Financial Information

Note: Fiscal Year (FY) 2019 in the following pages refers to the period beginning April 1, 2019 and ended March 31, 2020

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, 2020 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	As of March 31, 2019	**As of March 31, 2020**
Assets			
Current assets			
Cash and cash equivalents	7, 21	82,288	**86,704**
Trade and other receivables	8, 21, 37	754,679	**678,098**
Contract assets	27	124,039	**142,075**
Inventories	9	917,812	**872,602**
Income taxes receivable		19,076	**20,946**
Other financial assets	10, 37	4,471	**6,307**
Other current assets	11	86,290	**108,410**
Total current assets		1,988,658	**1,915,146**
Non-current assets			
Property, plant and equipment	12, 21	1,835,229	**1,717,751**
Goodwill	13	4,445	**6,497**
Intangible assets	13	82,567	**88,802**
Right-of-use asset	14, 21	–	**102,322**
Investment property	15	59,425	**58,158**
Investments accounted for using equity method	6, 18, 21	315,064	**336,040**
Retirement benefit asset	24	16,380	**15,520**
Deferred tax assets	19	36,609	**94,930**
Other financial assets	10, 21, 37	360,133	**296,004**
Other non-current assets	11, 21	10,686	**14,946**
Total non-current assets		2,720,543	**2,730,974**
Total assets	6	4,709,201	**4,646,120**

Financial Information

(million yen)

	Notes	As of March 31, 2019	**As of March 31, 2020**
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	20, 21, 37	584,939	557,252
Bonds payable, borrowings, and lease liabilities	21, 36, 37	329,400	376,473
Contract liabilities	27	59,060	44,813
Income taxes payable, etc.		16,399	13,249
Provisions	23	14,336	12,507
Other financial liabilities	22, 37	99,097	89,465
Other current liabilities	11	222,705	210,543
Total current liabilities		1,325,938	1,304,306
Non-current liabilities			
Bonds payable, borrowings, and lease liabilities	21, 36, 37	1,194,478	1,437,835
Retirement benefit liability	24	133,999	143,316
Provisions	23	30,438	25,740
Deferred tax liabilities	19	3,550	3,723
Other financial liabilities	22, 37	17,140	16,246
Other non-current liabilities	11	11,895	8,398
Total non-current liabilities		1,391,503	1,635,261
Total liabilities		2,717,442	2,939,568
Equity			
Share capital	25	147,143	147,143
Capital surplus	25	646,793	652,430
Retained earnings	25	1,241,420	1,002,076
Treasury shares	25	(180,670)	(180,637)
Other components of equity		71,650	6,012
Equity attributable to owners of parent		1,926,337	1,627,026
Non-controlling interests		65,422	79,526
Total equity		1,991,759	1,706,552
Total liabilities and equity		4,709,201	4,646,120

Consolidated statement of profit or loss

(million yen)

	Notes	Fiscal 2018 (April 1, 2018 – March 31, 2019)	**Fiscal 2019 (April 1, 2019 – March 31, 2020)**
Revenue	27	3,873,662	3,729,717
Cost of sales	12, 13, 29	(3,328,475)	(3,334,103)
Gross profit		545,186	395,614
Selling, general and administrative expenses	12, 13, 28, 29, 30	(357,323)	(356,992)
Share of profit of entities accounted for using equity method	6, 18	42,685	8,782
Other income	31	30,877	30,818
Other expenses	32	(29,355)	(40,323)
Business profit		232,070	37,899
Impairment losses	6, 16	(10,252)	(238,826)
Operating profit (loss)		221,818	(200,927)
Finance income	6, 33	2,083	2,727
Finance costs	6, 33	(14,588)	(15,273)
Profit (loss) before tax		209,313	(213,473)
Income tax expense	19	(39,488)	20,183
Profit (loss)		169,825	(193,290)
Profit (loss) attributable to			
Owners of parent		163,509	(197,744)
Non-controlling interests		6,315	4,454
Profit (loss)		169,825	(193,290)
Earnings per share			
Basic earnings (losses) per share (yen)	35	283.81	(343.39)
Diluted earnings (losses) per share (yen)	35	283.76	(343.39)

Consolidated statement of comprehensive income

(million yen)

	Notes	Fiscal 2018 (April 1, 2018 – March 31, 2019)	**Fiscal 2019 (April 1, 2019 – March 31, 2020)**
Profit (loss)		169,825	**(193,290)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	24, 34	(4,270)	**(4,975)**
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	34, 37	(23,091)	**(49,143)**
Share of other comprehensive income of investments accounted for using equity method	18, 34	(430)	**3,148**
Total of items that will not be reclassified to profit or loss		(27,793)	**(50,971)**
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	34	(4,445)	**(3,080)**
Effective portion of cash flow hedges	34	(383)	**(44)**
Share of other comprehensive income of investments accounted for using equity method	18, 34	(10,824)	**(11,786)**
Total of items that may be reclassified to profit or loss		(15,653)	**(14,911)**
Total other comprehensive income		(43,446)	**(65,882)**
Comprehensive income		126,378	**(259,172)**
Comprehensive income attributable to			
Owners of parent		120,693	**(263,243)**
Non-controlling interests		5,685	**4,070**
Comprehensive income		126,378	**(259,172)**

Consolidated statement of changes in equity

(million yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Balance as of April 1, 2018		147,143	646,634	1,138,091	(179,070)	–	113,073
Profit (loss)		–	–	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	–	–
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 (loss)		–	–	–	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
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

(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, 2019		147,143	646,793	1,241,420	(180,670)	–	90,730
Cumulative effects of changes in accounting policies		–	–	(1,302)	–	–	–
Retroactively adjusted balance		147,143	646,793	1,240,117	(180,670)	–	90,730
Profit (loss)		–	–	(197,744)	–	–	–
Other comprehensive income		–	–	–	–	(4,765)	(46,129)
Comprehensive income		–	–	(197,744)	–	(4,765)	(46,129)
Purchase of treasury shares		–	–	–	(73)	–	–
Disposal of treasury shares		–	(12)	–	17	–	–
Dividends	26	–	–	(40,363)	–	–	–
Share-based payment transactions	30	–	(34)	–	88	–	–
Changes in ownership interest in subsidiaries		–	5,684	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	67	–	4,765	(4,832)
Transfer to non-financial assets	37	–	–	–	–	–	–
Other		–	–	–	–	–	–
Total transactions with owners		–	5,637	(40,296)	33	4,765	(4,832)
Balance as of March 31, 2020		147,143	652,430	1,002,076	(180,637)	–	39,768

	Notes	Equity attributable to owners of parent					
		Other components of equity					
		Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total	Total	Non-controlling interests	Total equity
Balance as of April 1, 2019		(16,547)	(2,532)	71,650	1,926,337	65,422	1,991,759
Cumulative effects of changes in accounting policies		–	–	–	(1,302)	–	(1,302)
Retroactively adjusted balance		(16,547)	(2,532)	71,650	1,925,034	65,422	1,990,456
Profit (loss)		–	–	–	(197,744)	4,454	(193,290)
Other comprehensive income		(15,393)	790	(65,498)	(65,498)	(384)	(65,882)
Comprehensive income		(15,393)	790	(65,498)	(263,243)	4,070	(259,172)
Purchase of treasury shares		–	–	–	(73)	–	(73)
Disposal of treasury shares		–	–	–	5	–	5
Dividends	26	–	–	–	(40,363)	(2,559)	(42,922)
Share-based payment transactions	30	–	–	–	54	–	54
Changes in ownership interest in subsidiaries		–	–	–	5,684	12,287	17,971
Transfer from other components of equity to retained earnings		–	–	(67)	–	–	–
Transfer to non-financial assets	37	–	(71)	(71)	(71)	–	(71)
Other		–	–	–	–	306	306
Total transactions with owners		–	(71)	(138)	(34,764)	10,034	(24,730)
Balance as of March 31, 2020		(31,941)	(1,813)	6,012	1,627,026	79,526	1,706,552

Consolidated statement of cash flow

(million yen)

	Notes	Fiscal 2018 (April 1, 2018 – March 31, 2019)	**Fiscal 2019 (April 1, 2019 – March 31, 2020)**
Cash flows from operating activities			
Profit (loss) before tax		209,313	(213,473)
Depreciation and amortization		196,243	231,577
Changes in allowance		(23)	(6,601)
Interest and dividend income		(10,627)	(12,205)
Interest expenses		13,648	14,486
Decrease (increase) in trade and other receivables		2,533	86,357
Decrease (increase) in inventories		(82,525)	42,559
Increase (decrease) in trade and other payables		19,691	(52,338)
Other	36	(669)	184,494
Subtotal		347,585	274,856
Interest and dividends received		19,014	24,192
Interest paid		(12,606)	(13,241)
Income taxes paid		(85,741)	(24,736)
Cash flows from operating activities		268,251	261,070
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets, and investment property		(312,578)	(352,842)
Proceeds from sale of property, plant and equipment, intangible assets, and investment property		488	3,357
Purchase of investments		(8,394)	(35,299)
Proceeds from sale of investments		6,889	23,530
Other		243	2,875
Cash flows from investing activities		(313,351)	(358,378)

(million yen)

	Notes	Fiscal 2018 (April 1, 2018 – March 31, 2019)	**Fiscal 2019 (April 1, 2019 – March 31, 2020)**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	36	18,752	(11,500)
Increase (decrease) in commercial papers	36	77,000	5,999
Proceeds from long-term borrowings	36	213,499	183,529
Repayments of long-term borrowings	36	(200,487)	(104,825)
Proceeds from issuance of bonds	36	30,000	120,000
Redemption of bonds	36	(15,000)	–
Payments for purchase of treasury shares		(1,627)	(73)
Dividends paid to owners of parent	26	(54,640)	(40,363)
Other	36	(15,614)	(48,865)
Cash flows from financing activities		51,882	103,900
Effect of exchange rate change on cash and cash equivalents		388	(2,176)
Net increase (decrease) in cash and cash equivalents		7,170	4,416
Cash and cash equivalents at beginning of period		75,117	82,288
Cash and cash equivalents at end of period	7	82,288	86,704

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, 2020, 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

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

The Group's consolidated financial statements for the fiscal year ended March 31, 2020 were authorized for issue on June 19, 2020 by the Board of Directors.

(2) Basis of measurement

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

(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. Moreover, the Group assesses at the inception of the hedging relationship, and on an ongoing basis, whether a hedging relationship meets the hedge effectiveness requirements.

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

a. Fair value hedges

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

b. Cash flow hedges

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

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 are carried at their cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment other than land and construction in progress are mainly depreciated using the straight-line method. The estimated useful lives of major asset items are as 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

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

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

(i) Leases as a lessee

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

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

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

(ii) Leases as a lessor

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

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

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

(10) Investment property

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

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

With respect to sales of steel products, etc. in the trading business, revenues are mainly recognized at the point of delivery 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 determined at the tax rate estimated for the period when the asset is realized or the liability is settled, based on the tax rate and tax law that are enacted or substantively enacted at the end of the reporting period.

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

- Temporary differences arising from initial recognition of goodwill
- Temporary differences resulting from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting income or taxable income at the time of the transaction
- 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 income will be available against which the deductible temporary difference, etc., can be utilized, except when the deductible temporary difference, etc., results from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect accounting income or taxable income at the time of the transaction.

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

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

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

The Company has applied consolidated tax reporting.

(20) Equity

(i) Share capital and capital surplus

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

(ii) Treasury shares

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

(21) Earnings per share

Basic earnings per share are calculated by dividing 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.

Changes in Accounting Policies

Effective from the fiscal year ended March 31, 2020, the Group has adopted IFRS 16 Leases (issued January 2016).

In applying IFRS 16, the Group uses the transition method described in paragraph C5(b) of IFRS 16 and thus recognizes the cumulative effects of initially applying the standard at the date of initial application (April 1, 2019). The Group has not restated comparative information for the consolidated financial statements under review.

In applying IFRS 16, the Group selected the practical expedient detailed in paragraph C3 of IFRS 16 for the purpose of assessing whether a contract is, or contains, a lease and thus continues to use the assessments previously made under IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. For such assessments made on or after the date of initial application, the Group applies the provisions of IFRS 16.

The adoption of IFRS 16 resulted in a 104,408-million-yen increase in total assets, a 105,711-million-yen increase in total liabilities and a 1,302-million-yen decrease in retained earnings as of the beginning of the fiscal year ended March 31, 2020.

The weighted average of the lessee's incremental borrowing rate applied to lease liabilities at the date of initial application (April 1, 2019) is 0.6%.

The following shows the adjustments between total future minimum lease payments under non-cancellable operating lease agreements as of the end of the fiscal year ended March 31, 2019 disclosed in accordance with IAS 17 and lease liabilities recognized on the consolidated statement of financial position at the date of initial application.

(million yen)

Future minimum lease payments under non-cancellable operating lease agreements as of March 31, 2019 (after discount at the incremental borrowing rate)	32,974
Finance lease liabilities recognized as of March 31, 2019	51,375
Operating lease agreements, etc. that are not non-cancellable, recognized as of the date of initial application	72,738
Lease liabilities recognized on the consolidated statement of financial position as of the date of initial application	157,087

The Group uses the following practical expedients in applying IFRS 16.

- The Group adopts a single discount rate for portfolios of leases that have reasonably similar characteristics
- The Group excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application
- The Group uses hindsight when, for example, calculating the lease term for contracts that include an extension or cancellation option

With the adoption of IFRS 16, the Group has renamed "Bonds payable, borrowings, and lease obligations" on the consolidated statement of financial position for the previous fiscal year as "Bonds payable, borrowings, and lease liabilities."

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.

Additionally, due to an economic slowdown caused by COVID-19, a significant decline in demand for steel materials was anticipated in Japan and overseas at the end of the fiscal year ended March 31, 2020. Accordingly, for the fiscal year ended March 31, 2020, accounting estimates were made on the assumption that such effect will continue for approximately six months.

Significant accounting estimates for the fiscal year ended March 31, 2020 are as follows:

- Impairment of non-financial assets

  Recoverable amounts based on use values of Chiba and Keihin under the East Japan Works of JFE Steel Corporation, a consolidated subsidiary of the Company engaged in the steel business
- Recoverability of deferred tax assets

  Future taxable income plan of the Company and its subsidiaries subject to consolidated tax reporting

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

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

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

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

  Inventories are measured at cost. However, if net realizable value is lower than cost at the end of the reporting period, inventories are measured at the net realizable value and the difference between cost is recognized in cost of sales in principle. Further, for idle inventories outside the operating cycle, net realizable value and other items are determined by reflecting future demand and market trends. A significant decline in net realizable value due to worse-than-forecast market environment may cause losses.
- Impairment of non-financial assets (Note "3. Significant Accounting Policies" and Note "16. Impairment of Non-financial Assets")

  The Group tests property, plant and equipment, goodwill, and intangible assets for impairment in accordance with Note "3. Significant Accounting Policies." In determining recoverable amounts in impairment tests, assumptions are made for future cash flows, discount rates, and other items. Although these assumptions are determined based on the management's best estimates and judgments, they may be affected by uncertain changes in economic conditions in the future and other factors. If a revision is necessary, it may have a significant effect on the consolidated financial statements.
- Recoverability of deferred tax assets (Note "3. Significant Accounting Policies" and Note "19. Income Taxes")

  Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized. In judging the probability of taxable income, the timing and amount of taxable income are estimated based on the business plan. Although such estimates are made based on the management's best estimates, they may differ from actual results due to uncertain changes in economic conditions in the future and other factors.
- Valuation and accounting for provisions (Note "3. Significant Accounting Policies" and Note "23. Provisions")

  Provisions are measured based on the best estimates of the expenditures expected to be required to settle the obligations in the future on the reporting date. The expenditures expected to be required to settle the obligations in the future are determined by comprehensively taking into account future possible results. Since assumptions which are used for measuring these provisions may be affected by uncertain changes in economic conditions in the future and other factors, they involve the risk of causing a significant modification on the measurement of provisions prospectively.
- Measurement of defined benefit obligations (Note "3. Significant Accounting Policies" and Note "24. Post-employment Benefits")

  With respect to defined benefit corporate pension plans, the net fair values of defined benefit obligations and plan assets are recognized as liabilities or assets. Defined benefit obligations are determined based on actuarial assumptions which include the estimates of discount, retirement, mortality, and salary increase rates. These assumptions are determined by comprehensively taking into account all available information, such as market trends in interest rate fluctuations. Since these actuarial assumptions may be affected by uncertain changes in the economic environment in the future, social trends, and other factors, they involve the risk of causing a significant modification on the measurement of defined benefit obligations prospectively.
- Matters related to financial instruments (Note "3. Significant Accounting Policies" and Note "37. Financial Instruments")

  The Group uses significant unobservable inputs for measuring the fair values of specified financial instruments. Unobservable inputs may be affected by future uncertain changes in economic conditions and other factors. If a revision is necessary, it may have a significant effect on the consolidated financial statements.
- Contingencies (Note "40. Contingent Liabilities")

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

5. New IFRS Standards Not Yet Adopted

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

6. Segment Information

(1) Overview of reportable segments

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

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

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

(2) Information on reportable segments

The accounting treatments for the Group's 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.

Fiscal 2018 (April 1, 2018 – 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.

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(million yen)

	Steel	Engineering	Trading	Total	Adjustments (Note)	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	2,311,251	498,629	919,836	3,729,717	–	3,729,717
Intersegment revenue	370,098	13,666	164,301	548,065	(548,065)	–
Total	2,681,350	512,295	1,084,137	4,277,783	(548,065)	3,729,717
Segment profit	(8,783)	23,118	27,016	41,351	(15,998)	25,353
Impairment losses						(238,826)
Loss before tax						(213,473)
Segment assets	3,836,847	465,734	756,141	5,058,723	(412,602)	4,646,120
Other items						
Depreciation and amortization	209,031	13,302	10,244	232,578	(1,000)	231,577
Impairment losses	(233,144)	(356)	(5,325)	(238,826)	–	(238,826)
Finance income	1,437	140	1,354	2,932	(205)	2,727
Finance costs	(11,721)	(697)	(3,492)	(15,910)	636	(15,273)
Share of profit of entities accounted for using equity method	25,518	477	558	26,554	(17,772)	8,782
Investments accounted for using equity method	289,406	11,562	14,909	315,878	20,162	336,040
Capital expenditures	362,741	11,892	17,986	392,621	(1,265)	391,356

Note: Adjustments are as follows:

- Adjustments to segment profit include corporate profit not allocated to a reportable segment: 48,548 million yen, elimination of dividend income from each reportable segment: (48,365) million yen, and share of loss of entities accounted for using equity method related to Japan Marine United Corporation: (17,995) million yen; elimination of other intersegment transactions: 1,813 million yen. Corporate profit is profit of the Company.
- Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 49,450 million yen and elimination of intersegment receivables and payables, etc.: (462,053) 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)

	As of March 31, 2019	As of March 31, 2020
Japan	1,847,464	1,828,061
Other	144,889	160,416
Total	1,992,354	1,988,478

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)

	As of March 31, 2019	As of March 31, 2020
Cash and bank deposits with maturities of three months or less	82,283	86,679
Deposits paid	5	25
Total	82,288	86,704

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, 2019 and 2020 is consistent with that reported in the consolidated statement of cash flow.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(million yen)

	As of March 31, 2019	As of March 31, 2020
Notes and accounts receivable – trade	718,931	639,997
Other	37,339	39,672
Allowance for doubtful accounts	(1,590)	(1,570)
Total	754,679	678,098

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

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

9. Inventories

The breakdown of inventories is as follows:

(million yen)

	As of March 31, 2019	As of March 31, 2020
Merchandise and finished goods	440,417	442,257
Work in progress	45,987	47,419
Raw materials and supplies	431,407	382,925
Total	917,812	872,602

Inventories recognized as an expense in cost of sales for the fiscal years ended March 31, 2019 and 2020 amounted to 2,803,908 million yen and 2,800,612 million yen, respectively.

10. Other Financial Assets

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Financial assets measured at amortized cost		
Lease receivables (non-current)	464	25,021
Leasehold and guarantee deposits	11,420	11,902
Other	9,075	9,166
Allowance for doubtful accounts	(474)	(552)
Subtotal	20,485	45,537
Financial assets measured at fair value through profit or loss		
Derivative assets	21,325	26,843
Other	3,982	3,874
Subtotal	25,308	30,718
Equity financial assets measured at fair value through other comprehensive income		
Equity securities	312,311	219,561
Investments in capital	6,499	6,494
Subtotal	318,811	226,055
Total	364,605	302,311
Current assets	4,471	6,307
Non-current assets	360,133	296,004
Total	364,605	302,311

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	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

(million yen)

Issuers	As of March 31, 2020
TAIYO NIPPON SANSO CORPORATION	17,814
Central Japan Railway Company	14,316
Toyota Motor Corporation	11,193
Isuzu Motors Limited	10,325
Formosa Ha Tinh (Cayman) Limited	9,213

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

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

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

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Fair value	5,552	23,502
Accumulated gains or losses recognized in other comprehensive income	1,845	8,188

11. Other Assets and Liabilities

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

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Consumption taxes receivable	15,019	28,583
Other	81,957	94,773
Total	96,976	123,357
Current assets	86,290	108,410
Non-current assets	10,686	14,946
Total	96,976	123,357

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Accrued expenses	168,469	156,906
Other	66,130	62,035
Total	234,600	218,941
Current liabilities	222,705	210,543
Non-current liabilities	11,895	8,398
Total	234,600	218,941

12. Property, Plant and Equipment

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

Fiscal 2018 (April 1, 2018 – 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

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(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	385,098	843,715	49,209	380,524	122,185	54,496	1,835,229
Adjustments due to application of IFRS 16	–	–	–	–	–	(47,819)	(47,819)
Balance at the beginning of the year (modified)	385,098	843,715	49,209	380,524	122,185	6,676	1,787,409
Acquisition	48,308	250,184	19,537	5,569	10,480	2,559	336,639
Sale or disposal	(1,125)	(3,959)	(148)	(1,298)	(2,645)	(3)	(9,181)
Depreciation	(27,040)	(136,832)	(17,559)	(24)	–	(1,877)	(183,334)
Impairment losses	(67,196)	(145,517)	(5,453)	(37)	(10,055)	(76)	(228,336)
Exchange differences on translation of foreign operations, etc.	688	5,758	555	3,925	3,604	22	14,553
Balance at the end of the year	338,734	813,348	46,141	388,658	123,568	7,300	1,717,751

Notes: 1. Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

2. Acquisition of construction in progress represents an increase due to new acquisition, net of transfers to each item of property, plant and equipment.

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

(million yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
As of March 31, 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
As of March 31, 2020							
Cost	1,861,064	6,177,132	198,409	412,364	135,450	16,950	8,801,372
Accumulated depreciation and accumulated impairment losses	(1,522,330)	(5,363,784)	(152,268)	(23,706)	(11,882)	(9,649)	(7,083,621)
Carrying amount	338,734	813,348	46,141	388,658	123,568	7,300	1,717,751

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 2018 (April 1, 2018 – 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

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(million yen)

	Goodwill	Software	Other	Total
Balance at the beginning of the year	4,445	74,052	8,514	87,012
Adjustments due to application of IFRS 16	–	–	(30)	(30)
Balance at the beginning of the year (modified)	4,445	74,052	8,484	86,982
Acquisition	6,209	32,427	1,073	39,711
Sale or disposal	–	(1,475)	(5)	(1,481)
Amortization	–	(20,281)	(355)	(20,636)
Impairment losses	(4,043)	(4,946)	(1,302)	(10,292)
Exchange differences on translation of foreign operations, etc.	(114)	1,276	(146)	1,016
Balance at the end of the year	6,497	81,054	7,747	95,299

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

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

(million yen)

	Goodwill	Software	Other	Total
As of March 31, 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
As of March 31, 2020				
Cost	10,540	364,810	23,970	399,321
Accumulated amortization and accumulated impairment losses	(4,043)	(283,756)	(16,222)	(304,022)
Carrying amount	6,497	81,054	7,747	95,299

(2) Research and development expenses

Research and development expenses recorded in "Cost of sales" and "Selling, general and administrative expenses" for the fiscal years ended March 31, 2019 and 2020 amounted to 37,271 million yen and 38,716 million yen, respectively.

14. Lease Transactions

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

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

	As of March 31, 2019	
	Future minimum lease payments	Present value
Within one year	7,977	7,427
Later than one year and within five years	29,071	27,939
Later than five years	16,392	16,008
Total	53,441	51,375
Less: Future finance costs	(2,065)	–
Total present value	51,375	51,375

(2) Operating leases

As lessee

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

(million yen)

	As of March 31, 2019
Within one year	8,462
Later than one year and within five years	20,811
Later than five years	3,990
Total	33,264

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

(million yen)

	As of March 31, 2019
Minimum sublease payments received	14,046

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

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)
Minimum lease payments	39,231
Minimum sublease payments received	4,054

As lessor

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

(million yen)

	As of March 31, 2019
Within one year	1,130
Later than one year and within five years	3,550
Later than five years	3,488
Total	8,170

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(1) Lease transactions as a lessee

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

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

(million yen)

	Fiscal 2019 (April 1, 2019 –March 31, 2020)
Depreciation of right-of-use assets	10,848
Buildings and structures	11,577
Machinery and vehicles	2,105
Tools, furniture and fixtures	1,155
Land	948
Other	26,635
Total	8,170
Interest on lease liabilities	639
Expense relating to short-term leases	4,034
Expense relating to leases of low-value assets	835
Income from subleasing right-of-use assets	1,388
Total cash outflow for leases	48,113

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

(million yen)

	As of March 31, 2020
Buildings and structures	32,775
Machinery and vehicles	52,139
Tools, furniture and fixtures	3,528
Land	11,145
Other	2,732
Total	102,322

Right-of-use assets increased by 20,944 million yen for the fiscal year ended March 31, 2020.

(2) Lease transactions as a lessor

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

(i) Income from operating leases

(million yen)

	Fiscal 2019 (April 1, 2019 –March 31, 2020)
Lease income	10,698

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

(million yen)

	As of March 31, 2020
Within one year	1,179
Later than one year and within two years	976
Later than two years and within three years	963
Later than three years and within four years	963
Later than four years and within five years	896
Later than five years	2,658
Total	7,636

(iii) Income from finance leases

(million yen)

	Fiscal 2019 (April 1, 2019 –March 31, 2020)
Finance income on the net investment in the lease	984

(iv) Maturity analysis of lease payments receivable

(million yen)

	As of March 31, 2020
Within one year	7,565
Later than one year and within two years	5,622
Later than two years and within three years	3,749
Later than three years and within four years	3,364
Later than four years and within five years	4,832
Later than five years	16,404
Total	41,538
Unearned finance income	5,813
Net investment in the lease	35,724

15. Investment Properties

(1) Movement of investment properties

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

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Balance at the beginning of the year	59,682	59,425
Acquisition	508	251
Reclassification from property, plant and equipment	3,931	451
Reclassification to property, plant and equipment	(1,458)	(265)
Depreciation	(1,092)	(971)
Impairment losses	(1,933)	(4)
Sale or disposal	(213)	(728)
Balance at the end of the year	59,425	58,158
Cost (balance at the beginning of the year)	129,154	132,849
Accumulated depreciation and accumulated impairment losses (balance at the beginning of the year)	(69,471)	(73,424)
Cost (balance at the end of the year)	132,849	127,821
Accumulated depreciation and accumulated impairment losses (balance at the end of the year)	(73,424)	(69,662)

(2) Fair values

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

(million yen)

	As of March 31, 2019		As of March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment properties	59,425	133,615	58,158	136,545

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 2018 (April 1, 2018 – March 31, 2019)	**Fiscal 2019 (April 1, 2019 – March 31, 2020)**
Rental income	11,053	10,698
Direct sales expenses arising from investment properties which generated income	3,095	3,223
Direct sales expenses arising from investment properties which did not generate income	64	40

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 2018 (April 1, 2018 – 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%.

Fiscal 2019 (April 1, 2019 – March 31, 2020)

Major impairment losses are as follows:

JFE Steel Corporation, a consolidated subsidiary of the Company engaged in the steel business, faces an unprecedented difficult business environment including a decline in demand for steel primarily in the manufacturing sector caused by the U.S.-China trade friction, soaring material prices due to China's growing crude steel output, and increases in auxiliary and other materials and logistics costs. Over the medium to long term, a decline in demand is anticipated in the Japanese market against the backdrop of the decreasing population. Moreover, overseas markets will become increasingly competitive due to expansion in steel production capacity in emerging nations and an increase in exports from China given a decline in domestic demand. In such a climate, JFE Steel has endeavored to improve its works and manufacturing bases in Japan and strengthen manufacturing capabilities by positioning them as key measures under the Medium-Term Business Plan. However, it is expected that a significant amount of investment must be made to renovate aged facilities over a long period.

In consideration of these structural changes in the environment, JFE Steel strives to focus business resources thoroughly and selectively on products and areas that are competitive with a view to maintaining and increasing its competitive advantage in the global market and aiming to become a streamlined, resilient company. For that purpose, JFE Steel decided to shut down a blast furnace at the East Japan Works which is heavily burdened with fixed costs and implement structural reforms toward establishing an optimal production system in Japan. On the premise of the structural reforms to be implemented at Chiba and Keihin under the East Japan Works, JFE Steel calculated future cash flows of both sites in light of the current difficult business climate. As a result, the recoverable amounts were lower than the carrying amount of business assets owned by the East Japan Works. Therefore, the carrying amount was reduced to the present value of future cash flows of 350,983 million yen (Chiba: 131,151 million yen, Keihin: 219,831 million yen), and the amount of decrease of 232,418 million yen (Chiba: 146,652 million yen, Keihin: 85,766 million yen) was recorded as impairment losses.

Major assets for which impairment losses were recognized are as follows:

(million yen)

Segment	Cash-generating unit	Type	Amount
Steel business	East Japan Works (Chiba)	Machinery and vehicles	90,243
		Buildings and structures	42,813
		Construction in progress and other	13,595
		Total	146,652
	East Japan Works (Keihin)	Machinery and vehicles	55,565
		Buildings and structures	24,260
		Construction in progress and other	5,941
		Total	85,766

The recoverable amount is determined at value in use, and the value in use is determined by discounting future cash flows based on a management-approved five-year-or-less business plan and a subsequent growth rate to the present value at a pre-tax discount rate. Major assumptions used for calculating the value in use include crude steel production, shipments, selling price, iron ore and coking coal prices, future capital expenditures, pre-tax discount rate, and growth rate. The crude steel production, shipments, selling price, iron ore and coking coal prices, future capital expenditures, and other items are estimated based on observable market prices, past trends, and management's forecasts, and reflect the risks specific to the cash-generating unit. The growth rate is determined at 0.0% by taking into account the long-term average growth rate of the market or country to which the cash-generating unit belongs. Moreover, the pre-tax discount rate is determined at 4.6% and 4.3% for Chiba and Keihin under the East Japan Works, respectively, based on the weighted average cost of capital of the cash-generating unit.

Additionally, due to an economic slowdown caused by COVID-19, a significant decline in demand for steel materials was anticipated in Japan and overseas at the end of the fiscal year ended March 31, 2020. Accordingly, future cash flows were calculated on the assumption that such effect will continue for approximately six months.

17. Subsidiaries

Major subsidiaries

Overview of major subsidiaries at the end of the fiscal year ended March 31, 2020 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 end of each fiscal year are disclosed. Accordingly, financial information as of September 30 is stated in the statement of financial position, and financial information for the first nine months of the reporting period ended December 31 is stated in the statement of profit or loss and the statement of comprehensive income.

(million yen)

	As of March 31, 2019	**As of March 31, 2020**
Current assets	456,584	572,156
Non-current assets	1,197,047	1,362,946
Total assets	1,653,631	1,935,102
Current liabilities	547,421	773,634
Non-current liabilities	616,315	600,415
Total liabilities	1,163,736	1,374,049
Total equity	489,894	561,052
Equity attributable to owners of parent	497,781	568,768
Non-controlling interests	(7,886)	(7,715)

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	**Fiscal 2019 (April 1, 2019 – March 31, 2020)**
Revenue	1,016,940	864,848
Profit	98,272	58,203
Other comprehensive income	(2,135)	(4,071)
Comprehensive income	96,137	54,132

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Equity attributable to owners of parent	497,781	568,768
Ownership interest (%)	15.0	15.0
Equity attributable to the Group	74,667	85,315
Consolidation adjustment	4,443	1,920
Carrying amount of interests in JSW Steel Limited	79,110	87,235
Fair value of interests in JSW Steel Limited	168,268	77,420

Dividends received from JSW Steel Limited for the fiscal years ended March 31, 2019 and 2020 were 1,846 million yen and 2,335 million yen, respectively.

(2) Immaterial associates and joint ventures

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Associates	117,964	114,017
Joint ventures	117,988	134,787

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 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Associates		
Profit	5,292	(9,193)
Other comprehensive income	(1,152)	4,110
Comprehensive income	4,140	(5,083)
Joint ventures		
Profit	15,185	4,725
Other comprehensive income	(79)	(17)
Comprehensive income	15,105	4,707

19. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Deferred tax assets		
Retirement benefit liability	34,996	38,510
Impairment losses	2,828	37,137
Accrued bonuses	14,611	13,454
Unused tax losses	6,561	11,942
Accrued expenses	9,850	10,326
Other	44,695	47,431
Total deferred tax assets	113,543	158,803
Deferred tax liabilities		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	45,065	28,921
Retained earnings of subsidiaries and associates	11,290	14,223
Reserve for tax purpose reduction entry of non-current assets	6,691	6,605
Other	17,438	17,846
Total deferred tax liabilities	80,484	67,596
Net deferred tax assets	33,059	91,207

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

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Balance at the beginning of the year	19,304	33,059
Adjustments due to application of IFRS 16	–	558
Balance at the beginning of the year (modified)	19,304	33,617
Deferred tax expense	4,183	39,747
Deferred taxes on items of other comprehensive income		
Effective portion of cash flow hedges	164	19
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	7,013	13,799
Remeasurements of defined benefit plans	1,957	2,070
Other	434	1,953
Balance at the end of the year	33,059	91,207

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)

	As of March 31, 2019	As of March 31, 2020
Deductible temporary differences	217,001	340,667
Unused tax losses	229,253	366,250

Unrecognized deferred tax assets for the above deductible temporary differences were 65,871 million yen and 104,328 million yen as of March 31, 2019 and March 31, 2020, respectively. Unrecognized deferred tax assets for the above unused tax losses were 8,084 million yen and 16,243 million yen as of March 31, 2019 and March 31, 2020, 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)

	As of March 31, 2019	As of March 31, 2020
Year 1	171	109,540
Year 2 to Year 5	148,915	115,379
Later than 5 years	78,053	140,447
No specified expiration date	2,112	882
Total	229,253	366,250

Taxable temporary differences arising from investments in subsidiaries and associates for which deferred tax liabilities were not recognized as of March 31, 2019 and March 31, 2020 amounted to 94,548 million yen and 50,023 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 1,371 million yen and 131,818 million yen were recognized as of March 31, 2019 and March 31, 2020, respectively, for taxable entities that incurred net loss in the current or previous period, and whose recoverability of deferred tax assets depends on future taxable income.

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

(2) Income tax expense

The breakdown of income tax expense is as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Current tax expense	43,671	19,564
Deferred tax expense	(4,183)	(39,747)
Total	39,488	(20,183)

(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 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Effective statutory tax rate	30.0	30.0
(Reconciliation)		
Items permanently not tax-deductible, such as entertainment expenses	0.8	(0.6)
Items permanently not taxable, such as dividend income	(0.2)	0.3
Share of profit (loss) of entities accounted for using equity method	(6.1)	1.2
Tax credits	(2.5)	0.0
Changes in valuation allowance	(0.8)	(21.8)
Other	(2.2)	0.4
Burden ratio of corporation tax, etc. after application of tax effect accounting	18.9	9.5

20. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(million yen)

	As of March 31, 2019	As of March 31, 2020
Notes and accounts payable – trade	522,098	477,048
Accounts payable – other	62,840	80,204
Total	584,939	557,252

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

21. Bonds Payable, Borrowings, and Lease Liabilities

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Short-term borrowings (Note 1)	135,601	123,505
Current portion of long-term borrowings (Note 1)	103,371	122,846
Commercial papers (Note 1)	83,000	88,999
Bonds payable (Note 2)	109,706	230,066
Long-term borrowings (Note 1)	1,040,824	1,097,012
Lease liabilities	51,375	151,877
Total	1,523,879	1,814,308
Current liabilities	329,400	376,473
Non-current liabilities	1,194,478	1,437,835
Total	1,523,879	1,814,308

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

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

(Note 1) The weighted average interest rate and repayment date for the balance of short-term borrowings, current portion of long-term borrowings, commercial papers and long-term borrowings as of March 31, 2020 are as follows:

	Average interest rate (%)	Repayment date
Short-term borrowings	2.41	–
Current portion of long-term borrowings	1.05	–
Commercial papers	0.00	–
Long-term borrowings	0.85	April 20, 2021 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	As of March 31, 2019	As of March 31, 2020	Interest rate (%)	Collateral	Redemption date
The Company	The 17th unsecured bond	June 8, 2011	29,974	30,524	1.326	None	June 8, 2021
The Company	The 21st unsecured bond	March 13, 2014	9,973	9,978	0.804	None	March 13, 2024
The Company	The 22nd unsecured bond	September 19, 2014	19,945	19,955	0.703	None	September 19, 2024
The Company	The 23rd unsecured bond	May 23, 2017	9,970	9,980	0.090	None	May 23, 2022
The Company	The 24th unsecured bond	March 1, 2018	9,963	9,972	0.110	None	March 1, 2023
The Company	The 25th unsecured bond	May 21, 2018	19,922	20,168	0.260	None	May 21, 2025
The Company	The 26th unsecured bond	November 22, 2018	9,956	9,966	0.150	None	November 22, 2023
The Company	The 27th unsecured bond	May 27, 2019	–	29,899	0.170	None	May 27, 2024
The Company	The 28th unsecured bond	May 27, 2019	–	9,959	0.260	None	May 27, 2026
The Company	The 29th unsecured bond	May 27, 2019	–	19,909	0.365	None	May 25, 2029
The Company	The 30th unsecured bond	September 20, 2019	–	9,959	0.120	None	September 20, 2024
The Company	The 31st unsecured bond	September 20, 2019	–	29,886	0.250	None	September 18, 2026
The Company	The 32nd unsecured bond	September 20, 2019	–	19,906	0.320	None	September 20, 2029
Total	–	–	109,706	230,066	–	–	–

(2) Assets pledged as collateral and corresponding secured obligations

Assets pledged as collateral

(million yen)

	As of March 31, 2019	As of March 31, 2020
Cash and cash equivalents	763	852
Trade and other receivables	–	10,300
Property, plant and equipment	13,519	12,644
Right-of-use asset	–	161
Investments accounted for using equity method	1,376	2,332
Other financial assets (non-current)	294	679
Other non-current assets	171	–
Total	16,124	26,970

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Property, plant and equipment	11,152	10,351

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Shares of consolidated subsidiaries (book value posted on the non-consolidated financial statements of the consolidated subsidiaries)	553	553

Corresponding secured obligations

(million yen)

	As of March 31, 2019	As of March 31, 2020
Trade and other payables	252	164
Bonds payable, borrowings, and lease liabilities (current)	882	960
Bonds payable, borrowings, and lease liabilities (non-current)	10,568	12,427
Total	11,702	13,552

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Bonds payable, borrowings, and lease liabilities (current)	559	559
Bonds payable, borrowings, and lease liabilities (non-current)	6,133	5,574
Total	6,692	6,133

22. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(million yen)

	As of March 31, 2019	As of March 31, 2020
Financial liabilities measured at amortized cost		
Deposits received	93,763	85,377
Other	18,091	14,713
Subtotal	111,855	100,090
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	4,383	5,621
Total	116,238	105,712
Current liabilities	99,097	89,465
Non-current liabilities	17,140	16,246
Total	116,238	105,712

23. Provisions

The breakdown and movement of provisions are as follows:

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(million yen)

	Provision for loss on specified business	Other provisions	Total
Balance at the beginning of the year	13,448	31,327	44,775
Increase during the year	796	12,561	13,357
Interest expense incurred over the discount period	162	(0)	161
Decrease due to intended use	(4,245)	(12,751)	(16,997)
Decrease due to reversal	–	(3,224)	(3,224)
Exchange differences on translation of foreign operations and others	–	176	176
Balance at the end of the year	10,161	28,087	38,248
Current liabilities	–	12,507	12,507
Non-current liabilities	10,161	15,579	25,740
Total	10,161	28,087	38,248

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)

	As of March 31, 2019	As of March 31, 2020
Funded defined benefit obligations	202,208	197,765
Plan assets	(137,259)	(125,241)
Subtotal	64,948	72,524
Unfunded defined benefit obligations	52,670	55,272
Total	117,619	127,796
Amounts recognized in the consolidated statement of financial position		
Retirement benefit liability	133,999	143,316
Retirement benefit asset	(16,380)	(15,520)
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	117,619	127,796

(2) Reconciliation of defined benefit obligations

The movement of defined benefit obligations is as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Balance at the beginning of the year	259,347	254,878
Current service cost	14,533	14,842
Interest expense	1,688	1,502
Remeasurements		
Actuarial losses arising from changes in demographic assumptions	57	615
Actuarial losses arising from changes in financial assumptions	1,864	(2,215)
Experience adjustments	1,302	540
Past service cost	15	70
Benefits paid	(23,485)	(18,605)
Exchange differences on translation of foreign operations, etc.	(445)	1,408
Balance at the end of the year	254,878	253,037

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

(years)

	As of March 31, 2019	As of March 31, 2020
Weighted-average duration	11.0	11.0

(3) Reconciliation of plan assets

The movement of plan assets is as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Balance at the beginning of the year	147,465	137,259
Interest income	862	758
Remeasurements		
Return on plan assets (excluding interest income)	(3,002)	(8,055)
Contribution to the plan by employer	2,084	2,201
Benefits paid	(10,099)	(8,809)
Effects of business combinations and disposals	–	2,025
Exchange differences on translation of foreign operations, etc.	(51)	(138)
Balance at the end of the year	137,259	125,241

The Group expects to contribute 2,118 million yen to its defined benefit plans in the fiscal year ending March 31, 2021.

(4) Major breakdown of plan assets

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

(million yen)

	As of March 31, 2019			As of March 31, 2020		
	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	56,979	474	57,453	47,741	268	48,009
Foreign stocks	6,524	667	7,191	6,017	698	6,715
Debt instruments						
Domestic bonds	16,222	3,423	19,645	16,043	3,003	19,047
Foreign bonds	3,038	2,229	5,267	2,965	2,218	5,184
Cash and deposits	3,122	–	3,122	5,185	–	5,185
Life insurance general accounts	–	42,942	42,942	–	39,431	39,431
Other	–	1,636	1,636	–	1,667	1,667
Total	85,886	51,373	137,259	77,953	47,288	125,241

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

(5) Actuarial assumptions

Major actuarial assumptions are as follows:

(%)

	As of March 31, 2019	As of March 31, 2020
Discount rate	Mainly 0.5	Mainly 0.6
Anticipated rate of salary increase	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, 2019	As of March 31, 2020
Discount rate	Increase by 0.5%	(12,681)	(12,580)
	Decrease by 0.5%	13,673	13,616

(6) Defined contribution pension plans

Contributions to the defined contribution pension plans are as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Contributions to the defined contribution pension plans	3,774	3,329

25. Equity and Other Equity Items

(1) Share capital

(i) Authorized shares

The number of authorized shares as of April 1, 2018, March 31, 2019 and March 31, 2020 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, 2018	614,438
Increase (decrease)	–
As of March 31, 2019	614,438
Increase (decrease)	–
As of March 31, 2020	**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, 2018	37,919
As of March 31, 2019	38,590
As of March 31, 2020	**38,601**

Note: Treasury shares as of March 31, 2019 and March 31, 2020 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 2018 (April 1, 2018 – 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.

Financial Information

Fiscal 2019 (April 1, 2019 – March 31, 2020)

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, 2019	Common stock	28,831	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.

Date of resolution	Type of share	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors Meeting held on November 12, 2019	Common stock	11,532	20	September 30, 2019	December 6, 2019

Note: The total amount of dividends of 11,532 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 11 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 2018 (April 1, 2018 – 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.

Fiscal 2019 (April 1, 2019 – March 31, 2020)

There is no applicable item.

27. Revenue

(1) Disaggregation of revenue

Fiscal 2018 (April 1, 2018 – 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

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(million yen)

	Steel Business	Engineering Business	Trading Business	Elimination of intersegment revenue	Total
Region					
Japan	1,780,582	473,539	504,159	(231,157)	2,527,123
Other	900,767	38,756	579,977	(316,908)	1,202,594
Total	2,681,350	512,295	1,084,137	(548,065)	3,729,717
Transfer of goods or services					
At a point in time	2,456,287	4,205	1,084,075	(521,463)	3,023,105
Over time	225,062	508,090	62	(26,602)	706,612
Total	2,681,350	512,295	1,084,137	(548,065)	3,729,717

(2) Contract balances

(million yen)

	As of April 1, 2018	As of March 31, 2019	As of March 31, 2020
Receivables from contracts with customers	728,275	718,931	639,997
Contract assets	126,935	124,039	142,075
Contract liabilities	53,588	59,060	44,813

The amount recognized as receivables that was included in the opening balance of contract assets was 100,460 million yen and 85,824 million yen as of March 31, 2019 and 2020, respectively.

The amount recognized as revenue that was included in the opening balance of contract liabilities was 40,847 million yen and 45,878 million yen as of March 31, 2019 and 2020, respectively.

(3) Remaining performance obligations

(million yen)

	As of March 31, 2019	As of March 31, 2020
Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the fiscal year	1,040,707	932,447
Expected timing of revenue recognition		
Within one year	404,960	377,370
Over one year	635,747	555,076

28. Selling, General and Administrative Expenses

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

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Employee benefit expenses	137,593	136,824
Product shipping-related expenses	97,190	92,056
Provision of allowance for doubtful accounts	219	120
Other	122,319	127,991
Total	357,323	356,992

29. Employee Benefit Expenses

Employee benefit expenses are as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Employee benefit expenses	486,211	492,785

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 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Equity-settled	170	54
Cash-settled	64	(16)
Total	234	37

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Other non-current liabilities	64	21

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 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Number of points granted (points)	79,832	29,880
Weighted-average fair value of points at the grant date (yen)	2,136	1,867

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 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	8,544	9,478
Rental income	6,982	6,765
Gain on sale of investments in subsidiaries	–	80
Other	15,350	14,493
Total	30,877	30,818

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

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Financial assets derecognized during the year	56	650
Financial assets held as of the reporting date	8,487	8,828

32. Other Expenses

The breakdown of other expenses is as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Loss on retirement of fixed assets	14,462	20,251
Loss on sale of investments in subsidiaries	53	–
Other	14,839	20,072
Total	29,355	40,323

33. Finance Income and Finance Costs

(1) Finance income

The breakdown of finance income is as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Interest income		
Financial assets measured at amortized cost	2,083	2,727
Total	2,083	2,727

(2) Finance costs

The breakdown of finance costs is as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Interest expenses		
Financial liabilities measured at amortized cost	13,447	14,325
Other	201	161
Other	939	786
Total	14,588	15,273

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 2018 (April 1, 2018 – March 31, 2019)	**Fiscal 2019 (April 1, 2019 – March 31, 2020)**
Remeasurements of defined benefit plans		
Amount arising during the year	(6,228)	**(7,045)**
Before tax effects	(6,228)	**(7,045)**
Tax effects	1,957	**2,070**
Remeasurements of defined benefit plans	(4,270)	**(4,975)**
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income		
Amount arising during the year	(30,105)	**(62,943)**
Before tax effects	(30,105)	**(62,943)**
Tax effects	7,013	**13,799**
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(23,091)	**(49,143)**
Exchange differences on translation of foreign operations		
Amount arising during the year	(4,445)	**(3,080)**
Reclassification adjustments	–	**–**
Before tax effects	(4,445)	**(3,080)**
Tax effects	–	**–**
Exchange differences on translation of foreign operations	(4,445)	**(3,080)**
Effective portion of cash flow hedges		
Amount arising during the year	4,638	**286**
Reclassification adjustments	(5,186)	**(350)**
Before tax effects	(547)	**(63)**
Tax effects	164	**19**
Effective portion of cash flow hedges	(383)	**(44)**
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the year	(11,948)	**(8,659)**
Reclassification adjustments	692	**20**
Share of other comprehensive income of investments accounted for using equity method	(11,255)	**(8,638)**
Total other comprehensive income	(43,446)	**(65,882)**

35. Earnings per Share

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

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	**Fiscal 2019 (April 1, 2019 – March 31, 2020)**
Basic earnings (losses) per share (yen)	283.81	**(343.39)**
Diluted earnings (losses) per share (yen)	283.76	**(343.39)**

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

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	**Fiscal 2019 (April 1, 2019 – March 31, 2020)**
Profit (loss) attributable to owners of the parent company (million yen)	163,509	**(197,744)**
Amount not attributable to common shareholders of the parent company (million yen)	–	**–**
Profit (loss) used in calculation of basic earnings per share (million yen)	163,509	**(197,744)**
Profit adjustments (million yen)	–	**–**
Profit (loss) used in calculation of diluted earnings per share (million yen)	163,509	**(197,744)**
Weighted average number of common shares used in calculation of basic earnings per share (thousand shares)	576,117	**575,854**
Impact of dilutive potential common shares (thousand shares)		
Share-based payments (thousand shares)	114	**–**
Weighted average number of common shares used in calculation of diluted earnings per share (thousand shares)	576,231	**575,854**

Notes: 1. The Company shares held in trust accounts for employee stock ownership plans are included in treasury shares, which are excluded from the calculation of the weighted average number of shares used in the calculation of basic earnings per share. The weighted average number of treasury shares excluded from the calculation of basic earnings per share for the fiscal years ended March 31, 2019 and 2020 is 378,000 and 589,000, respectively.

2. A total of 118,000 shares of share-based payments have a reverse dilution effect and are not included in the calculation of diluted earnings per share for the fiscal year ended March 31, 2020.

36. Supplemental Information to the Consolidated Statement of Cash Flow

(1) Movement of liabilities arising from financing activities

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

(million yen)

Liabilities arising from financing activities	Opening balance	Changes from financing cash flows	Non-cash changes: Increase due to new leases	Non-cash changes: Other (Note)	Closing balance
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.

Financial Information

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(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	
Short-term borrowings	135,601	(11,500)	–	(595)	123,505
Current portion of long-term borrowings (Note 1)	103,371	(102,865)	–	122,340	122,846
Commercial papers	83,000	5,999	–	–	88,999
Bonds payable	109,706	120,000	–	360	230,066
Long-term borrowings (Note 1)	1,040,824	181,569	–	(125,380)	1,097,012
Lease liabilities (Note 2)	157,087	(42,603)	36,377	1,016	151,877
Total	1,629,591	150,599	36,377	(2,259)	1,814,308

Notes: 1. Item "Other" in the non-cash changes of current portion of long-term borrowings and long-term borrowings mainly includes the transfer of long-term borrowings due within one year to current portion of long-term borrowings.
2. "Lease obligations" presented for the fiscal year ended March 31, 2019 was renamed "Lease liabilities" in line with the application of IFRS 16 Leases. Further, due to the application of the standard, lease liabilities increased by 105,711 million yen at the beginning of the fiscal year ended March 31, 2020.

(2) Cash flows from operating activities

Item "Other" in cash flows from operating activities for the fiscal year ended March 31, 2020 mainly consists of impairment losses (238,826 million yen).

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:

	As of March 31, 2019	As of March 31, 2020
ROE *1	8.6%	(11.1)%
D/E Ratio *2	68.2%	96.4%
Debt / EBITDA multiple*4	3.6x	6.7x

Notes: 1. *1 ROE = Profit attributable to owners of parent / Equity attributable to owners of parent
2. *2 D/E Ratio = Bonds payable, borrowings, and lease liabilities / Equity attributable to owners of parent
For debt with an equity component*3, a portion of its issue price is deemed to be equity attributable to owners of parent, as assessed by rating agencies.
3. *3 Debt with an equity component (subordinated loans)

(million yen)

Borrowing date	Amount borrowed	Assessment of equity content	Amount deemed to be equity
June 30, 2016	200,000	25%	50,000
March 19, 2018	300,000	25%	75,000

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

These indicators are monitored as necessary and appropriate.
The Group is not subject to material capital regulation.

(2) Basic policy on financial risk management

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

(3) Credit risk

(i) Credit risk management

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

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

(ii) Maximum exposure to credit risk

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

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Loan commitments	1,170	1,456
Financial guarantee contracts	50,344	52,275

(iii) Movement of allowance for doubtful accounts

(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

(million yen)

	Fiscal 2019 (April 1, 2019 – March 31, 2020)		
	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	81	894	1,089
Increase during the year	46	282	229
Decrease during the year (intended use)	(0)	(2)	(102)
Decrease during the year (reversal)	(58)	(328)	(76)
Other	(6)	52	22
Balance at the end of the year	62	898	1,161

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

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Financial assets with allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses	38,096	33,649
Trade receivables, contract assets, and lease receivables	847,344	817,203
Credit-impaired financial assets	1,111	1,180

(v) Analysis of credit risk

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

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Not past due	830,481	800,830
Past due within 30 days	10,442	8,351
Past due between 30 days and 90 days	4,194	3,703
Past due over 90 days	2,225	4,318
Total	847,344	817,203

(4) Liquidity risk

(i) Liquidity risk management

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

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

The Group is also maintaining sufficient liquidity by setting commitment lines with financial institutions (700,000 million yen at the end of the fiscal year ended March 31, 2020).

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

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

As of March 31, 2020

(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	557,252	557,252	557,252	–	–	–	–	–
Bonds payable and borrowings	1,662,431	1,740,217	368,367	195,499	315,113	92,323	133,332	635,581
Installment payables	4,000	4,018	1,509	1,506	1,002	–	–	–
Lease liabilities	151,877	157,373	41,914	39,226	17,286	11,413	10,745	36,787
Subtotal	2,375,561	2,458,862	969,045	236,232	333,401	103,736	144,077	672,368
Derivative financial liabilities	5,621	(125)	1,590	(319)	(308)	(336)	(386)	(365)
Total	2,381,183	2,458,736	970,635	235,913	333,093	103,399	143,691	672,003

Note: In line with the application of IFRS 16, lease liabilities by maturity date have been disclosed since the fiscal year ended March 31, 2020. Lease obligations by maturity date for the fiscal year ended March 31, 2019 are presented in "14. Lease Transactions (1) Finance lease obligations."

(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 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Impact on profit before tax	U.S. dollar	(465)	(496)

(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 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Impact on profit before tax	(7,857)	(6,783)

(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 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Impact on other comprehensive income (before tax)	(2,546)	(1,694)

(8) Carrying amounts and fair values of financial instruments

(million yen)

	As of March 31, 2019		As of March 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	1,040,824	1,050,235	1,097,012	1,104,809
Bonds payable	109,706	110,895	230,066	229,226

The fair value of financial assets and financial liabilities measured at amortized cost excluding long-term borrowings 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, 2019 and 2020.

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 financial assets 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

As of March 31, 2020

(million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	26,843	–	26,843
Other	–	3,874	–	3,874
Equity financial assets measured at fair value through other comprehensive income				
Equity securities	169,472	–	50,089	219,561
Investments	–	–	6,494	6,494
Total	169,472	30,718	56,583	256,774
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	5,621	–	5,621
Total	–	5,621	–	5,621

• Equity securities and investments

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

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

• Derivative assets and derivative liabilities

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

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

The movement of financial instruments measured at fair value on a recurring basis that are categorized within Level 3 for the fiscal years ended March 31, 2019 and 2020 is as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Balance at the beginning of the year	67,435	64,201
Other comprehensive income (Note)	(2,637)	(8,229)
Acquisition	578	1,722
Sale	(235)	(79)
Other	(938)	(1,031)
Balance at the end of the year	64,201	56,583

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, 2019 and 2020.

(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, 2019 and 2020.

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

(million yen)

	As of March 31, 2019		As of March 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate swap transactions	1,703	–	1,035	–
Option contracts	7,737	–	15,265	–
Subtotal	9,441	–	16,301	–
Cash flow hedges				
Forward exchange transactions	371	428	516	1,198
Interest rate swap transactions	–	2,035	–	1,341
Cross-currency interest rate swap transactions	11,009	1,850	9,348	2,965
Commodity futures transactions	–	–	215	43
Commodity collar transactions	–	3	–	–
Subtotal	11,381	4,317	10,081	5,549
Total	20,822	4,317	26,382	5,549

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

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

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

(million yen)

	As of March 31, 2019		As of March 31, 2020	
	Within one year	Over one year	Within one year	Over one year
Fair value hedges				
Interest rate swap transactions	–	70,000	20,000	50,000
Option contracts	–	27,265	–	27,265
Cash flow hedges				
Forward exchange transactions	78,398	4,164	99,028	7,366
Interest rate swap transactions	1,000	136,728	12,993	123,734
Cross-currency interest rate swap transactions	8,376	99,521	22,868	89,626
Commodity futures transactions	–	–	6,066	–
Commodity collar transactions	946	–	–	–

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

	As of March 31, 2019	As of March 31, 2020
Cash flow hedges		
Forward exchange transactions		
U.S. dollar	110.34 yen	109.02 yen
Euro	126.64 yen	124.09 yen
Interest rate swap transactions		
Receive floating / pay fixed	0.29%	0.29%
Cross-currency interest rate swap transactions		
U.S. dollar	101.31 yen	101.88 yen
Receive floating / pay fixed	0.29%	0.28%

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

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)	–

As of March 31, 2020

(million yen)

	Line item of the consolidated statement of financial position	Carrying amount		Including accumulated amount of fair value hedge adjustments	
		Assets	Liabilities	Assets	Liabilities
Interest rate swap transactions	Bonds payable, borrowings, and lease liabilities	–	71,035	–	1,035
Option contracts	Other financial assets	9,213	–	(18,052)	–

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

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

(million yen)

	Forward exchange transactions	Interest rate swap transactions	Cross-currency interest rate swap transactions	Commodity futures transactions	Commodity collar transactions	Total
Balance at the beginning of the year	924	(975)	(577)	94	–	(533)
Hedging gains or losses recognized in other comprehensive income	(305)	(838)	4,394	–	(2)	3,247
Reclassification adjustments to profit (Note)	182	389	(4,203)	–	–	(3,630)
Reclassification amount to cost of non-financial assets	(743)	–	–	(94)	–	(838)
Balance at the end of the year	58	(1,424)	(386)	–	(2)	(1,755)

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(million yen)

	Forward exchange transactions	Interest rate swap transactions	Cross-currency interest rate swap transactions	Commodity futures transactions	Commodity collar transactions	Total
Balance at the beginning of the year	58	(1,424)	(386)	–	(2)	(1,755)
Hedging gains or losses recognized in other comprehensive income	(104)	331	48	(73)	(1)	200
Reclassification adjustments to profit (Note)	162	154	(562)	–	–	(245)
Reclassification amount to cost of non-financial assets	(118)	–	–	43	3	(71)
Balance at the end of the year	(2)	(938)	(900)	(30)	–	(1,871)

Note: Major line items for reclassification adjustments in the consolidated statement of profit or loss for the fiscal year ended March 31, 2019 are "Other income" for forward exchange transactions and "Finance costs" for interest rate swap transactions and cross-currency interest rate swap transactions.
Major line items for reclassification adjustments in the consolidated statement of profit or loss for the fiscal year ended March 31, 2020 are "Other expenses" for forward exchange transactions and "Finance costs" for interest rate swap transactions and cross-currency interest rate swap transactions.

(11) Transfer of financial assets

As of March 31, 2019 and March 31, 2020, trade receivables transferred without satisfying conditions for derecognition of financial assets of 6,977 million yen and 6,241 million yen were recognized in "Trade and other receivables," respectively, and the amounts received due to the transfer of 6,977 million yen and 6,241 million yen were recognized in "Bonds payable, borrowings, and lease liabilities," respectively.

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

38. Related Parties

Compensation for key management personnel is as follows:

(million yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Compensation and bonuses	1,744	1,523
Share-based payment	145	41
Post-employment benefits	3	3
Total	1,892	1,569

39. Commitments

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Acquisition of property, plant and equipment	251,365	239,716

40. Contingent Liabilities

(1) Guarantees of obligations

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Joint ventures	17,286	15,146
Associates	857	938
Other	20,595	26,869
Total	38,738	42,953

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

(million yen)

	As of March 31, 2019	As of March 31, 2020
Guarantee limit for associates	11,605	9,322

(2) Litigation, etc.

There is no applicable item.

41. Subsequent Events

There is no applicable item.

(2) Other

(Significant lawsuits, etc.)

There is no applicable item.

(Quarterly information for the fiscal year ended March 31, 2020)

(Cumulative period)	Three months ended June 30, 2019	Six months ended September 30, 2019	Nine months ended December 31, 2019	Fiscal year ended March 31, 2020
Revenue (million yen)	927,409	1,871,292	2,791,524	3,729,717
Profit (loss) before taxes (million yen)	27,514	42,782	42,600	(213,473)
Profit (loss) attributable to owners of parent (million yen)	19,740	31,934	26,922	(197,744)
Basic earnings (losses) per share (yen)	34.28	55.46	46.75	(343.39)

(Accounting period)	First quarter (April 1, 2019 – June 30, 2019)	Second quarter (July 1, 2019 – September 30, 2019)	Third quarter (October 1, 2019 – December 31, 2019)	Fourth quarter (January 1, 2020 – March 31, 2020)
Basic earnings (losses) per share (yen)	34.28	21.17	(8.70)	(390.15)

EY
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Independent Auditor's Report

The Board of Directors
JFE Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of JFE Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

[June 19, 2020]

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