Financial Information

Note: Fiscal Year(FY) 2018 in the following pages refers to the period beginning April 1, 2018 and ended March 31, 2019

Financial information URL **www.jfe-holdings.co.jp/en/investor**

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, 2019 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 statement of financial position

(million yen)

	Notes	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Assets				
Current assets				
Cash and cash equivalents	7, 21	70,209	75,117	**82,288**
Trade and other receivables	8, 37	685,295	758,029	**754,679**
Contract assets	27	132,500	126,935	**124,039**
Inventories	9	757,793	836,865	**917,812**
Income taxes receivable		6,796	1,766	**19,076**
Other financial assets	10, 37	4,912	7,157	**4,471**
Other current assets	11	68,871	77,684	**86,290**
Total current assets		1,726,379	1,883,556	**1,988,658**
Non-current assets				
Property, plant and equipment	12, 21	1,661,123	1,732,154	**1,835,229**
Goodwill	13	5,137	4,473	**4,445**
Intangible assets	13	66,918	73,163	**82,567**
Investment property	15	60,403	59,682	**59,425**
Investments accounted for using equity method	6, 18, 21	332,428	289,223	**315,064**
Retirement benefit asset	24	11,224	16,459	**16,380**
Deferred tax assets	19	27,674	24,467	**36,609**
Other financial assets	10, 21, 37	426,418	393,668	**360,133**
Other non-current assets	11, 21	11,523	10,322	**10,686**
Total non-current assets		2,602,853	2,603,616	**2,720,543**
Total assets	6	4,329,232	4,487,173	**4,709,201**

Financial Information

(million yen)

	Notes	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	20, 21, 37	524,727	560,381	**584,939**
Bonds payable, borrowings, and lease obligations	21, 37	271,767	317,494	**329,400**
Contract liabilities	27	33,465	53,588	**59,060**
Income taxes payable, etc.		16,155	43,601	**16,399**
Provisions	23	8,622	8,594	**14,336**
Other financial liabilities	22, 37	89,884	92,612	**99,097**
Other current liabilities	11	187,016	213,876	**222,705**
Total current liabilities		1,131,639	1,290,149	**1,325,938**
Non-current liabilities				
Bonds payable, borrowings, and lease obligations	21, 37	1,153,753	1,073,734	**1,194,478**
Retirement benefit liability	24	123,989	128,341	**133,999**
Provisions	23	36,537	35,914	**30,438**
Deferred tax liabilities	19	10,279	5,162	**3,550**
Other financial liabilities	22, 37	27,588	22,109	**17,140**
Other non-current liabilities	11	9,197	9,696	**11,895**
Total non-current liabilities		1,361,346	1,274,959	**1,391,503**
Total liabilities		2,492,986	2,565,108	**2,717,442**
Equity				
Share capital	25	147,143	147,143	**147,143**
Capital surplus	25	646,582	646,634	**646,793**
Retained earnings	25	1,050,635	1,138,091	**1,241,420**
Treasury shares	25	(178,853)	(179,070)	**(180,670)**
Other components of equity		115,941	109,907	**71,650**
Equity attributable to owners of parent		1,781,449	1,862,707	**1,926,337**
Non-controlling interests		54,796	59,357	**65,422**
Total equity		1,836,245	1,922,065	**1,991,759**
Total liabilities and equity		4,329,232	4,487,173	**4,709,201**

Consolidated statement of profit or loss

(million yen)

	Notes	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Revenue	27	3,627,248	**3,873,662**
Cost of sales	12, 13, 24, 29	(3,054,388)	**(3,328,475)**
Gross profit		572,860	**545,186**
Selling, general and administrative expenses	12, 13, 24, 28, 29, 30	(336,949)	**(357,323)**
Share of profit (loss) of entities accounted for using equity method	6, 18	(10,173)	**42,685**
Other income	31	30,619	**30,877**
Other expenses	32	(37,979)	**(29,355)**
Business profit	6	218,378	**232,070**
Impairment losses	6, 16	(28,453)	**(10,252)**
Loss on remeasurement of retained interest		(18,717)	**–**
Expenses for treatment of PCB waste		(3,850)	**–**
Operating profit		167,357	**221,818**
Finance income	6, 33	1,546	**2,083**
Finance costs	6, 33	(16,026)	**(14,588)**
Profit before tax		152,877	**209,313**
Income tax expense	19	(49,723)	**(39,488)**
Profit		103,153	**169,825**
Profit attributable to			
Owners of parent		97,635	**163,509**
Non-controlling interests		5,518	**6,315**
Profit		103,153	**169,825**
Earnings per share			
Basic earnings per share (yen)	35	169.34	**283.81**
Diluted earnings per share (yen)	35	169.34	**283.76**

Financial Information

Consolidated statement of comprehensive income

(million yen)

	Notes	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Profit		103,153	**169,825**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	24, 34	4,510	**(4,270)**
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	34, 37	13,751	**(23,091)**
Share of other comprehensive income of investments accounted for using equity method	18, 34	602	**(430)**
Total of items that will not be reclassified to profit or loss		18,864	**(27,793)**
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	34	(2,098)	**(4,445)**
Effective portion of cash flow hedges	34	2,649	**(383)**
Share of other comprehensive income of investments accounted for using equity method	18, 34	1,535	**(10,824)**
Total of items that may be reclassified to profit or loss		2,086	**(15,653)**
Total other comprehensive income		20,950	**(43,446)**
Comprehensive income		124,104	**126,378**
Comprehensive income attributable to			
Owners of parent		117,483	**120,693**
Non-controlling interests		6,621	**5,685**
Comprehensive income		124,104	**126,378**

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	Remeasure-ments 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, 2017		147,143	646,582	1,050,635	(178,853)	–	119,153
Profit		–	–	97,635	–	–	–
Other comprehensive income		–	–	–	–	4,527	13,819
Comprehensive income		–	–	97,635	–	4,527	13,819
Purchase of treasury shares		–	–	–	(226)	–	–
Disposal of treasury shares		–	(4)	–	10	–	–
Change in treasury shares arising from change in equity in entities accounted for using equity method		–	–	–	0	–	–
Dividends	26	–	–	(34,605)	–	–	–
Share-based payment transactions	30	–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	56	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	24,427	–	(4,527)	(19,900)
Transfer to non-financial assets	37	–	–	–	–	–	–
Other		–	–	–	–	–	–
Total transactions with owners		–	52	(10,178)	(216)	(4,527)	(19,900)
Balance as of March 31, 2018		147,143	646,634	1,138,091	(179,070)	–	113,073

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity					
		Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total	Total		
Balance as of April 1, 2017		–	(3,212)	115,941	1,781,449	54,796	1,836,245
Profit		–	–	–	97,635	5,518	103,153
Other comprehensive income		(1,805)	3,307	19,847	19,847	1,102	20,950
Comprehensive income		(1,805)	3,307	19,847	117,483	6,621	124,104
Purchase of treasury shares		–	–	–	(226)	–	(226)
Disposal of treasury shares		–	–	–	5	–	5
Change in treasury shares arising from change in equity in entities accounted for using equity method		–	–	–	0	–	0
Dividends	26	–	–	–	(34,605)	(2,176)	(36,781)
Share-based payment transactions	30	–	–	–	–	–	–
Changes in ownership interest in subsidiaries		–	–	–	56	(56)	–
Transfer from other components of equity to retained earnings		–	–	(24,427)	–	–	–
Transfer to non-financial assets	37	–	(1,454)	(1,454)	(1,454)	–	(1,454)
Other		–	–	–	–	172	172
Total transactions with owners		–	(1,454)	(25,882)	(36,224)	(2,060)	(38,285)
Balance as of March 31, 2018		(1,805)	(1,359)	109,907	1,862,707	59,357	1,922,065

(million yen)

	Notes	Equity attributable to owners of parent				Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasure-ments 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, 2018		147,143	646,634	1,138,091	(179,070)	–	113,073
Profit		–	–	163,509	–	–	–
Other comprehensive income		–	–	–	–	(4,630)	(23,108)
Comprehensive income		–	–	163,509	–	(4,630)	(23,108)
Purchase of treasury shares		–	–	–	(1,627)	–	–
Disposal of treasury shares		–	(16)	–	27	–	–
Change in treasury shares arising from change in equity in entities accounted for using equity method		–	–	–	–	–	–
Dividends	26	–	–	(54,784)	–	–	–
Share-based payment transactions	30	–	170	–	–	–	–
Changes in ownership interest in subsidiaries		–	4	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	(5,396)	–	4,630	766
Transfer to non-financial assets	37	–	–	–	–	–	–
Other		–	–	–	–	–	–
Total transactions with owners		–	158	(60,181)	(1,600)	4,630	766
Balance as of March 31, 2019		147,143	646,793	1,241,420	(180,670)	–	90,730

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity					
		Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total	Total		
Balance as of April 1, 2018		(1,805)	(1,359)	109,907	1,862,707	59,357	1,922,065
Profit		–	–	–	163,509	6,315	169,825
Other comprehensive income		(14,742)	(334)	(42,816)	(42,816)	(630)	(43,446)
Comprehensive income		(14,742)	(334)	(42,816)	120,693	5,685	126,378
Purchase of treasury shares		–	–	–	(1,627)	–	(1,627)
Disposal of treasury shares		–	–	–	10	–	10
Change in treasury shares arising from change in equity in entities accounted for using equity method		–	–	–	–	–	–
Dividends	26	–	–	–	(54,784)	(1,972)	(56,756)
Share-based payment transactions	30	–	–	–	170	–	170
Changes in ownership interest in subsidiaries		–	–	–	4	(4)	–
Transfer from other components of equity to retained earnings		–	–	5,396	–	–	–
Transfer to non-financial assets	37	–	(838)	(838)	(838)	–	(838)
Other		–	–	–	–	2,356	2,356
Total transactions with owners		–	(838)	4,558	(57,064)	379	(56,684)
Balance as of March 31, 2019		(16,547)	(2,532)	71,650	1,926,337	65,422	1,991,759

Consolidated statement of cash flow

(million yen)

	Notes	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Cash flows from operating activities			
Profit before tax		152,877	209,313
Depreciation and amortization		182,646	196,243
Changes in allowance		(724)	(23)
Interest and dividend income		(9,427)	(10,627)
Interest expenses		15,446	13,648
Decrease (increase) in trade and other receivables		(72,082)	2,533
Decrease (increase) in inventories		(78,270)	(82,525)
Increase (decrease) in trade and other payables		30,010	19,691
Other		132,500	(669)
Subtotal		352,977	347,585
Interest and dividends received		16,355	19,014
Interest paid		(12,906)	(12,606)
Income taxes paid		(28,067)	(85,741)
Cash flows from operating activities		328,358	268,251
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets, and investment property		(268,379)	(312,578)
Proceeds from sale of property, plant and equipment, intangible assets, and investment property		2,994	488
Purchase of investments		(10,847)	(8,394)
Proceeds from sale of investments		64,798	6,889
Other		(5,020)	243
Cash flows from investing activities		(216,454)	(313,351)

(million yen)

	Notes	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	36	4,556	18,752
Increase (decrease) in commercial papers	36	(1,999)	77,000
Proceeds from long-term borrowings	36	378,474	213,499
Repayments of long-term borrowings	36	(398,061)	(200,487)
Proceeds from issuance of bonds	36	20,000	30,000
Redemption of bonds	36	(50,000)	(15,000)
Payments for purchase of treasury shares		(226)	(1,627)
Dividends paid to owners of parent	26	(34,510)	(54,640)
Other	36	(18,060)	(15,614)
Cash flows from financing activities		(99,828)	51,882
Effect of exchange rate change on cash and cash equivalents		(7,167)	388
Net increase (decrease) in cash and cash equivalents		4,908	7,170
Cash and cash equivalents at beginning of period		70,209	75,117
Cash and cash equivalents at end of period	7	75,117	82,288

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, 2019, encompass the Company and its subsidiaries (the "Group") and its interests in affiliates and joint arrangements of the Company.

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

2. Basis of Preparation

(1) Statement of compliance with IFRS and notes on first-time adoption

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

The Group adopted IFRS for the first time in the fiscal year ended March 31, 2019. The date of transition to IFRS ("transition date") is April 1, 2017. The effects of the transition to IFRS on the financial position, business results, and cash flows of the Group as of the transition date and comparative year are described in "41. First-time Adoption."

With the exception of IFRSs not adopted early and the exemptions permitted under IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), the Group's accounting practices are in compliance with IFRS effective as of March 31, 2019. Exemptions used are described in "41. First-time Adoption."

The Group's consolidated financial statements for the fiscal year ended March 31, 2019 were authorized for issue on June 21, 2019 by the Board of Directors.

(2) Basis of measurement

The Group's consolidated financial statements have been prepared based on acquisition cost, with the exception of financial instruments, etc., described in "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.

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 rights to the assets and obligations for the liabilities relating to the arrangement, it is called a joint operation. If 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 Limited'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, and 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, and when a non-monetary item is recognized in profit or loss, any exchange component is recognized in profit or loss.

(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. Note that the Group has used the exemption specified in IFRS 1 that permits it to transfer the cumulative exchange differences that existed at the IFRS transition date to retained earnings.

(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
- 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 allowances for doubtful accounts based on expected credit losses.

Allowances for doubtful accounts are 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 (expected credit losses over 12 months) resulting from default events that may occur within 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.

Provisions of allowances for doubtful accounts on financial assets are recognized in profit or loss. In the case of events that reduce the allowance for doubtful accounts, reversals of allowances for doubtful accounts are recognized in profit or loss.

Estimates of allowances 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
- 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 cancelled, 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. The Group expects these hedges to be highly effective in offsetting changes in fair value or cash flows due to the risks being hedged; however, the hedges are assessed on an ongoing basis to determine whether they have actually been highly effective or not throughout the hedging periods.

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 book value 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 (excluding leased assets)

The Group uses the cost model to measure the carrying value of property, plant and equipment subsequent to its recognition. Under this model, property, plant and equipment is carried at its 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 follow:

- 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 book value less accumulated impairment losses.

(ii) Intangible assets (excluding leased 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 value of intangible assets subsequent to their recognition. Under this model, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets whose useful lives can be determined 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

Leases for which all risks and rewards of ownership have effectively been transferred to the Group are classified as finance leases, and leases other than finance leases are classified as operating leases. The Group determines whether an arrangement contains a lease, based on the substance of the arrangement, even when it does not legally take the form of a lease.

(i) Finance leases

Assets and lease liabilities related to finance leases are recognized at the commencement date of the lease based on the lesser of the fair value of the leased property and the present value of the minimum lease payments.

Property, plant and equipment acquired as a finance lease are depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

Lease payments are allocated to finance costs and repayments of lease obligations based on the interest method, and finance costs are recognized in the consolidated statement of profit or loss.

(ii) Operating leases

Operating lease payments are recognized 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 value 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, 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 value, being the higher of fair value less costs to sell and its value in use; if the carrying value of the asset exceeds its recoverable value, then the asset is impaired and is written down to its recoverable value.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is any indication of impairment.

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, an impairment reversal 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 compensation 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 shareholder value over the medium and long term.

For equity-settled share-based payments, compensation 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, we mainly estimate 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 to the customer, when ownership rights and physical ownership of the product are physically transferred to the customer and the significant risk and economic value associated with ownership 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.

Revenue is measured at the amount that deducts price reduction and rebates, etc. from the promised value in the contract with the customer.

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 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 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 are enacted or substantively enacted at 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 and unused tax credits. They are measured using the tax rate and tax law applicable to the fiscal year in which the temporary difference, etc., is expected to be resolved.

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
- 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, and unused tax credits, but only to the extent that it is probable that future taxable profit 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 profit 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
- 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.

(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 the profit attributable to owners of the parent company 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 Accounting Judgments, 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, income and expenses. These estimates and assumptions are based on the 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 and estimates 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")
- Matters related to financial instruments (Note "3. Significant Accounting Policies" and Note "37. Financial Instruments")
- Valuation of inventories (Note "3. Significant Accounting Policies" and Note "9. Inventories")
- Impairment of non-financial assets (Note "3. Significant Accounting Policies" and Note "16. Impairment of Non-financial Assets")
- Recoverability of deferred tax assets (Note "3. Significant Accounting Policies" and Note "19. Income Taxes")
- Valuation and accounting for provisions (Note "3. Significant Accounting Policies" and Note "23. Provisions")
- Measurement of defined benefit obligations (Note "3. Significant Accounting Policies" and Note "24. Post-employment Benefits")
- Contingencies (Note "40. Contingent Liabilities")

5. New IFRS Standards Not Yet Adopted

The following is a list of IFRS standards and interpretations newly established or amended by the approval date of the consolidated financial statements that the Group has not yet adopted.

IFRS	Title	Effective date (fiscal years beginning on or after)	The Group's application date (fiscal year ending)	Summaries of new or amended IFRS standards and interpretations
IFRS 16	Leases	January 1, 2019	March 31, 2020	Amendment to the accounting for lease agreements

Under IFRS 16, a lessee does not classify leases into finance lease or operating lease, but introduces a single lessee accounting model in which a lessee recognizes, for all leases in principle, a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. However, a lessee may elect not to apply the above requirement to short-term or low value leases. After the initial recognition of a right-of-use asset and a lease liability, depreciation expense of the right-of-use asset and interest expense of the lease liability are recorded.

The estimated impact of the adoption of this standard on the consolidated financial statements of the Group is an increase in total assets and total liabilities of approximately ¥100.0 billion, respectively, at April 1, 2019, the date of initial application.

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 reporting segments, one for each operating company, are characterized by their constituent products and services.

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 reported business segments are generally the same as described in "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.

Transition date (April 1, 2017)

(million yen)

	Steel	Engineering	Trading	Total	Adjustments (Note)	Amount recorded in consolidated financial statements
Segment assets	3,713,843	387,541	630,927	4,732,313	(403,080)	4,329,232
Other assets						
Investments accounted for using equity method	257,164	9,537	10,460	277,162	55,265	332,428

Note: Adjustments to segment assets include corporate assets not allocated to a reportable segment: 116,803 million yen and elimination of intersegment receivables and payables, etc.: -519,884 million yen. Corporate assets are assets of the Company.

Fiscal 2017 (April 1, 2017 to March 31, 2018)

(million yen)

	Steel	Engineering	Trading	Total	Adjustments (Note)	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	2,378,107	391,223	857,917	3,627,248	–	3,627,248
Intersegment revenue	357,669	10,296	141,451	509,417	(509,417)	–
Total	2,735,777	401,519	999,368	4,136,666	(509,417)	3,627,248
Segment profit	187,240	18,736	35,186	241,163	(37,264)	203,898
Impairment losses						(28,453)
Loss on remeasurement of remaining interest						(18,717)
Expenses for treatment of PCB waste						(3,850)
Profit before tax						152,877
Segment assets	3,826,432	384,232	711,849	4,922,513	(435,340)	4,487,173
Other items						
Depreciation and amortization	168,985	7,540	6,117	182,643	3	182,646
Impairment losses	(23,071)	(2,797)	(2,584)	(28,453)	–	(28,453)
Finance income	1,151	111	510	1,772	(226)	1,546
Finance costs	(13,888)	(704)	(2,010)	(16,603)	577	(16,026)
Share of profit of entities accounted for using equity method	20,087	1,051	1,439	22,577	(32,751)	(10,173)
Investments accounted for using equity method	243,505	9,648	12,787	265,941	23,281	289,223
Capital expenditures	282,245	11,495	6,570	300,310	1	300,311

Note: Adjustments are as follows:

- Adjustments to segment profit include corporate profit not allocated to a reportable segment: 18,010 million yen, elimination of dividend income from each reportable segment: -17,780 million yen, and share of loss of entities accounted for using equity method related to Japan Marine United Corporation: -31,827 million yen; elimination of other intersegment transactions: -5,667 million yen. Corporate profit is profit of the Company.
- Adjustments to segment assets include corporate assets not allocated to a reportable segment: 41,866 million yen and elimination of intersegment receivables and payables, etc.: -477,207 million yen. Corporate assets are assets of the Company.

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(million yen)

	Steel	Engineering	Trading	Total	Adjustments (Note)	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	2,441,696	471,673	960,292	3,873,662	–	3,873,662
Intersegment revenue	388,953	14,142	165,568	568,663	(568,663)	–
Total	2,830,649	485,815	1,125,861	4,442,326	(568,663)	3,873,662
Segment profit	161,383	20,104	35,761	217,250	2,315	219,566
Impairment losses						(10,252)
Profit before tax						209,313
Segment assets	3,951,109	416,079	756,258	5,123,448	(414,246)	4,709,201
Other items						
Depreciation and amortization	182,343	7,878	6,020	196,241	2	196,243
Impairment losses	(9,736)	(470)	(44)	(10,252)	–	(10,252)
Finance income	1,451	141	717	2,311	(228)	2,083
Finance costs	(11,399)	(701)	(2,885)	(14,986)	398	(14,588)
Share of profit of entities accounted for using equity method	38,777	1,351	1,075	41,205	1,480	42,685
Investments accounted for using equity method	268,568	10,415	13,814	292,798	22,265	315,064
Capital expenditures	306,285	11,648	11,571	329,504	1	329,505

Note: Adjustments are as follows:

- Adjustments to segment profit include corporate profit not allocated to a reportable segment: 104,233 million yen, elimination of dividend income from each reportable segment: -103,928 million yen, and share of profit of entities accounted for using equity method related to Japan Marine United Corporation: 219 million yen; elimination of other intersegment transactions: 1,791 million yen. Corporate profit is profit of the Company.
- Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 61,666 million yen and elimination of intersegment receivables and payables, etc.: -475,913 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 "27. Revenue."

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Japan	1,659,900	1,737,994	1,847,464
Other	145,206	141,802	144,889
Total	1,805,106	1,879,797	1,992,354

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

(6) Information about major customers

The information is not provided as there is no external customer that accounts for 10% or more of consolidated revenue of the Group.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Cash and bank deposits with maturities of three months or less	68,709	73,917	82,283
Negotiable certificates of deposit, etc.	1,500	1,200	5
Total	70,209	75,117	82,288

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, 2018 and 2019 is consistent with that reported in the consolidated statement of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Notes and accounts receivable – trade	655,945	728,275	718,931
Other	30,769	31,922	37,339
Allowance for doubtful accounts	(1,419)	(2,169)	(1,590)
Total	685,295	758,029	754,679

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)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Merchandise and finished goods	365,179	399,827	440,417
Work in progress	38,259	43,916	45,987
Raw materials and supplies	354,353	393,121	431,407
Total	757,793	836,865	917,812

Inventories recognized as an expense in "Cost of sales" for the years ended March 31, 2018 and 2019 amounted to ¥2,586,740 million and ¥2,803,908 million, respectively.

10. Other Financial Assets

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Financial assets measured at amortized cost			
Leasehold and guarantee deposits	10,696	11,135	**11,420**
Other	13,087	10,519	**9,539**
Allowance for doubtful accounts	(1,793)	(568)	**(474)**
Subtotal	21,990	21,085	**20,485**
Financial assets measured at fair value through profit or loss			
Derivative assets	25,683	20,086	**21,325**
Other	4,027	4,030	**3,982**
Subtotal	29,711	24,116	**25,308**
Equity financial assets measured at fair value through other comprehensive income			
Equity securities	373,666	349,385	**312,311**
Investments in capital	5,963	6,238	**6,499**
Subtotal	379,629	355,623	**318,811**
Total	431,331	400,826	**364,605**
Current assets	4,912	7,157	**4,471**
Non-current assets	426,418	393,668	**360,133**
Total	431,331	400,826	**364,605**

Other financial assets are stated as 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	Transition date (April 1, 2017)
Toyota Motor Corporation	34,825
Isuzu Motors Limited	21,255
Kawasaki Heavy Industries, Ltd.	20,520
Formosa Ha Tinh (Cayman) Limited	17,226
SUZUKI MOTOR CORPORATION	16,877

(million yen)

Issuers	As of March 31, 2018
Isuzu Motors Limited	23,557
SUZUKI MOTOR CORPORATION	20,923
Formosa Ha Tinh (Cayman) Limited	20,724
TAIYO NIPPON SANSO CORPORATION	20,342
Central Japan Railway Company	16,639

(million yen)

Issuers	As of March 31, 2019
TAIYO NIPPON SANSO CORPORATION	**21,289**
Central Japan Railway Company	**21,251**
Isuzu Motors Limited	**20,988**
Formosa Ha Tinh (Cayman) Limited	**18,178**
SUZUKI MOTOR CORPORATION	**17,885**

Equity securities and investments in capital are held mainly for the purpose of facilitating business and financial transactions with investees. 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 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Fair value	64,676	**5,552**
Accumulated gains or losses recognized in other comprehensive income	20,510	**1,845**

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)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Advance payments	9,805	21,852	**23,721**
Other	70,589	66,154	**73,254**
Total	80,394	88,006	**96,976**
Current assets	68,871	77,684	**86,290**
Non-current assets	11,523	10,322	**10,686**
Total	80,394	88,006	**96,976**

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Accrued expenses	142,530	158,393	**168,469**
Other	53,684	65,179	**66,130**
Total	196,214	223,572	**234,600**
Current liabilities	187,016	213,876	**222,705**
Non-current liabilities	9,197	9,696	**11,895**
Total	196,214	223,572	**234,600**

12. Property, Plant and Equipment

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

Fiscal 2017 (April 1, 2017 to March 31, 2018)

(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	392,317	743,162	45,153	386,497	61,297	32,695	1,661,123
Acquisition	32,055	177,566	17,572	132	21,913	23,555	272,796
Sale or disposal	(1,576)	(4,868)	(554)	(824)	(1,075)	(271)	(9,172)
Depreciation	(27,975)	(112,528)	(14,799)	(142)	–	(7,575)	(163,024)
Impairment losses	(5,609)	(10,521)	(184)	(5,896)	(2,308)	(209)	(24,730)
Exchange differences on translation of foreign operations, etc.	(199)	(5,415)	41	(622)	603	750	(4,840)
Balance at the end of the year	389,011	787,394	47,228	379,143	80,430	48,946	1,732,154

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(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	389,011	787,394	47,228	379,143	80,430	48,946	1,732,154
Acquisition	29,545	188,278	19,312	3,597	45,185	14,870	300,790
Sale or disposal	(1,126)	(3,347)	(362)	(40)	(758)	(26)	(5,661)
Depreciation	(27,907)	(122,362)	(16,382)	(18)	–	(9,223)	(175,894)
Impairment losses	(2,042)	(4,976)	(29)	(889)	(146)	(22)	(8,105)
Exchange differences on translation of foreign operations, etc.	(2,381)	(1,272)	(557)	(1,268)	(2,526)	(47)	(8,054)
Balance at the end of the year	385,098	843,715	49,209	380,524	122,185	54,496	1,835,229

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
Transition date (April 1, 2017)							
Cost	1,781,517	5,853,912	185,370	404,675	61,297	141,357	8,428,131
Accumulated depreciation and accumulated impairment losses	(1,389,200)	(5,110,749)	(140,216)	(18,178)	–	(108,662)	(6,767,007)
Carrying amount	392,317	743,162	45,153	386,497	61,297	32,695	1,661,123
As of March 31, 2018							
Cost	1,801,752	5,921,447	187,885	401,948	82,739	161,499	8,557,272
Accumulated depreciation and accumulated impairment losses	(1,412,740)	(5,134,053)	(140,657)	(22,804)	(2,308)	(112,553)	(6,825,118)
Carrying amount	389,011	787,394	47,228	379,143	80,430	48,946	1,732,154
As of March 31, 2019							
Cost	1,819,010	6,030,497	193,316	404,383	124,298	173,918	8,745,423
Accumulated depreciation and accumulated impairment losses	(1,433,911)	(5,186,781)	(144,107)	(23,858)	(2,113)	(119,421)	(6,910,194)
Carrying amount	385,098	843,715	49,209	380,524	122,185	54,496	1,835,229

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 2017 (April 1, 2017 to March 31, 2018)

(million yen)

	Goodwill	Software	Other	Total
Balance at the beginning of the year	5,137	56,449	10,469	72,055
Acquisition	3	26,644	161	26,809
Sale or disposal	–	(308)	(4)	(312)
Amortization	–	(18,047)	(450)	(18,497)
Impairment losses	–	(675)	(217)	(893)
Exchange differences on translation of foreign operations, etc.	(667)	176	(1,032)	(1,523)
Balance at the end of the year	4,473	64,238	8,925	77,637

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(million yen)

	Goodwill	Software	Other	Total
Balance at the beginning of the year	4,473	64,238	8,925	77,637
Acquisition	3	27,690	511	28,206
Sale or disposal	–	(434)	(3)	(437)
Amortization	–	(18,909)	(347)	(19,257)
Impairment losses	–	(129)	(25)	(154)
Exchange differences on translation of foreign operations, etc.	(31)	1,597	(545)	1,019
Balance at the end of the year	4,445	74,052	8,514	87,012

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
Transition date (April 1, 2017)				
Cost	5,137	288,343	23,789	317,270
Accumulated amortization and accumulated impairment losses	–	(231,894)	(13,320)	(245,214)
Carrying amount	5,137	56,449	10,469	72,055
As of March 31, 2018				
Cost	4,473	312,377	22,856	339,707
Accumulated amortization and accumulated impairment losses	–	(248,138)	(13,931)	(262,070)
Carrying amount	4,473	64,238	8,925	77,637
As of March 31, 2019				
Cost	4,445	337,652	23,031	365,128
Accumulated amortization and accumulated impairment losses	–	(263,600)	(14,516)	(278,116)
Carrying amount	4,445	74,052	8,514	87,012

(2) Research and development expenses

Research and development expenses recorded in "Cost of sales" and "Selling, general and administrative expenses" for the years ended March 31, 2018 and 2019 amounted to ¥34,714 million and ¥37,271 million, respectively.

14. Lease Transactions

The Group leases machinery, ships, buildings and other assets as a lessee and buildings and other assets as a lesser. 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.

(1) Finance lease obligations

Future minimum lease payments for leased assets recorded under finance leases and their present value for each payment period are as follows:

(million yen)

	Transition date (April 1, 2017)		As of March 31, 2018		**As of March 31, 2019**	
	Future minimum lease payments	Present value	Future minimum lease payments	Present value	**Future minimum lease payments**	**Present value**
Within one year	5,489	5,044	6,924	6,387	7,977	7,427
Later than one year and within five years	20,537	19,157	25,956	24,666	29,071	27,939
Later than five years	4,847	4,788	14,732	14,317	16,392	16,008
Total	30,874	28,990	47,613	45,371	53,441	51,375
Less: Future finance costs	(1,884)	–	(2,242)	–	(2,065)	–
Total present value	28,990	28,990	45,371	45,371	51,375	51,375

(2) Operating leases

As Lessee

Future minimum lease payments under non-cancellable operating leases are as follows:

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Within one year	5,726	9,392	8,462
Later than one year and within five years	15,081	25,233	20,811
Later than five years	5,745	5,124	3,990
Total	26,552	39,750	33,264

Future minimum sublease payments expected to be received under non-cancellable subleases are as follows:

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Minimum sublease payments received	18,591	16,510	14,046

Minimum lease payments under operating leases and minimum sublease payments received that are recognized as expenses are as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Minimum lease payments	38,243	39,231
Minimum sublease payments received	3,949	4,054

As lessor

Future minimum lease payments under non-cancellable operating leases are as follows:

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Within one year	1,106	1,160	1,130
Later than one year and within five years	3,832	3,851	3,550
Later than five years	5,149	4,319	3,488
Total	10,088	9,331	8,170

15. Investment Properties

(1) Movement of investment properties

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

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Balance at the beginning of the year	60,403	59,682
Acquisition	706	508
Reclassification from property, plant and equipment	1,881	3,931
Reclassification to property, plant and equipment	(1,669)	(1,458)
Depreciation	(1,126)	(1,092)
Impairment losses	(407)	(1,933)
Sale or disposal	(104)	(213)
Balance at the end of the year	59,682	59,425
Cost (balance at the beginning of the year)	122,835	129,154
Accumulated depreciation and accumulated impairment losses (balance at the beginning of the year)	(62,432)	(69,471)
Cost (balance at the end of the year)	129,154	132,849
Accumulated depreciation and accumulated impairment losses (balance at the end of the year)	(69,471)	(73,424)

(2) Fair values

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

(million yen)

	Transition date (April 1, 2017)		As of March 31, 2018		As of March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Investment properties	60,403	114,805	59,682	130,755	59,425	133,615

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 "37. 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 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Rental income	11,005	11,053
Direct sales expenses arising from investment properties which generated income	3,097	3,095
Direct sales expenses arising from investment properties which did not generate income	56	64

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 2017 (April 1, 2017 to March 31, 2018)

The carrying amount was reduced to the recoverable amount mainly for the business assets of JFE Steel Chita Works due to the deteriorated business environment, and the reduction was recorded as an impairment loss. Impairment losses in the consolidated statement of profit or loss totaled 28,453 million yen, consisting of 10,521 million yen of machinery and vehicles, 5,896 million yen of land, 5,609 million yen of buildings and structures, and 6,425 million yen of construction in progress and others. The recoverable amount of the business assets was primarily measured at their value in use, which was calculated by discounting the future cash flows at a discount rate of 8.8%.

Fiscal 2018 (April 1, 2018 to March 31, 2019)

The carrying amount was reduced to the recoverable amount mainly for the business assets in Indonesia due to the deteriorated business environment, and the reduction was recorded as an impairment loss. Impairment losses in the consolidated statement of profit or loss totaled 10,252 million yen, consisting of 4,976 million yen of machinery and vehicles, 2,042 million yen of buildings and structures, and 3,232 million yen of investment property and others. The recoverable amount of the business assets was primarily measured at their value in use, which was calculated by discounting the future cash flows at a discount rate of 10.9%.

17. Subsidiaries

Major subsidiaries

Overview of major subsidiaries at the end of fiscal 2018 is described in "I. Overview of the Company, 4. Overview of subsidiaries and affiliates."

18. Investments Accounted for Using Equity Method

(1) Material associates

JSW Steel Limited

JSW Steel Limited, located in Mumbai, India, engages primarily in manufacture and sales of steel products.

The condensed consolidated financial statements of JSW Steel Limited are as follows.

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.

However, in the accompanying notes, the condensed consolidated financial statements of JSW Steel Limited that were already released at the transition date and 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)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Current assets	324,750	413,672	456,584
Non-current assets	1,145,014	1,220,368	1,197,047
Total assets	1,469,764	1,634,040	1,653,631
Current liabilities	497,796	548,453	547,421
Non-current liabilities	619,878	677,984	616,315
Total liabilities	1,117,674	1,226,437	1,163,736
Total equity	352,090	407,602	489,894
Equity attributable to owners of parent	356,023	414,401	497,781
Non-controlling interests	(3,933)	(6,799)	(7,886)

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Revenue	881,936	1,016,940
Profit	56,271	98,272
Other comprehensive income	3,758	(2,135)
Comprehensive income	60,030	96,137

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)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Equity attributable to owners of parent	356,023	414,401	497,781
Ownership interest (%)	15.0	15.0	15.0
Equity attributable to the Group	53,403	62,160	74,667
Consolidation adjustment	896	4,549	4,443
Carrying amount of interests in JSW Steel Limited	54,299	66,709	79,110
Fair value of interests in JSW Steel Limited	118,051	172,389	168,268

Dividends received from JSW Steel Limited for the fiscal years ended March 31, 2018 and 2019 were 1,435 million yen and 1,846 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)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Associates	190,672	119,373	117,964
Joint ventures	87,456	103,140	117,988

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 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Associates		
Profit	(33,622)	5,292
Other comprehensive income	(1,134)	(1,152)
Comprehensive income	(34,757)	4,140
Joint ventures		
Profit	12,219	15,185
Other comprehensive income	298	(79)
Comprehensive income	12,517	15,105

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)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Deferred tax assets			
Retirement benefit liability	31,021	33,210	34,996
Accrued bonuses	12,298	14,263	14,611
Accrued expenses	8,149	9,382	9,850
Provisions	6,043	6,099	7,552
Unused tax losses	10,593	3,161	6,561
Cash flow hedges	4,728	4,220	4,243
Impairment losses	969	3,342	2,828
Other	29,591	31,002	32,899
Total deferred tax assets	103,395	104,681	113,543
Deferred tax liabilities			
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	55,657	51,745	45,065
Retained earnings of subsidiaries and associates	5,895	8,486	11,290
Other	24,447	25,145	24,129
Total deferred tax liabilities	85,999	85,376	80,484
Net deferred tax assets	17,395	19,304	33,059

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

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Balance at the beginning of the year	17,395	19,304
Deferred tax expense	9,584	4,183
Deferred taxes on items of other comprehensive income		
Effective portion of cash flow hedges	(1,140)	164
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(5,376)	7,013
Remeasurements of defined benefit plans	(1,951)	1,957
Other	794	434
Balance at the end of the year	19,304	33,059

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Deductible temporary differences	228,511	199,694	217,001
Unused tax losses	395,769	309,474	229,253

Unrecognized deferred tax assets for the above deductible temporary differences were 59,544 million yen, 60,884 million yen and 65,871 million yen as of April 1, 2017, March 31, 2018 and March 31, 2019, respectively. Unrecognized deferred tax assets for the above unused tax losses were 23,840 million yen, 14,806 million yen and 8,084 million yen as of April 1, 2017, March 31, 2018 and March 31, 2019, respectively.

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Year 1	96	638	171
Year 2 to Year 5	303,968	225,038	148,915
Year 5 or later	84,516	78,360	78,053
No specified expiration date	7,187	5,437	2,112
Total	395,769	309,474	229,253

Taxable temporary differences arising from investments in subsidiaries and associates for which deferred tax liabilities were not recognized as of April 1, 2017, March 31, 2018 and March 31, 2019 amounted to 118,528 million yen, 115,222 million yen and 94,548 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 5,277 million yen, 8,180 million yen and 1,371 million yen were recognized as of April 1, 2017, March 31, 2018 and March 31, 2019, 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 profit.

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

(2) Income tax expense

The breakdown of income tax expense is as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Current tax expense	59,308	**43,671**
Deferred tax expense	(9,584)	**(4,183)**
Total	49,723	**39,488**

(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 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Effective statutory tax rate	31.0	**30.0**
(Reconciliation)		
Items permanently not tax-deductible, such as entertainment expenses	1.7	**0.8**
Items permanently not taxable, such as dividend income	(1.9)	**(0.2)**
Share of profit (loss) of entities accounted for using equity method	2.1	**(6.1)**
Tax credits	(2.3)	**(2.5)**
Other	2.0	**(3.0)**
Burden ratio of corporation tax, etc. after application of tax effect accounting	32.5	**18.9**

20. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Notes and accounts payable – trade	470,575	504,235	**522,098**
Accounts payable – other	54,151	56,146	**62,840**
Total	524,727	560,381	**584,939**

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

21. Bonds Payable, Borrowings, and Lease Obligations

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Short-term loans payable (Note 1)	110,752	117,700	**135,601**
Current portion of long-term borrowings (Note 1)	97,972	172,410	**103,371**
Current portion of bonds (Note 2)	49,997	14,996	**–**
Commercial papers (Note 1)	8,000	6,000	**83,000**
Bonds payable (Note 2)	74,826	79,778	**109,706**
Long-term borrowings (Note 1)	1,054,982	954,972	**1,040,824**
Lease obligations	28,990	45,371	**51,375**
Total	1,425,521	1,391,229	**1,523,879**
Current liabilities	271,767	317,494	**329,400**
Non-current liabilities	1,153,753	1,073,734	**1,194,478**
Total	1,425,521	1,391,229	**1,523,879**

Bonds payable, borrowings, and lease obligations 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 short-term loans payable, current portion of long-term borrowings, commercial papers and long-term borrowings as of March 31, 2019 are as follows:

	Average interest rate (%)	Repayment date
Short-term loans payable	2.78	–
Current portion of long-term borrowings	0.46	–
Commercial papers	(0.00)	–
Long-term borrowings	1.06	April 27, 2020 to March 22, 2078

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

(million yen)

Company name	Issue	Date of issuance	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019	Interest rate (%)	Collateral	Redemption date
The Company	The 16th unsecured bond	May 27, 2010	19,998	–	**–**	0.858	None	May 26, 2017
The Company	The 17th unsecured bond	June 8, 2011	29,950	29,962	**29,974**	1.326	None	June 8, 2021
The Company	The 19th unsecured bond	September 5, 2011	14,987	14,996	**–**	0.686	None	September 5, 2018
The Company	The 20th unsecured bond	April 17, 2012	29,999	–	**–**	0.453	None	April 17, 2017
The Company	The 21st unsecured bond	March 13, 2014	9,962	9,967	**9,973**	0.804	None	March 13, 2024
The Company	The 22nd unsecured bond	September 19, 2014	19,925	19,935	**19,945**	0.703	None	September 19, 2024
The Company	The 23rd unsecured bond	May 23, 2017	–	9,961	**9,970**	0.090	None	May 23, 2022
The Company	The 24th unsecured bond	March 1, 2018	–	9,954	**9,963**	0.110	None	March 1, 2023
The Company	The 25th unsecured bond	May 21, 2018	–	–	**19,922**	0.260	None	May 21, 2025
The Company	The 26th unsecured bond	November 22, 2018	–	–	**9,956**	0.150	None	November 22, 2023
Total	–	–	124,823	94,775	**109,706**	–	–	–

Financial Information

(2) Assets pledged as collateral and corresponding secured obligations

Assets pledged as collateral

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Cash and cash equivalents	196	656	763
Property, plant and equipment	16,412	15,019	13,519
Investments accounted for using equity method	1,155	995	1,376
Other financial assets (non-current)	569	108	294
Other non-current assets	187	155	171
Total	18,521	16,935	16,124

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Property, plant and equipment	13,912	12,565	11,152

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Shares of consolidated subsidiaries (book value posted on the non-consolidated financial statements of the consolidated subsidiaries)	242	553	553

Corresponding secured obligations

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Trade and other payables	387	410	252
Bonds payable, borrowings, and lease obligations (current)	970	1,183	882
Bonds payable, borrowings, and lease obligations (non-current)	7,827	11,390	10,568
Total	9,186	12,984	11,702

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Bonds payable, borrowings, and lease obligations (current)	839	839	559
Bonds payable, borrowings, and lease obligations (non-current)	7,252	6,692	6,133
Total	8,091	7,532	6,692

22. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Financial liabilities measured at amortized cost			
Deposits received	81,698	83,834	93,763
Other	31,717	25,244	18,091
Subtotal	113,416	109,079	111,855
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	4,056	5,642	4,383
Total	117,473	114,721	116,238
Current liabilities	89,884	92,612	99,097
Non-current liabilities	27,588	22,109	17,140
Total	117,473	114,721	116,238

23. Provisions

The breakdown and movement of provisions are as follows:

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(million yen)

	Provision for loss on specified business	Other provisions	Total
Balance at the beginning of the year	16,478	28,031	44,509
Increase during the year	215	15,405	15,620
Interest expense incurred over the discount period	198	3	201
Decrease due to intended use	(3,443)	(9,454)	(12,897)
Decrease due to reversal	–	(2,533)	(2,533)
Exchange differences on translation of foreign operations and others	–	(124)	(124)
Balance at the end of the year	13,448	31,327	44,775
Current liabilities	–	14,336	14,336
Non-current liabilities	13,448	16,990	30,438
Total	13,448	31,327	44,775

Provision for loss on specified business

A provision for loss on specified business is provided for possible losses on a certain specific business of industrial waste 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; however, the timing of the payment is subject to change due to future business plans and other factors.

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)

	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Funded defined benefit obligations	219,946	209,670	**202,208**
Plan assets	(153,681)	(147,465)	**(137,259)**
Subtotal	66,264	62,205	**64,948**
Unfunded defined benefit obligations	46,500	49,676	**52,670**
Total	112,765	111,881	**117,619**
Amounts recognized in the consolidated statement of financial position			
Retirement benefit liability	123,989	128,341	**133,999**
Retirement benefit asset	(11,224)	(16,459)	**(16,380)**
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	112,765	111,881	**117,619**

(2) Reconciliation of defined benefit obligations

The movement of defined benefit obligations is as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Balance at the beginning of the year	266,447	**259,347**
Current service cost	14,323	**14,533**
Interest expense	1,862	**1,688**
Remeasurements		
Actuarial losses arising from changes in demographic assumptions	21	**57**
Actuarial losses arising from changes in financial assumptions	1,759	**1,864**
Experience adjustments	(343)	**1,302**
Past service cost	(786)	**15**
Benefits paid	(23,800)	**(23,485)**
Exchange differences on translation of foreign operations, etc.	(136)	**(445)**
Balance at the end of the year	259,347	**254,878**

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

(years)

	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Weighted-average duration	10.7	10.9	**11.0**

(3) Reconciliation of plan assets

The movement of plan assets is as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Balance at the beginning of the year	153,681	**147,465**
Interest income	971	**862**
Remeasurements		
Return on plan assets (excluding interest income)	7,899	**(3,002)**
Contribution to the plan by employer	2,114	**2,084**
Benefits paid	(17,268)	**(10,099)**
Exchange differences on translation of foreign operations, etc.	67	**(51)**
Balance at the end of the year	147,465	**137,259**

The Group expects to contribute 2,137 million yen to its defined benefit plans in the fiscal year ending March 31, 2020.

(4) Major breakdown of plan assets

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

(million yen)

	Transition date (April 1, 2017)			As of March 31, 2018			**As of March 31, 2019**		
	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	**With quoted market price in an active market**	**With no quoted market price in an active market**	**Total**
Equity instruments									
Domestic stocks	59,007	285	59,292	61,669	470	62,140	**56,979**	**474**	**57,453**
Foreign stocks	6,879	350	7,229	6,461	680	7,142	**6,524**	**667**	**7,191**
Debt instruments									
Domestic bonds	15,982	3,658	19,640	16,751	3,625	20,377	**16,222**	**3,423**	**19,645**
Foreign bonds	3,084	2,471	5,555	3,100	2,508	5,609	**3,038**	**2,229**	**5,267**
Cash and deposits	7,854	–	7,854	3,587	–	3,587	**3,122**	**–**	**3,122**
Life insurance general accounts	–	52,967	52,967	–	47,625	47,625	**–**	**42,942**	**42,942**
Other	–	1,142	1,142	–	983	983	**–**	**1,636**	**1,636**
Total	92,807	60,874	153,681	91,571	55,893	147,465	**85,886**	**51,373**	**137,259**

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.

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(5) Actuarial assumptions

Major actuarial assumptions are as follows:

(%)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Discount rate	Mainly 0.7	Mainly 0.6	**Mainly 0.5**
Anticipated rate of salary increase	Mainly 0.9 to 3.0	Mainly 0.9 to 3.0	**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, 2018	As of March 31, 2019
Discount rate	Increase by 0.5%	(12,390)	**(12,681)**
	Decrease by 0.5%	13,408	**13,673**

(6) Defined contribution pension plans

Contributions to the defined contribution pension plans are as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Contributions to the defined contribution pension plans	3,520	**3,774**

25. Equity and Other Equity Items

(1) Share capital

(i) Authorized shares

The number of authorized shares as of April 1, 2017, March 31, 2018 and March 31, 2019 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, 2017 (transition date)	614,438
Increase (decrease)	–
As of March 31, 2018	614,438
Increase (decrease)	–
As of March 31, 2019	**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, 2017 (transition date)	37,829
As of March 31, 2018	37,919
As of March 31, 2019	**38,590**

Note: Treasury shares as of March 31, 2019 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 2017 (April 1, 2017 to March 31, 2018)

Date of 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 23, 2017	Common stock	17,303	30	March 31, 2017	June 26, 2017
Board of Directors Meeting held on November 1, 2017	Common stock	17,302	30	September 30, 2017	November 30, 2017

Fiscal 2018 (April 1, 2018 to March 31, 2019)

Date of 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 21, 2018	Common stock	28,834	50	March 31, 2018	June 22, 2018
Board of Directors Meeting held on October 30, 2018	Common stock	25,950	45	September 30, 2018	November 30, 2018

Note: The total amount of dividends of 25,950 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 27 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 2017 (April 1, 2017 to March 31, 2018)

Date of 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 21, 2018	Common stock	28,834	Retained earnings	50	March 31, 2018	June 22, 2018

Fiscal 2018 (April 1, 2018 to March 31, 2019)

Date of 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 21, 2019	Common stock	28,831	Retained earnings	50	March 31, 2019	June 24, 2019

Note: The total amount of dividends of 28,831 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 30 million yen.

27. Revenue

(1) Disaggregation of revenue

Fiscal 2017 (April 1, 2017 to March 31, 2018)

(million yen)

	Steel Business	Engineering Business	Trading Business	Elimination of intersegment revenue	Total
Region					
Japan	1,753,804	374,432	481,282	(201,019)	2,408,500
Other	981,973	27,086	518,086	(308,397)	1,218,748
Total	2,735,777	401,519	999,368	(509,417)	3,627,248
Transfer of goods or services					
At a point in time	2,511,020	2,623	999,286	(488,672)	3,024,258
Over time	224,757	398,895	81	(20,745)	602,990
Total	2,735,777	401,519	999,368	(509,417)	3,627,248

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(million yen)

	Steel Business	Engineering Business	Trading Business	Elimination of intersegment revenue	Total
Region					
Japan	1,861,015	450,628	550,678	(251,297)	2,611,024
Other	969,633	35,187	575,182	(317,365)	1,262,637
Total	2,830,649	485,815	1,125,861	(568,663)	3,873,662
Transfer of goods or services					
At a point in time	2,595,794	3,904	1,125,801	(542,751)	3,182,749
Over time	234,854	481,910	59	(25,912)	690,912
Total	2,830,649	485,815	1,125,861	(568,663)	3,873,662

(2) Contract balances

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Receivables from contracts with customers	655,945	728,275	718,931
Contract assets	132,500	126,935	124,039
Contract liabilities	33,465	53,588	59,060

The amount recognized as receivables that was included in the opening balance of contract assets was 85,483 million yen and 100,460 million yen as of March 31, 2018 and 2019, respectively.

The amount recognized as revenue that was included in the opening balance of contract liabilities was 17,554 million yen and 40,847 million yen as of March 31, 2018 and 2019, respectively.

(3) Remaining performance obligations

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the fiscal year	996,075	1,057,100	1,040,707
Expected timing of revenue recognition			
Within one year	316,145	394,464	404,960
Over one year	679,930	662,635	635,747

28. Selling, General and Administrative Expenses

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

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Employee benefit expenses	133,543	137,593
Product shipping-related expenses	84,423	97,190
Provision of allowance for doubtful accounts	102	219
Other	118,878	122,319
Total	336,949	357,323

29. Employee Benefit Expenses

Employee benefit expenses are as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Employee benefit expenses	468,690	486,211

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 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Equity-settled	–	170
Cash-settled	–	64
Total	–	234

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Other non-current liabilities	–	–	64

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 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Number of points granted (points)	–	79,832
Weighted-average fair value of points at the grant date (yen)	–	2,136

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 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Dividend income		
Financial assets measured at fair value through other comprehensive income	7,881	8,544
Rental income	7,232	6,982
Gain on sale of investments in subsidiaries	192	–
Other	15,312	15,350
Total	30,619	30,877

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

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Financial assets derecognized during the year	1,005	56
Financial assets held as of the reporting date	6,875	8,487

32. Other Expenses

The breakdown of other expenses is as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Loss on retirement of fixed assets	18,354	14,462
Loss on sale of investments in subsidiaries	–	53
Foreign exchange loss	5,383	–
Other	14,241	14,839
Total	37,979	29,355

33. Finance Income and Finance Costs

(1) Finance income

The breakdown of finance income is as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Interest income		
Financial assets measured at amortized cost	1,546	2,083
Total	1,546	2,083

(2) Finance costs

The breakdown of finance costs is as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Interest expenses		
Financial liabilities measured at amortized cost	15,220	13,447
Other	225	201
Other	580	939
Total	16,026	14,588

34. 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 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Remeasurements of defined benefit plans		
Amount arising during the year	6,461	**(6,228)**
Before tax effects	6,461	**(6,228)**
Tax effects	(1,951)	**1,957**
Remeasurements of defined benefit plans	4,510	**(4,270)**
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income		
Amount arising during the year	19,127	**(30,105)**
Before tax effects	19,127	**(30,105)**
Tax effects	(5,376)	**7,013**
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	13,751	**(23,091)**
Exchange differences on translation of foreign operations		
Amount arising during the year	(2,098)	**(4,445)**
Reclassification adjustments	–	**–**
Before tax effects	(2,098)	**(4,445)**
Tax effects	–	**–**
Exchange differences on translation of foreign operations	(2,098)	**(4,445)**
Effective portion of cash flow hedges		
Amount arising during the year	34	**4,638**
Reclassification adjustments	3,755	**(5,186)**
Before tax effects	3,790	**(547)**
Tax effects	(1,140)	**164**
Effective portion of cash flow hedges	2,649	**(383)**
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the year	2,589	**(11,948)**
Reclassification adjustments	(451)	**692**
Share of other comprehensive income of investments accounted for using equity method	2,137	**(11,255)**
Total other comprehensive income	20,950	**(43,446)**

35. Earnings per Share

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

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Basic earnings per share (yen)	169.34	**283.81**
Diluted earnings per share (yen)	169.34	**283.76**

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

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Profit used in calculation of basic earnings per share and diluted earnings per share		
Profit attributable to owners of the parent company (million yen)	97,635	**163,509**
Amount not attributable to common shareholders of the parent company (million yen)	–	**–**
Profit used in calculation of basic earnings per share (million yen)	97,635	**163,509**
Profit adjustments (million yen)	–	**–**
Profit used in calculation of diluted earnings per share (million yen)	97,635	**163,509**
Weighted average number of common shares used in calculation of basic earnings per share and diluted earnings per share		
Weighted average number of common shares used in calculation of basic earnings per share (thousand shares)	576,572	**576,117**
Impact of dilutive potential common shares (thousand shares)		
Share-based payments	–	**114**
Weighted average number of common shares used in calculation of diluted earnings per share (thousand shares)	576,572	**576,231**

Note: 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 current consolidated fiscal year is 378,000.

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36. Supplemental Information to the Consolidated Statement of Cash Flows

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

Fiscal 2017 (April 1, 2017 to March 31, 2018)

(million yen)

	Opening balance	Changes from financing cash flows	Non-cash changes		Closing balance
			Increase due to new leases	Other (Note)	
Short-term borrowings	110,752	4,556	–	2,391	117,700
Current portion of long-term borrowings	97,972	(98,061)	–	172,499	172,410
Current portion of bonds	49,997	(50,000)	–	14,998	14,996
Commercial papers	8,000	(1,999)	–	–	6,000
Bonds payable	74,826	20,000	–	(15,047)	79,778
Long-term borrowings	1,054,982	78,474	–	(178,485)	954,972
Lease obligations	28,990	(6,394)	22,426	349	45,371
Total	1,425,521	(53,425)	22,426	(3,293)	1,391,229

Note: Item "Other" in the 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 due within one year to current portion of bonds.

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(million yen)

Liabilities arising from financing activities	Opening balance	Changes from financing cash flows	Non-cash changes		Closing balance
			Increase due to new leases	Other (Note)	
Short-term borrowings	117,700	18,752	–	(852)	135,601
Current portion of long-term borrowings	172,410	(171,184)	–	102,145	103,371
Current portion of bonds	14,996	(15,000)	–	3	–
Commercial papers	6,000	77,000	–	–	83,000
Bonds payable	79,778	30,000	–	(72)	109,706
Long-term borrowings	954,972	184,196	–	(98,344)	1,040,824
Lease obligations	45,371	(8,317)	14,106	215	51,375
Total	1,391,229	115,447	14,106	3,096	1,523,879

Note: Item "Other" in the 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 due within one year to current portion of bonds.

37. 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:

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
ROE *1	–	5.4%	8.6%
D/E Ratio *2	55.9%	63.7%	68.2%
Debt / EBITDA multiple*4	–	3.5x	3.6x

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 obligations / 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
March 18, 2013	300,000	75%	225,000
June 30, 2016	200,000	25%	50,000
March 19, 2018	300,000	25%	75,000

The subordinated loan financed on March 18, 2013 was early repaid on March 19, 2018, and refinanced through a new subordinated loan originated on the same date.

4. *4 Debt / EBITDA multiple = Bonds payable, borrowings, and lease obligations / 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)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Loan commitments	901	2,355	1,170
Financial guarantee contracts	55,675	45,530	50,344

Financial Information

(iii) Movement of allowance for doubtful accounts

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)		
	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	70	946	2,196
Increase during the year	153	397	1,090
Decrease during the year (intended use)	(0)	(0)	(475)
Decrease during the year (reversal)	(9)	(414)	(1,177)
Other	0	(43)	4
Balance at the end of the year	214	886	1,637

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)		
	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	**214**	**886**	**1,637**
Increase during the year	**57**	**390**	**108**
Decrease during the year (intended use)	**(130)**	**(2)**	**(148)**
Decrease during the year (reversal)	**(45)**	**(438)**	**(538)**
Other	**(14)**	**58**	**29**
Balance at the end of the year	**81**	**894**	**1,089**

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)

	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Financial assets with allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses	33,438	36,521	**38,096**
Trade receivables, contract assets, and lease receivables	788,883	855,556	**847,344**
Credit-impaired financial assets	4,792	1,725	**1,111**

(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)

	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Not past due	773,058	842,436	**830,481**
Past due within 30 days	10,037	8,179	**10,442**
Past due between 30 days and 90 days	3,583	2,938	**4,194**
Past due over 90 days	2,204	2,002	**2,225**
Total	788,883	855,556	**847,344**

(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 receivables 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 is also maintaining sufficient liquidity by setting commitment lines with financial institutions.

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

Transition date (April 1, 2017)

(million yen)

	Carrying amount	Contractual cash flows	Within one year	Between one year and two years	Between two years and three years	Between three years and four years	Between four years and five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	524,727	524,727	524,727	–	–	–	–	–
Bonds payable and borrowings	1,396,531	1,467,063	279,153	198,755	64,353	87,686	120,909	716,205
Installment payables	21,000	21,120	6,549	6,534	4,018	1,509	1,506	1,002
Subtotal	1,942,258	2,012,911	810,430	205,289	68,372	89,195	122,416	717,207
Derivative financial liabilities	4,056	2,513	1,140	100	273	491	138	369
Total	1,946,315	2,015,424	811,570	205,390	68,645	89,687	122,554	717,576

As of March 31, 2018

(million yen)

	Carrying amount	Contractual cash flows	Within one year	Between one year and two years	Between two years and three years	Between three years and four years	Between four years and five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	560,381	560,381	560,381	–	–	–	–	–
Bonds payable and borrowings	1,345,858	1,395,453	323,793	111,351	86,821	120,080	250,232	503,174
Installment payables	14,500	14,571	6,534	4,018	1,509	1,506	1,002	–
Subtotal	1,920,740	1,970,406	890,709	115,369	88,331	121,587	251,234	503,174
Derivative financial liabilities	5,642	1,575	442	155	1,010	(3)	(3)	(26)
Total	1,926,382	1,971,981	891,151	115,525	89,341	121,584	251,231	503,147

As of March 31, 2019

(million yen)

	Carrying amount	Contractual cash flows	Within one year	Between one year and two years	Between two years and three years	Between three years and four years	Between four years and five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	584,939	584,939	584,939	–	–	–	–	–
Bonds payable and borrowings	1,472,503	1,540,838	336,214	137,135	141,858	277,747	90,319	557,562
Installment payables	8,000	8,036	4,018	1,509	1,506	1,002	–	–
Subtotal	2,065,443	2,133,814	925,172	138,644	143,364	278,750	90,319	557,562
Derivative financial liabilities	4,383	(1,492)	150	39	(338)	(343)	(535)	(465)
Total	2,069,826	2,132,322	925,323	138,684	143,026	278,406	89,783	557,097

(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 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Impact on profit before tax	U.S. dollar	(426)	**(465)**

(6) Interest rate risk

(i) Interest rate risk management

Borrowings and bonds payable 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 borrowings and bonds payable 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 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Impact on profit before tax	(7,475)	**(7,857)**

(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 each financial instrument (stock) with an active market held by the Group at the end of each fiscal year is as follows.

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	**Fiscal 2018 (April 1, 2018 – March 31, 2019)**
Impact on other comprehensive income (before tax)	(2,881)	**(2,546)**

(8) Carrying amounts and fair values of financial instruments

(million yen)

	Transition date (April 1, 2017)		As of March 31, 2018		**As of March 31, 2019**	
	Carrying amount	Fair value	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Long-term borrowings	1,054,982	1,058,896	954,972	960,749	**1,040,824**	**1,050,235**
Current portion of bonds	49,997	50,027	14,996	15,039	**–**	**–**
Bonds payable	74,826	75,739	79,778	80,766	**109,706**	**110,895**

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 bonds payable is based on market prices.

Long-term borrowings 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, 2018 and 2019.

Transition date (April 1, 2017)

(million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	25,683	–	25,683
Other	–	4,027	–	4,027
Equity instruments measured at fair value through other comprehensive income				
Equity securities	317,926	–	55,739	373,666
Investments	–	–	5,963	5,963
Total	317,926	29,711	61,703	409,341
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	4,056	–	4,056
Total	–	4,056	–	4,056

As of March 31, 2018

(million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	20,086	–	20,086
Other	–	4,030	–	4,030
Equity instruments measured at fair value through other comprehensive income				
Equity securities	288,188	–	61,196	349,385
Investments	–	–	6,238	6,238
Total	288,188	24,116	67,435	379,740
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	5,642	–	5,642
Total	–	5,642	–	5,642

As of March 31, 2019

(million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	21,325	–	21,325
Other	–	3,982	–	3,982
Equity instruments measured at fair value through other comprehensive income				
Equity securities	254,609	–	57,701	312,311
Investments	–	–	6,499	6,499
Total	254,609	25,308	64,201	344,119
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	4,383	–	4,383
Total	–	4,383	–	4,383

- **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, 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, 2018 and 2019 is as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Balance at the beginning of the year	61,703	67,435
Other comprehensive income (Note)	4,358	(2,637)
Acquisition	1,891	578
Sale	(321)	(235)
Other	(196)	(938)
Balance at the end of the year	67,435	64,201

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, borrowings and bonds payable. 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, 2018 and 2019.

(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, 2018 and 2019.

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

(million yen)

	Transition date (April 1, 2017)		As of March 31, 2018		**As of March 31, 2019**	
	Assets	Liabilities	Assets	Liabilities	**Assets**	**Liabilities**
Fair value hedges						
Interest rate swap transactions	2,651	–	2,005	–	**1,703**	**–**
Option contracts	9,522	–	6,342	–	**7,737**	**–**
Subtotal	12,174	–	8,348	–	**9,441**	**–**
Cash flow hedges						
Forward exchange transactions	1,933	690	1,591	672	**371**	**428**
Interest rate swap transactions	–	1,605	–	1,394	**–**	**2,035**
Cross-currency interest rate swap transactions	11,348	1,675	9,187	3,267	**11,009**	**1,850**
Commodity futures transactions	–	–	457	–	**–**	**–**
Commodity collar transactions	–	–	–	–	**–**	**3**
Subtotal	13,282	3,972	11,236	5,334	**11,381**	**4,317**
Total	25,457	3,972	19,584	5,334	**20,822**	**4,317**

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)

	Transition date (April 1, 2017)		As of March 31, 2018		**As of March 31, 2019**	
	Within one year	Over one year	Within one year	Over one year	**Within one year**	**Over one year**
Fair value hedges						
Interest rate swap transactions	–	58,000	8,000	50,000	**–**	**70,000**
Option contracts	–	27,265	–	27,265	**–**	**27,265**
Cash flow hedges						
Forward exchange transactions	101,897	15,882	105,157	8,098	**78,398**	**4,164**
Interest rate swap transactions	105,647	86,175	36,546	138,678	**1,000**	**136,728**
Cross-currency interest rate swap transactions	–	76,758	8,481	74,637	**8,376**	**99,521**
Commodity futures transactions	–	–	3,421	–	**–**	**–**
Commodity collar transactions	–	–	–	–	**946**	**–**

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

	Transition date (April 1, 2017)	As of March 31, 2018	**As of March 31, 2019**
Cash flow hedges			
Foreign exchange transactions			
U.S. dollar	111.12 yen	106.74 yen	**110.34 yen**
Euro	114.64 yen	120.47 yen	**126.64 yen**
Interest rate swap transactions			
Receive floating / pay fixed	0.40%	0.32%	**0.29%**
Cross-currency interest rate swap transactions			
U.S. dollar	100.48 yen	99.40 yen	**101.31 yen**
Receive floating / pay fixed	0.31%	0.31%	**0.29%**

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

Transition date (April 1, 2017)

(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 obligations	–	60,651	–	2,651
Option contracts	Other financial assets	17,226	–	(10,038)	–

As of March 31, 2018

(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 obligations	–	60,005	–	2,005
Option contracts	Other financial assets	20,724		(6,541)	–

As of March 31, 2019

(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 obligations	**–**	**71,703**	**–**	**1,703**
Option contracts	Other financial assets	**18,178**		**(9,087)**	**–**

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

Transition date (April 1, 2017)

(million yen)

	Amount of other components of equity (net of tax)
Foreign exchange transactions	766
Interest rate swap transactions	(1,123)
Cross-currency interest rate swap transactions	(1,371)
Total	(1,728)

Financial Information

Fiscal 2017 (April 1, 2017 to March 31, 2018)

(million yen)

	Amount of other components of equity (net of tax)	Hedging gains or losses recognized in other comprehensive income	Reclassification amount to cost of non-financial assets	Reclassification adjustments from other comprehensive income to profit	Major line item of the consolidated statement of profit or loss for reclassification adjustments
Foreign exchange transactions	924	1,840	(1,197)	(484)	Other expenses
Interest rate swap transactions	(975)	(364)	–	512	Finance costs
Cross-currency interest rate swap transactions	(577)	(1,807)	–	2,601	Finance costs
Commodity futures transactions	94	351	(257)	–	
Total	(533)	20	(1,454)	2,628	

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(million yen)

	Amount of other components of equity (net of tax)	Hedging gains or losses recognized in other comprehensive income	Reclassification amount to cost of non-financial assets	Reclassification adjustments from other comprehensive income to profit	Major line item of the consolidated statement of profit or loss for reclassification adjustments
Foreign exchange transactions	58	(305)	(743)	182	Other income
Interest rate swap transactions	(1,424)	(838)	–	389	Finance costs
Cross-currency interest rate swap transactions	(386)	4,394	–	(4,203)	Finance costs
Commodity futures transactions	–	–	(94)	–	
Commodity collar transactions	(2)	(2)	–	–	
Total	(1,755)	3,247	(838)	(3,630)	

(11) Transfer of financial assets

As of March 31, 2018 and March 31, 2019, trade receivables transferred without satisfying conditions for derecognition of financial assets of 5,042 million yen and 6,977 million yen were recognized in "Trade and other receivables," respectively, and the amounts received due to the transfer of 5,042 million yen and 6,977 million yen were recognized in "Bonds payable, borrowings, and lease obligations," 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.

38. Related Parties

Compensation for key management personnel is as follows:

(million yen)

	Fiscal 2017 (April 1, 2017 – March 31, 2018)	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Compensation and bonuses	1,763	1,744
Share-based payment	–	145
Post-employment benefits	88	3
Total	1,852	1,892

39. Commitments

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Acquisition of property, plant and equipment	159,700	191,087	251,365

40. Contingent Liabilities

(1) Guarantees of obligations

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Joint ventures	14,470	14,424	17,286
Associates	207	601	857
Other	21,279	18,936	20,595
Total	35,957	33,962	38,738

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

(million yen)

	Transition date (April 1, 2017)	As of March 31, 2018	As of March 31, 2019
Guarantee limit for associates	9,958	11,568	11,605

(2) Litigation, etc.

There is no applicable item.

41. First-time Adoption

Starting from the fiscal year ended March 31, 2019, the Group is disclosing IFRS-compliant consolidated financial statements. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are for the year ended March 31, 2018, and the date of transition to IFRS is April 1, 2017.

(1) Exemptions under IFRS 1

In principle, IFRS 1 requires companies applying IFRS for the first time to apply IFRS retrospectively, but some option exemptions are available.

Of the exemptions from retrospective application of IFRSs permitted by IFRS 1, the Group has elected the following:

(i) Business combinations

An entity may elect not to retrospectively apply IFRS 3 Business Combinations to business combinations that occurred before the date of transition to IFRS. The Group has elected not to apply IFRS 3 retrospectively. The amount of goodwill arising from business combinations before the transition date is based on the carrying amount under Japanese GAAP, and that goodwill has been tested for impairment as of the transition date regardless of whether any indication of impairment exists.

(ii) Deemed cost

An entity may measure property, plant and equipment and investment property at fair value at the date of transition to IFRS. The Group uses the fair value as of the transition date as the deemed cost under IFRS for certain property, plant and equipment and certain investment properties.

(iii) Exchange differences on translation of foreign operations

An entity may elect to reset cumulative exchange differences on translation of foreign operations to zero as of the transition date. The Group has reset its cumulative exchange differences on translation of foreign operations to zero as of the transition date, with the entire amount being transferred to retained earnings.

(iv) Leases

An entity may elect to determine whether any arrangement contains a lease based on the facts and circumstances existing at the transition date. The Group has made such determinations based on the facts and circumstances existing at the transition date.

(v) Borrowing costs

An entity may elect to start capitalization of borrowing costs relating to qualifying assets on the date of transition to IFRS. The Group has elected to start capitalization of borrowing costs relating to qualifying assets on the transition date.

(vi) Designation of financial instruments recognized before the transition date

An entity may elect to make designations in accordance with IFRS 9 Financial Instruments based on the facts and circumstances existing at the transition date. The Group has made such designations based on the facts and circumstances existing at the transition date.

(2) Reconciliations

The following reconciliations are required for first-time adoption of IFRS:
Items that do not affect retained earnings and comprehensive income are shown under "Reclassifications" and items that affect retained earnings or comprehensive income are shown under "Recognition and measurement differences."

Figures based on Japanese GAAP (J-GAAP) as of the date of transition to IFRS and for the previous fiscal year reflect the retroactive application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018).

Reconciliation of equity as of April 1, 2017 (transition date)

(million yen)

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Assets						Assets
Current assets						Current assets
Cash and deposits	69,936	(553)	825	70,209	(1)	Cash and cash equivalents
Notes and accounts receivable – trade	798,058	(91,762)	(21,000)	685,295	(2) (4) (6)	Trade and other receivables
		122,985	9,514	132,500	(4)	Contract assets
Merchandise and finished goods	313,368	459,562	(15,138)	757,793	(3) (16)	Inventories
Work in progress	50,834	(50,834)			(3)	
Raw materials and supplies	408,728	(408,728)			(3)	
		6,827	(30)	6,796		Income taxes receivable
		4,106	805	4,912	(1) (5) (6)	Other financial assets
Other	131,625	(43,021)	(19,732)	68,871	(2)	Other current assets
Allowance for doubtful accounts	(1,416)	1,416			(6)	
Total current assets	1,771,135	–	(44,755)	1,726,379		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	1,650,879	(63,001)	73,246	1,661,123	(7) (9) (14) (16)	Property, plant and equipment
		5,137	–	5,137		Goodwill
Intangible assets	78,368	(7,916)	(3,533)	66,918		Intangible assets
		63,001	(2,598)	60,403	(7) (9)	Investment property
Investments and other assets						
Investments securities	372,196	(372,196)				
Shares of subsidiaries and associates	349,864	(876)	(16,559)	332,428	(14)	Investments accounted for using equity method
Net defined benefit assets	13,067	–	(1,843)	11,224		Retirement benefit asset
		32,011	(4,337)	27,674	(12)	Deferred tax assets
		403,537	22,881	426,418	(5) (6) (15)	Other financial assets
Other	78,591	(62,650)	(4,417)	11,523		Other non-current assets
Allowance for doubtful accounts	(2,953)	2,953			(6)	
Non-current assets	2,540,014	–	62,838	2,602,853		Total non-current assets
Total assets	4,311,149	–	18,083	4,329,232		Total assets

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable – trade	446,645	53,597	24,484	524,727	(8)	Trade and other payables
Short-term loans payable	204,379	59,396	7,991	271,767		Bonds payable, borrowings, and lease obligations
Commercial papers	8,000	(8,000)				
Current portion of bonds	50,000	(50,000)				
		33,569	(103)	33,465	(4)	Contract liabilities
		15,346	809	16,155		Income taxes payable, etc.
		8,561	61	8,622		Provisions
		88,347	1,536	89,884	(5)	Other financial liabilities
Other	330,432	(200,818)	57,402	187,016	(4) (8) (10)	Other current liabilities
Total current liabilities	1,039,457	–	92,182	1,131,639		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	75,000	1,050,012	28,741	1,153,753		Bonds payable, borrowings, and lease obligations
Long-term borrowings	1,038,089	(1,038,089)				
Net defined benefit liabilities	123,745	–	244	123,989		Retirement benefit liability
		50,483	(13,945)	36,537	(11)	Provisions
		18,941	(8,662)	10,279	(14)	Deferred tax liabilities
Deferred tax liabilities for land revaluation	9,118	(9,118)				
		25,177	2,410	27,588	(5)	Other financial liabilities
Other	100,581	(97,407)	6,023	9,197	(10)	Other non-current liabilities
Total non-current liabilities	1,346,534	–	14,812	1,361,346		Total non-current liabilities
Total liabilities	2,385,991	–	106,994	2,492,986		Total liabilities
Net assets						Equity
Share capital	147,143	–	–	147,143		Share capital
Capital surplus	646,582	–	–	646,582		Capital surplus
Retained earnings	1,129,981	–	(79,346)	1,050,635	(13) (17)	Retained earnings
Treasury shares	(178,853)	–	–	(178,853)		Treasury shares
Accumulated other comprehensive income	124,330	–	(8,388)	115,941	(13) (14) (15)	Other components of equity
				1,781,449		Total equity attributable to owners of parent
Non-controlling interests	55,972	–	(1,176)	54,796		Non-controlling interests
Total net assets	1,925,157	–	(88,911)	1,836,245		Total equity
Total liabilities and net assets	4,311,149	–	18,083	4,329,232		Total liabilities and equity

Reconciliation of equity as of March 31, 2018 (previous fiscal year)

(million yen)

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Assets						Assets
Current assets						Current assets
Cash and deposits	76,111	(886)	(107)	75,117	(1)	Cash and cash equivalents
Notes and accounts receivable – trade	855,730	(78,251)	(19,449)	758,029	(2) (4) (6)	Trade and other receivables
		110,491	16,443	126,935	(4)	Contract assets
Merchandise and finished goods	351,961	498,378	(13,474)	836,865	(3) (16)	Inventories
Work in progress	60,292	(60,292)			(3)	
Raw materials and supplies	438,086	(438,086)			(3)	
		1,127	639	1,766		Income taxes receivable
		4,976	2,181	7,157	(1) (5) (6)	Other financial assets
Other	148,125	(39,644)	(30,795)	77,684	(2)	Other current assets
Allowance for doubtful accounts	(2,188)	2,188			(6)	
Total current assets	1,928,119	–	(44,562)	1,883,556		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	1,702,248	(62,280)	92,187	1,732,154	(7) (9) (14) (16)	Property, plant and equipment
		3,157	1,316	4,473		Goodwill
Intangible assets	83,724	(6,232)	(4,328)	73,163		Intangible assets
		62,280	(2,598)	59,682	(7) (9)	Investment property
Investments and other assets						
Investments securities	325,413	(325,413)				
Shares of subsidiaries and associates	312,880	(1,662)	(21,994)	289,223	(14)	Investments accounted for using equity method
Net defined benefit assets	18,082	–	(1,622)	16,459		Retirement benefit asset
		29,296	(4,828)	24,467	(12)	Deferred tax assets
		354,102	39,566	393,668	(5) (6) (15)	Other financial assets
Other	72,134	(54,939)	(6,872)	10,322		Other non-current assets
Allowance for doubtful accounts	(1,691)	1,691			(6)	
Non-current assets	2,512,791	–	90,825	2,603,616		Total non-current assets
Total assets	4,440,910	–	46,262	4,487,173		Total assets

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable – trade	471,897	55,938	32,546	560,381	(8)	Trade and other payables
Short-term loans payable	285,542	22,421	9,530	317,494		Bonds payable, borrowings, and lease obligations
Commercial papers	6,000	(6,000)				
Current portion of bonds	15,000	(15,000)				
		52,547	1,040	53,588	(4)	Contract liabilities
		44,051	(450)	43,601		Income taxes payable, etc.
		8,148	446	8,594		Provisions
		90,713	1,898	92,612	(5)	Other financial liabilities
Other	411,846	(252,820)	54,850	213,876	(4) (8) (10)	Other current liabilities
Total current liabilities	1,190,286	–	99,862	1,290,149		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	80,000	956,474	37,259	1,073,734		Bonds payable, borrowings, and lease obligations
Long-term borrowings	944,376	(944,376)				
Net defined benefit liabilities	127,435	–	905	128,341		Retirement benefit liability
		41,394	(5,479)	35,914	(11)	Provisions
		13,624	(8,461)	5,162	(14)	Deferred tax liabilities
Deferred tax liabilities for land revaluation	9,113	(9,113)				
		18,451	3,658	22,109	(5)	Other financial liabilities
Other	79,786	(76,454)	6,363	9,696	(10)	Other non-current liabilities
Total non-current liabilities	1,240,712	–	34,246	1,274,959		Total non-current liabilities
Total liabilities	2,430,999	–	134,109	2,565,108		Total liabilities
Net assets						Equity
Share capital	147,143	–	–	147,143		Share capital
Capital surplus	646,639	–	(4)	646,634		Capital surplus
Retained earnings	1,211,796	–	(73,704)	1,138,091	(13) (17)	Retained earnings
Treasury shares	(179,070)	–	–	(179,070)		Treasury shares
Accumulated other comprehensive income	123,065	–	(13,157)	109,907	(13) (14) (15)	Other components of equity
				1,862,707		Total equity attributable to owners of parent
Non-controlling interests	60,337	–	(980)	59,357		Non-controlling interests
Total net assets	2,009,911	–	(87,846)	1,922,065		Total equity
Total liabilities and net assets	4,440,910	–	46,262	4,487,173		Total liabilities and equity

Notes to reconciliation of equity

Reclassifications

Reclassifications consist mainly of the following:

(1) Cash and cash equivalents

Time deposits with a term of more than three months, which were included in “Cash and deposits” under Japanese GAAP, are included in “Other financial assets (current)” under IFRS.

(2) Trade and other receivables

Accounts receivable included in “Other” in current assets under Japanese GAAP are included in “Trade and other receivables” under IFRS.

(3) Inventories

“Merchandise and finished goods,” “Work in progress,” and “Raw materials and supplies” were presented as separate items under Japanese GAAP; under IFRS, they are presented in “Inventories.”

(4) Contract assets and contract liabilities

Some receivables included in “Notes and accounts receivables - trade” under Japanese GAAP are reclassified to “Contract assets” under IFRS; and advances received included in “Other” in current liabilities under Japanese GAAP are reclassified to “Contract liabilities” under IFRS.

(5) Other financial assets and other financial liabilities

In accord with IFRS presentation requirements, “Other financial assets” and “Other financial liabilities” are presented as separate items.

(6) Allowance for doubtful accounts

“Allowance for doubtful accounts (current)” was presented as a separate item under Japanese GAAP; under IFRS, it is deducted directly from “Trade and other receivables” and “Other financial assets (current)” and thus presented on a net basis. Similarly, “Allowance for doubtful accounts (non-current)” is deducted directly from “Other financial assets (non-current)” and thus presented on a net basis.

(7) Investment property

In accord with IFRS presentation rules, “Investment property” has been reclassified from “Property, plant and equipment.”

(8) Trade and other payables

Accounts payable included in “Other” in current liabilities under Japanese GAAP are included in “Trade and other payables” under IFRS.

Recognition and measurement differences

Recognition and measurement differences consist mainly of the following:

(9) Deemed cost

The Group has elected to use the exemption that permits it to measure some property, plant and equipment and some investment property at fair value at the date of transition to IFRS. “Property, plant and equipment” and “Investment property” decreased as a result.

The fair value at the transition date and the Japanese-GAAP carrying amounts for property, plant and equipment and investment property for which deemed cost is used are, respectively, 42,047 million yen and 83,425 million yen. Fair value is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification, and is classified as Level 3.

(10) Paid leave payable, etc.

Paid leave payable was not recognized as a liability under Japanese GAAP; under IFRS, it is recognized as a liability and “Other current liabilities” has therefore increased. Rewards and the like granted based on years of service were not recognized as a liability under Japanese GAAP; under IFRS, they are recognized as a liability and “Other non-current liabilities” has therefore increased.

(11) Provisions

Under Japanese GAAP, future expenses that met certain requirements were recognized as provisions; some of these provisions have been derecognized because they did not meet the IFRS requirements for provisions. Also, some future expenses that were not recognized as provisions under Japanese GAAP meet the IFRS requirements for provisions and are therefore now recognized as provisions. All told, these changes have caused “Provisions” to decrease.

(12) Deferred tax assets and deferred tax liabilities

Under Japanese GAAP, the deferred method was applied to the tax effects of eliminations of internal unrealized gains; under IFRS, the asset-liability method is applied. Also, in conjunction with its adoption of IFRS, the Company has reevaluated the recoverability of deferred tax assets. As a result of the above, “Deferred tax assets” has decreased.

(13) Other components of equity

The Group has elected to use the exemption for first-time adopters specified in IFRS 1 that permits it to transfer the cumulative exchange differences on translation of foreign operations as of the date of transition to IFRS to retained earnings. Also, under Japanese GAAP, actuarial differences arising from defined benefit plans are amortized over a fixed period starting from the year following that in which they occurred; under IFRS, they are recognized in other comprehensive income when they occur and immediately transferred to retained earnings.

(14) Revaluation reserve for land

Under Japanese GAAP, some land for business purposes was revaluated based on the Act on Revaluation of Land (Act No. 34 of March 31, 1998) and the Act for the Partial Revision of the Act on Revaluation of Land (Act No. 19 of March 31, 2001), with the amount equivalent to the tax on the valuation difference recognized in “Deferred tax liabilities for revaluation” in liabilities, and the “Land revaluation difference” recognized as a component of net assets. On the date of transition to IFRS, “Deferred tax liabilities for revaluation” and “Land revaluation difference” were reversed and the book value of the land reverted to its book value before revaluation. As a result, “Property, plant and equipment,” “Investments accounted for using equity method,” “Deferred tax liabilities,” and “Other components of equity” decreased.

(15) Unlisted equity securities and investments

Under Japanese GAAP, unlisted equity securities and investments were valued using the moving-average cost method; under IFRS, they are measured at fair value, and thus “Other financial assets (non-current)” and “Other components of equity” have increased.

(16) Replacement parts, spare equipment, and maintenance equipment

Some replacement parts, spare equipment, and maintenance equipment included in “Supplies” under Japanese GAAP meet the definition of property, plant and equipment under IFRS and are therefore recognized in “Property, plant and equipment.” As a result, “Production supplies” has decreased and “Property, plant and equipment” has increased.

(17) Retained earnings

(million yen)

	Transition date April 1, 2017	Previous fiscal year March 31, 2018
Deemed cost	(40,866)	(40,866)
Reconciliation of paid leave payable, etc.	(21,002)	(22,716)
Reconciliation of provisions	14,858	7,488
Reconciliation of deferred tax assets and deferred tax liabilities	(13,450)	(11,396)
Reconciliation of other components of equity	(8,558)	4,526
Other	(10,326)	(10,739)
Total reconciliations to retained earnings	(79,346)	(73,704)

Note: The reconciliation amounts for each item reflect tax effects.

Reconciliation of profit/loss and comprehensive income for the previous fiscal year (April 1, 2017 – March 31, 2018)

Consolidated statement of profit or loss items

(million yen)

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Net sales	3,678,612	(337)	(51,025)	3,627,248	(3)	Revenue
Cost of sales	(3,096,019)	230	41,400	(3,054,388)	(3)	Cost of sales
Gross profit	582,592	(107)	(9,624)	572,860		Gross profit
Selling, general and administrative expenses	(335,923)	(756)	(269)	(336,949)		Selling, general and administrative expenses
		(8,732)	(1,441)	(10,173)	(1)	Share of loss of entities accounted for using the equity method
		30,811	(191)	30,619	(1)	Other income
		(38,455)	476	(37,979)	(1)	Other expenses
				218,378		Business profit
		(28,496)	43	(28,453)	(1)	Impairment losses
		–	(18,717)	(18,717)	(4)	Loss on remeasurement of retained interest
		(3,850)	–	(3,850)	(1)	Expenses for treatment of PCB waste
Operating income	246,669	(49,586)	(29,725)	167,357		Operating profit
Non-operating income	32,303	(32,303)			(1)	
Non-operating expenses	(62,633)	62,633			(1)	
Ordinary income	216,339					
Extraordinary income	29,388	(29,388)			(1)	
Extraordinary losses	(32,346)	32,346			(1)	
		30,880	(29,334)	1,546	(1) (5)	Finance income
		(15,338)	(687)	(16,026)	(1)	Finance costs
Profit before income taxes	213,381	(756)	(59,747)	152,877		Profit before tax
Income taxes - current	(60,616)	(2,021)	12,913	(49,723)	(2) (6)	Income tax expense
Income taxes - deferred	(2,777)	2,777			(2)	
Profit	149,987	–	(46,834)	103,153		Profit
						Profit attributable to
Profit attributable to owners of parent	144,638	–	(47,003)	97,635		Owners of parent
Profit attributable to non-controlling interests	5,349	–	169	5,518		Non-controlling interests

Consolidated statement of comprehensive income items

(million yen)

J-GAAP item	J-GAAP	Reclassifications	Recognition and measurement differences	IFRS	Notes	IFRS item
Profit	149,987	–	(46,834)	103,153		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans, net of tax	5,657	–	(1,146)	4,510		Remeasurements of defined benefit plans
Valuation difference on available-for-sale securities	(21,736)	–	35,487	13,751	(5)	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
		1,380	(778)	602		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	234	–	(2,332)	(2,098)		Exchange differences on translation of foreign operations
Deferred gains (losses) on hedges	(286)	–	2,935	2,649		Effective portion of cash flow hedges
Share of other comprehensive income of investments accounted for using the equity method	15,745	(1,380)	(12,829)	1,535		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	(385)	–	21,336	20,950		Total other comprehensive income
Comprehensive income	149,602	–	(25,498)	124,104		Comprehensive income

Notes to reconciliation of profit/loss and comprehensive income

Reclassifications

Reclassifications consist mainly of the following:

(1) Reconciliation of display items

Of those items presented in "Non-operating income," "Non-operating expenses," and "Extraordinary income" under Japanese GAAP, finance-related gains and losses are recognized in "Finance income" and "Finance costs" under IFRS, and other items are presented in "Other income," "Other expenses," and "Share of loss of entities accounted for using the equity method." Items presented in "Extraordinary loss" under Japanese GAAP are presented in "Impairment losses" and "Expenses for treatment of PCB waste" under IFRS.

(2) Income tax expense

Under Japanese GAAP, "Income taxes - current" and "Income taxes - deferred" were presented as separate items; under IFRS, they are presented collectively in "Income tax expense."

Recognition and measurement differences

Recognition and measurement differences consist mainly of the following:

(3) Revenue and cost of sales

Under Japanese GAAP, the total amount of transactions in which the Group is involved as an agent is presented as sales; under IFRS, revenue is presented on a net basis for transactions in which the Group is determined to be involved as an agent. As a result, "Revenue" and "Cost of sales" have decreased. In adopting IFRS, the Group also reviewed the scope of application of the equity method. Some companies to which the equity method was applied under Japanese GAAP are now recognized as joint operations, resulting in an increase in "Revenue" and "Cost of sales."

(4) Loss on remeasurement of remaining interest

Under Japanese GAAP, remaining interests in investments for which application of the equity method was discontinued were accounted for by recognizing the difference between the carrying amount and the carrying amount on the separate balance as a decrease in retained earnings. Under IFRS, such residual interests are measured at fair value, and the difference versus the carrying amount is recognized in profit or loss.

Financial Information

(5) Finance income

Under Japanese GAAP, gains and losses on sales of equity financial assets were recognized in net profit and loss. Under IFRS, changes in fair value are recognized in other comprehensive income, resulting in a decrease in "Finance income."

(6) Income tax expense

The amount of "Income tax expense" has been adjusted owing to temporary differences arising from the transition from Japanese GAAP to IFRS. This resulted in a decrease in "Income tax expense."

Reconciliation of cash flows for the previous fiscal year (April 1, 2017 – March 31, 2018)

The differences between the consolidated cash flow statements disclosed under Japanese GAAP and the consolidated cash flow statements disclosed under IFRS are mainly attributable to some replacement parts, spare equipment, and maintenance equipment included in "Supplies" under Japanese GAAP being recognized in "Property, plant and equipment" under IFRS because they meet the definition of property, plant and equipment under IFRS. As a result, cash flows from operating activities increased and cash flows from investing activities decreased.

42. Subsequent Events

On May 27, 2019, the Company issued unsecured bonds (with inter-bond pari passu clause) under the following terms and conditions:

1. Name of bonds	JFE Holdings, Inc. The 27th Unsecured Bond (with inter-bond pari passu clause)	JFE Holdings, Inc. The 28th Unsecured Bond (with inter-bond pari passu clause)	JFE Holdings, Inc. The 29th Unsecured Bond (with inter-bond pari passu clause)
2. Issue amount	30 billion yen	10 billion yen	20 billion yen
3. Coupon rate	0.170%	0.260%	0.365%
4. Issue price	100% of the principal amount		
5. Maturity date	May 27, 2024	May 27, 2026	May 25, 2029
6. Closing date	May 27, 2019		
7. Redemption	The Bonds will be redeemed in full upon maturity; provided, however, that the Bonds may also be repurchased and redeemed at any time on or after the following day of the issue date.		
8. Collateral or guarantee	Unsecured and not guaranteed		
9. Use of proceeds	Appropriated to the working capital of JFE Steel Corporation, a wholly owned subsidiary of the Company.		

(2) Other

(Significant lawsuits, etc.)

There is no applicable item.

(Quarterly information for the fiscal year ended March 31, 2019)

(Cumulative period))	Three months ended June 30, 2018	Six months ended September 30, 2018	Nine months ended December 31, 2018	**Fiscal year ended March 31, 2019**
Net sales (million yen)	936,336	1,907,261	2,939,182	**3,961,762**
Profit before income taxes (million yen)	79,557	143,500	195,457	**209,927**
Profit attributable to owners of parent (million yen)	61,430	110,485	151,060	**164,218**
Earnings per share (yen)	106.56	191.70	262.17	**285.04**

(Accounting period)	First quarter(From April 1, 2018 to June 30, 2018)	Second quarter(From July 1, 2018 to September 30, 2018)	Third quarter(From October 1, 2018 to December 31, 2018)	**Fourth quarter(From January 1, 2019 to March 31, 2019)**
Profit per share (yen)	106.56	85.14	70.46	**22.85**

Notes: 1. Quarterly information for the fiscal year ended March 31, 2019 has been prepared under Japanese GAAP.
2. An audit or review pursuant to Paragraph 1, Article 193-2 of the Financial Instruments and Exchange Act has not been conducted for the information for the fiscal year ended March 31, 2019 and the fourth quarter accounting period.
3. The Company has instituted share-based payment plans since the second quarter accounting period. The Company shares held in trust accounts are included in treasury shares, which are excluded from the calculation of the average number of shares during the period, when computing profit per share for the fiscal year and each quarter accounting period.

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Independent Auditor's Report

The Board of Directors
JFE Holdings, Inc.

We have audited the accompanying consolidated financial statements of JFE Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JFE Holdings, Inc. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 21, 2019

Ernst & Young Shinnihon LLC