion and the portion excluded from the assessment of hedge effectiveness was immaterial for the fiscal years ended March 31, 2021 and 2022.

(ii) Cash flow hedges

The Group uses forward exchange contracts and interest rate swaps primarily to hedge the fluctuation risk of the cash flows associated with foreign exchange fluctuations in foreign currency-denominated transactions and interest rate fluctuations in borrowings, and designates such derivative transactions as cash flow hedges.

The amount recognized in profit or loss for the hedge ineffectiveness portion and the portion excluded from the assessment of hedge effectiveness was immaterial for the fiscal years ended March 31, 2021 and 2022.

(iii) Fair value of hedging instruments to which hedge accounting is applied

(million yen)

	As of March 31, 2021		As of March 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate swap transactions	355	–	49	–
Option contracts	9,702	–	7,139	–
Subtotal	10,058	–	7,189	–
Cash flow hedges				
Forward exchange transactions	2,944	318	4,700	423
Interest rate swap transactions	389	850	1,062	354
Cross-currency interest rate swap transactions	9,535	802	16,734	42
Commodity futures transactions	5,088	–	3,418	1,335
Subtotal	17,958	1,971	25,916	2,155
Total	28,016	1,971	33,105	2,155

The fair value of the hedging instrument as an asset is recognized in “Other financial assets (current assets)” and “Other financial assets (non-current assets)” in the consolidated statement of financial position. The fair value of the hedging instrument as a liability is recognized in “Other financial liabilities (current liabilities)” and “Other financial liabilities (non-current liabilities)” in the consolidated statement of financial position.

(iv) Notional amount and average price of hedging instruments to which hedge accounting is applied

The notional amount of hedging instruments to which hedge accounting is applied

(million yen)

	As of March 31, 2021		As of March 31, 2022	
	Within one year	Over one year	Within one year	Over one year
Fair value hedges				
Interest rate swap transactions	30,000	20,000	–	20,000
Option contracts	–	27,265	27,265	–
Cash flow hedges				
Forward exchange transactions	119,626	3,121	178,088	10,005
Interest rate swap transactions	11,987	117,749	60,986	56,744
Cross-currency interest rate swap transactions	7,727	81,899	8,939	72,960
Commodity futures transactions	23,908	–	41,441	–

The average forward exchange rate of major currencies under forward exchange transactions and the average paid interest rate under interest rate swap transactions and cross-currency interest rate swap transactions are as follows:

	As of March 31, 2021	As of March 31, 2022
Cash flow hedges		
Forward exchange transactions		
U.S. dollar	107.75 yen	118.87 yen
Euro	123.55 yen	129.73 yen
Interest rate swap transactions		
Receive floating / pay fixed	0.25%	0.25%
Cross-currency interest rate swap transactions		
U.S. dollar	100.94 yen	102.06 yen
Receive floating / pay fixed	0.38%	0.37%

(v) Carrying amount of hedged items in fair value hedges and accumulated amount of fair value hedge adjustments

As of March 31, 2021

(million yen)

	Line item of the consolidated statement of financial position	Carrying amount		Including accumulated amount of fair value hedge adjustments	
		Assets	Liabilities	Assets	Liabilities
Interest rate swap transactions	Bonds payable, borrowings, and lease liabilities	–	50,355	–	355
Option contracts	Other financial assets	17,218	–	(10,047)	–

As of March 31, 2022

(million yen)

	Line item of the consolidated statement of financial position	Carrying amount		Including accumulated amount of fair value hedge adjustments	
		Assets	Liabilities	Assets	Liabilities
Interest rate swap transactions	Bonds payable, borrowings, and lease liabilities	–	20,049	–	49
Option contracts	Other financial assets	20,991	–	(6,273)	–

(vi) Other components of equity and gains or losses on hedging instruments of cash flow hedges

Fiscal year ended March 31, 2021

(million yen)

	Forward exchange transactions	Interest rate swap transactions	Cross-currency interest rate swap transactions	Commodity futures transactions	Total
Balance at the beginning of the year	(2)	(938)	(900)	(30)	(1,871)
Hedging gains or losses recognized in other comprehensive income	2,429	226	2,499	8,602	13,757
Reclassification adjustments to profit (Note)	(647)	118	(1,555)	–	(2,084)
Reclassification amount to cost of non-financial assets	(619)	–	–	(7,251)	(7,871)
Balance at the end of the year	1,160	(592)	42	1,319	1,930

Fiscal year ended March 31, 2022

(million yen)

	Forward exchange transactions	Interest rate swap transactions	Cross-currency interest rate swap transactions	Commodity futures transactions	Total
Balance at the beginning of the year	1,160	(592)	42	1,319	1,930
Hedging gains or losses recognized in other comprehensive income	5,601	67	7,347	(336)	12,679
Reclassification adjustments to profit (Note)	(892)	272	(7,127)	–	(7,747)
Reclassification amount to cost of non-financial assets	(3,924)	–	–	1,178	(2,745)
Balance at the end of the year	1,945	(253)	262	2,162	4,116

Note: Major line items for reclassification adjustments in the consolidated statement of profit or loss for the fiscal year ended March 31, 2021 are "Other income" for forward exchange transactions and "Finance costs" for interest rate swap transactions and cross-currency interest rate swap transactions.

Major line items for reclassification adjustments in the consolidated statement of profit or loss for the fiscal year ended March 31, 2022 are "Other income" for forward exchange transactions and "Finance costs" for interest rate swap transactions and cross-currency interest rate swap transactions.

(11) Transfer of financial assets

As of March 31, 2021 and 2022, trade receivables transferred without satisfying conditions for derecognition of financial assets of 6,150 million yen and 11,744 million yen were recognized in "Trade and other receivables," respectively, and the amounts received due to the transfer of 6,150 million yen and 11,744 million yen were recognized in "Bonds payable, borrowings, and lease liabilities," respectively.

With regard to these trade and other receivables, the Group will assume the payment obligations in case the drawer of the notes or the debtor fails to make payment. For this reason, it has been determined that the Group holds almost all of the risks and rewards related to ownership of the transferred assets.

40. Related Parties

Compensation for key management personnel is as follows:

(million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Compensation and bonuses	1,452	1,840
Share-based payment	24	156
Post-employment benefits	–	8
Total	1,476	2,005

41. Commitments

Commitments for the acquisition of assets after the reporting date are as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Acquisition of property, plant and equipment	209,761	165,130

42. Contingent Liabilities

(1) Guarantees of obligations

Guarantees for borrowings from financial institutions to companies other than subsidiaries are as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Joint ventures	18,274	22,725
Associates	900	464
Other	23,673	8,205
Total	42,848	31,395

In addition to the above, guarantees of obligations that may arise in the future for associates are as follows:

(million yen)

	As of March 31, 2021	As of March 31, 2022
Guarantee limit for associates	10,213	10,130

(2) Litigation, etc.

There is no applicable item.

43. Subsequent Events

There is no applicable item.

Other

(Significant lawsuits, etc.)

There is no applicable item.

(Quarterly information for the fiscal year ended March 31, 2022)

(Cumulative period)	Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	Fiscal year ended March 31, 2022
Revenue (million yen)	888,940	1,942,977	3,097,394	4,365,145
Profit before taxes (million yen)	85,442	193,221	303,845	388,535
Profit attributable to owners of parent (million yen)	61,978	140,755	223,047	288,058
Basic earnings per share (yen)	107.64	244.45	387.38	500.28

(Accounting period)	Three months ended June 30, 2021	Three months ended September 30, 2021	Three months ended December 31, 2021	Three months ended March 31, 2022
Basic earnings per share (yen)	107.64	136.81	142.92	112.91

Independent Auditor's Report

The Board of Directors
JFE Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of JFE Holdings, Inc. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Non-financial Assets in the Steel Business	
Description of Key Audit Matter	**Auditor's Response**
JFE Steel Corporation, a consolidated subsidiary in the steel business segment, recognized property, plant and equipment of 1,263,418 million yen. In the event the Company determines that indications of impairment exist on an asset or cash-generating unit related to non-financial assets as of the end of each reporting period, the Company measures the recoverable amount of the cash-generating unit at the higher of its fair value less costs of disposal or its value in use. Furthermore, the Company reduces the carrying	We performed following audit procedures to assess the appropriateness of the Company's judgement regarding indications of impairment on non-financial assets of JFE Steel Corporation, among others; In order to assess the effectiveness of the estimation process by the management, we compared business plans in the past years with actual results. In addition, we reviewed relevant documents and materials including analysis of actual results of executed capital investments.

amount of the asset to its recoverable amount, if the carrying amount exceeds the recoverable amount. In the steel business, the Company supplies various industries with steel products with sales volumes and selling prices highly affected by supply and demand conditions in domestic and overseas markets, especially the Asian steel market. The prices of key raw materials such as iron ore, coking coal and ferrous scrap, are highly volatile, due to global market dynamics, as well as possible natural disasters or accidents in sourcing countries. Moreover, the Company's projected cost reduction or sales promotion may not be achieved due to potential delay of a facility launch or unexpected changes in demand for steel products, while the Company executes significant capital investments. In order to determine whether indications of impairment exist on non-financial assets, the Company needs to consider not only its past performance results, but also multiple factors such as the current business environment, analysis of financial impact due to temporary factors such as steel production, shipments, selling prices, iron ore, coking coal and ferrous scrap prices. Given that these are subject to significant uncertainty and require management's judgement, we determined the Company's judgement regarding indications of impairment on non-financial assets to be a key audit matter.	In order to understand the business environment, we discussed with the management and examined the management response by reviewing relevant documents and materials, and by comparing it with available external data. In order to examine whether any significant changes that could decrease the recoverable amount of the assets are expected to occur, we performed following procedures. ➢ We discussed steel production and shipment volume with the management and examined the management response by reviewing relevant documents and materials, and by comparing it with available external data. ➢ We inquired of the management regarding metal spreads (selling prices of steel products minus costs of raw materials) and compared the management response with historical market data in the past years. ➢ We inquired of the management regarding analysis of expecting effects from planned or capital investments in progress. In addition, we examined the management response by reviewing relevant documents and materials.

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information did not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 27, 2022

Yusuke Nakamura
Designated Engagement Partner
Certified Public Accountant

Tetsuya Yoshida
Designated Engagement Partner
Certified Public Accountant

Keiichi Wakimoto
Designated Engagement Partner
Certified Public Accountant

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Designated Engagement Partner
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