Financial Highlights

The JFE Group adopted International Financial Reporting Standards (IFRS) from FY2018, in place of the generally accepted accounting principles in Japan (JGAAP).

(billion of yen)

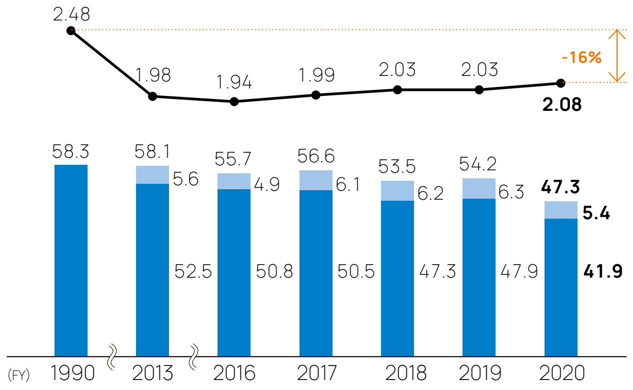
	JGAAP									IFRS		
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018	FY2019	**FY2020**
Operating results												
Net sales (JGAAP) / Revenue (IFRS)	3,195	3,166	3,189	3,666	3,850	3,431	3,308	3,678	3,961	3,873	3,729	**3,227**
Ordinary income (JGAAP) / Business profit*1 (IFRS)	165	52	52	173	231	64	84	216	221	232	37	**(12)**
Income before income taxes (JGAAP) / Profit before tax (IFRS)	115	(71)	75	160	226	74	105	213	209	209	(213)	**(4)**
EBITDA*2 (JGAAP) / EBITDA*3 (IFRS)	428	306	260	368	421	254	279	388	405	428	269	**223**
Profit attributable to owners of parent	58	(36)	39	102	139	33	67	144	164	163	(197)	**(21)**
Capital expenditures (construction basis)	180	197	179	175	225	212	234	257	287	329	391	**342**
Depreciation and amortization	246	238	194	181	176	177	182	159	172	196	231	**236**
Research and development expenses	33	34	33	31	32	35	35	34	37	37	38	**36**
Financial position												
Total assets	3,976	4,007	4,107	4,241	4,639	4,234	4,336	4,440	4,648	4,709	4,646	**4,654**
Property, plant and equipment	1,712	1,644	1,606	1,599	1,629	1,627	1,650	1,702	1,782	1,835	1,717	**1,772**
Shareholders' equity (JGAAP) / Equity attributable to owners of parent (IFRS)	1,437	1,414	1,558	1,702	1,938	1,804	1,865	1,949	2,012	1,926	1,627	**1,679**
Net assets (JGAAP) / Equity (IFRS)	1,478	1,456	1,596	1,745	1,990	1,857	1,921	2,009	2,079	1,991	1,706	**1,760**
Debt outstanding (JGAAP) / Interest-bearing debt outstanding (IFRS)	1,496	1,593	1,596	1,534	1,501	1,379	1,375	1,330	1,449	1,523	1,814	**1,806**
Cash flows												
Cash flows from operating activities	302	110	287	254	297	267	185	298	235	268	261	**247**
Cash flows from investing activities	(302)	(205)	(163)	(164)	(216)	(137)	(163)	(194)	(284)	(313)	(358)	**(164)**
Free cash flow*4	0	(95)	123	90	81	129	21	103	(48)	(45)	(97)	**83**
Cash flows from financing activities	23	96	(147)	(105)	(78)	(144)	(18)	(90)	56	51	103	**(30)**
Per share data												
Profit attributable to owners of parent (yen/share)	111	(69)	71	177	242	58	118	251	285	284	(343)	**(38)**
Net assets (JGAAP) / Equity attributable to owners of parent (IFRS) (yen/share)	2,709	2,628	2,701	2,951	3,362	3,128	3,236	3,382	3,608	3,345	2,826	**2,916**
Dividends (yen/share)	35	20	20	40	60	30	30	80	95	95	20	**10**
Payout ratio (%)	31.6	—	28.1	22.5	24.8	51.4	25.5	31.9	33.3	33.5	—	**—**
Financial indicators												
Debt/EBITDA ratio*5 (JGAAP) / Debt/EBITDA ratio*6 (IFRS) (times)	3.5	5.2	6.1	4.2	3.6	5.4	4.9	3.4	3.6	3.6	6.7	**8.1**
ROE*7 (JGAAP) / ROE*8 (IFRS) (%)	4.1	(2.6)	2.7	6.3	7.7	1.8	3.7	7.6	8.3	8.6	(11.1)	**(1.3)**
ROA*9 (JGAAP) / ROA*10 (IFRS) (%)	4.6	1.7	1.6	4.5	5.5	1.7	2.3	5.2	5.1	5.0	0.8	**(0.3)**
Equity ratio (%)	36.2	35.3	37.9	40.1	41.8	42.6	43.0	43.9	43.3	40.9	35.0	**36.1**
D/E ratio*11 (JGAAP) / D/E ratio*12 (IFRS) (%)	76.5	83.5	76.9	67.9	59.0	56.9	51.4	58.1	62.0	68.2	96.4	**93.2**
Year-end share price (yen/share)	2,434	1778	1,767	1,943	2,654	1,516	1909	2144	1879	1,879	703	**1,363**
Segment information												
Net sales (JGAAP) / Revenue (IFRS)												
Steel business	2,747	2,714	2,499	2,691	2,873	2,445	2,349	2,715	2,808	2,830	2,681	**2,255**
Engineering business	265	278	267	284	367	397	426	391	485	485	512	**485**
Trading business			785	1,781	1,934	1,756	1,671	1,907	2,060	1,125	1,084	**932**
Ordinary income (JGAAP) / Segment profit*13 (IFRS)												
Steel business	134	25	15	126	188	27	40	198	164	161	(8)	**(65)**
Engineering business	12	14	16	18	18	20	26	19	20	20	23	**24**
Trading business			7	21	24	15	21	33	35	35	27	**20**
Others												
Crude steel production (JFE Steel on a non-consolidated basis) (million t)	28.8	26.9	28.0	28.7	28.4	27.4	28.1	28.5	26.3	26.3	26.7	**22.8**
Crude steel production (JFE Steel on a consolidated basis) (million t)	31.5	29.2	30.7	31.6	31.0	29.8	30.4	30.1	27.9	27.9	28.1	**24.0**
Shipment (JFE Steel on a non-consolidated basis) (million t)	26.3	24.7	25.2	25.5	26.1	25.4	25.7	25.3	23.8	23.8	23.5	**20.5**
Average selling price (JFE Steel on a non-consolidated basis) (thousand yen/t)	77.9	82.0	70.6	75.7	77.1	66.8	62.8	75.3	81.5	81.5	78.8	**74.8**
Export ratio on a value basis (JFE Steel on a non-consolidated basis) (%)	46.5	45.0	49.9	48.4	48.1	45.8	44.0	44.4	41.7	41.7	41.5	**42.3**
Employees (JFE Holdings on a consolidated basis) (persons)	54,400	54,133	57,044	57,210	58,856	59,460	60,439	61,234	62,076	62,083	64,009	**64,371**

*1 Business profit: Profit before tax excluding finance income and one-time items of a materially significant value
*2 EBITDA (JGAAP): Ordinary income + Interest expenses + Depreciation and amortization
*3 EBITDA (IFRS): Business profit + Depreciation and amortization
*4 Free cash flow: Cash flows from operating activities + Cash flows from investing activities
*5 Debt/EBITDA ratio (JGAAP): Debt outstanding / EBITDA
*6 Debt/EBITDA ratio (IFRS): Interest-bearing debt outstanding / EBITDA
*7 ROE (JGAAP): Profit attributable to owners of parent / Shareholders' equity
*8 ROE (IFRS): Profit attributable to owners of parent / Equity attributable to owners of parent
* 9 ROA (JGAAP): (Ordinary income + Interest expenses) / Total assets (average)
*10 ROA (IFRS): Business profit / Total assets
*11 D/E ratio (JGAAP): Debt outstanding / Shareholders' equity
For debt having a capital component, a portion of its issue price is deemed to be capital, as assessed by rating agencies.
*12 D/E ratio (IFRS): Interest-bearing debt outstanding / Equity attributable to owners of parent
For debt having a capital component, a portion of its issue price is deemed to be capital, as assessed by rating agencies.
*13 Segment profit: Profit including finance income in business profit

Non-financial Highlights

Environmental Indicators

CO₂ emissions from energy sources (million t-CO_2) and CO_2 emission intensity (t-CO_2/t-s) of JFE Steel



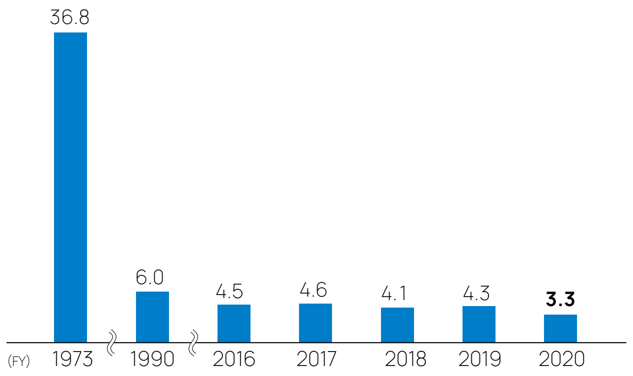
Scope 1 Scope 2 CO₂ emissions from energy sources intensity

*1 The CO_2 coefficient for electricity purchased in FY2020 is that of FY2019 on the Japan Iron and Steel Federation's Commitment to a Low Carbon Society.

*2 The figures in FY2018 have been updated as the CO_2 coefficient for electricity purchased in FY2019 on the Japan Iron and Steel Federation's Commitment to a Low Carbon Society was applied.

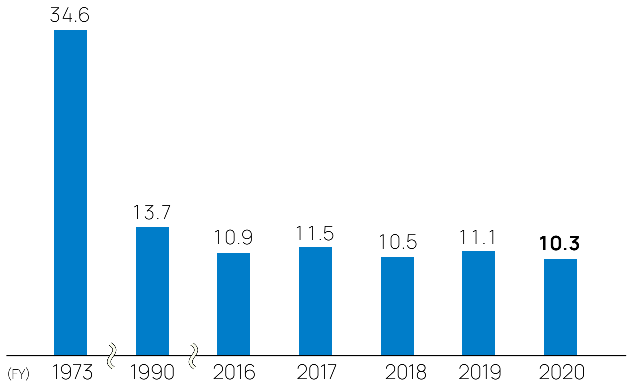
*3 Data of JFE Bars & Shapes Corporation Sendai Works is included in the figures from FY2013 to FY2016.

SOx emissions by JFE Steel (million Nm³)



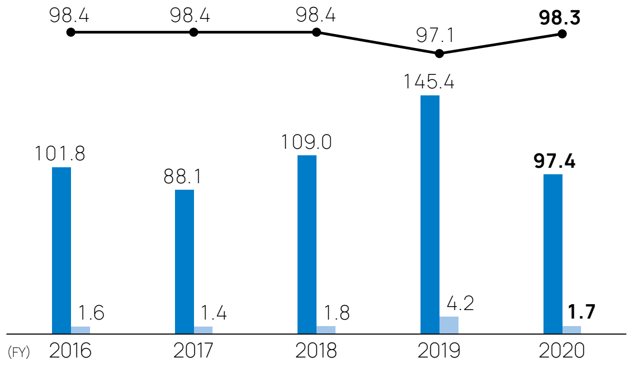
Emissions by JFE Steel (non-consolidated)

NOx emissions by JFE Steel (million Nm³)



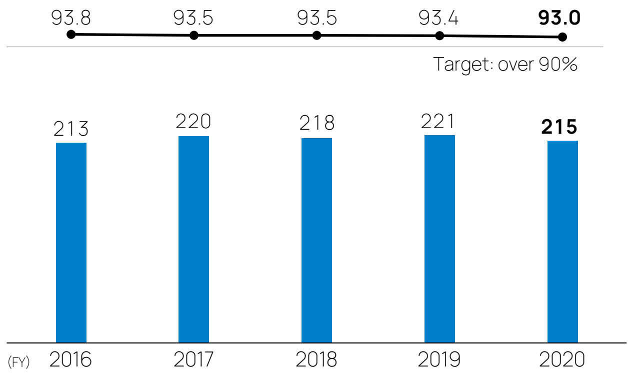
Emission by JFE Steel (non-consolidated)

Waste generated at construction sites (thousand tons) and recycling rate (%) of JFE Engineering



Total Final disposal Recycling rate

Industrial water accepted (million tons) and circulated (%) by JFE Steel

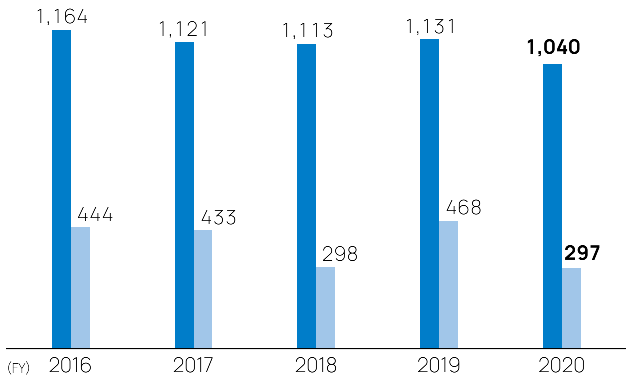


Industrial water accepted by JFE Steel (non-consolidated)

Industrial water circulated by JFE Steel* (non-consolidated)

* Industrial water circulated (%) = (Total amount - industrial water accepted) / total amount × 100

Environmental capital investment (billion yen) and promotion expenses for environmental activities (billion yen) of JFE Steel

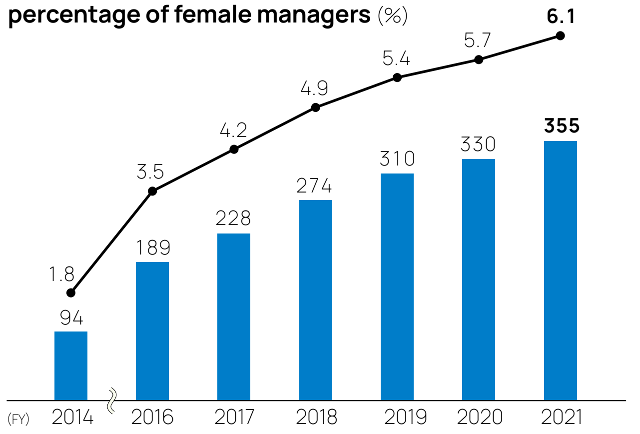


Promotion expenses for environmental activities

Environmental capital investment

Societal Indicators

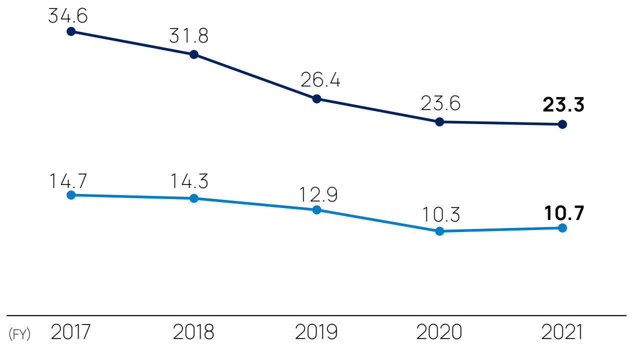
Number of female managers (persons) and percentage of female managers (%)



Number of female managers Percentage of female managers

* Scope of calculation: JFE Holdings and operating companies

Percentage of female recruits (total) (%) and percentage of female recruits (career-track white-collar positions) (%)

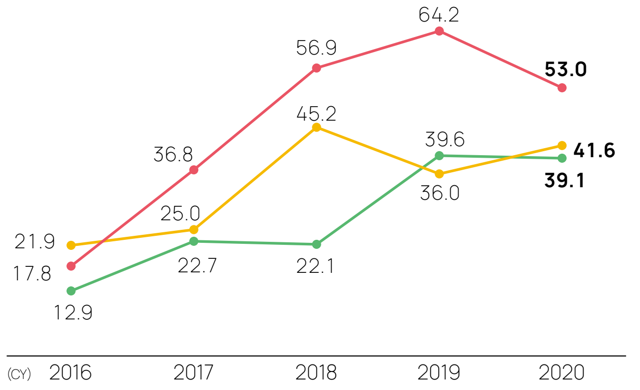


Percentage of female recruits (total)

Percentage of female recruits (career-track white-collar positions)

* Scope of calculation: total of three operating companies

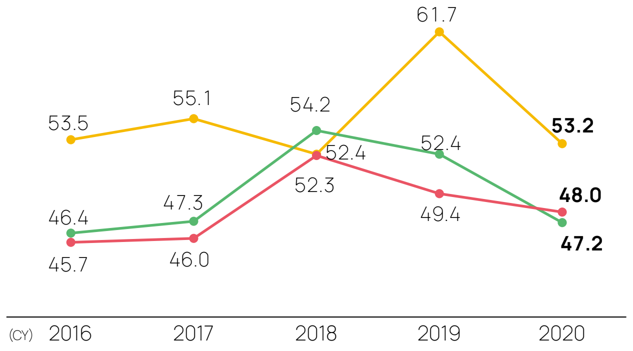
Provision rates of health guidance (%)



JFE Steel JFE Engineering JFE Shoji

* Results for 2019 have been changed from preliminary to confirmed figures.

Rate of health examination for dependents (%)

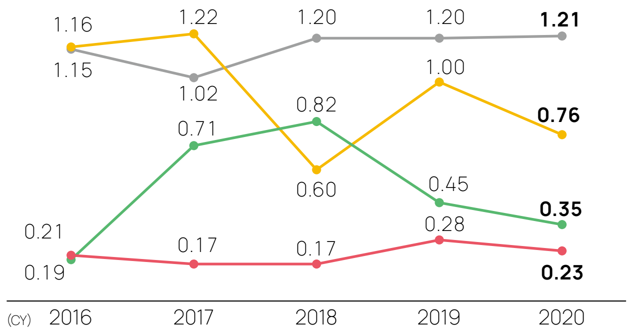


JFE Steel JFE Engineering JFE Shoji

* Target: dependents aged 40 or older (including dependents other than spouses)

* Results for 2019 have been changed from preliminary to confirmed figures.

Lost-work Injuries



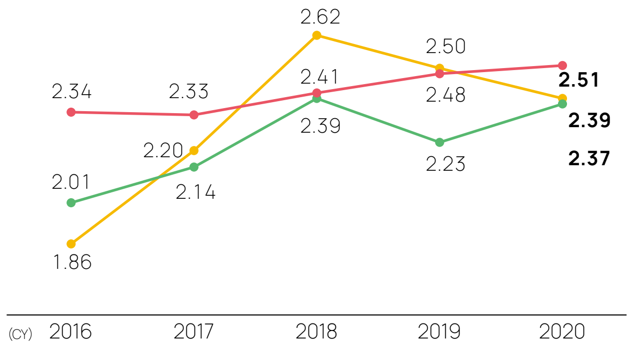
JFE Steel JFE Engineering JFE Shoji Group

Manufacturing industry average

* JFE Steel and JFE Engineering: parent company, business associates and contractors; JFE Shoji Group: domestic parent and group companies, business associates and contractors

* Lost-work injuries = Number of lost-time injuries / number of hours worked × 1,000,000

Employment of people with disabilities (as of June 1 of each year) (%)



JFE Steel JFE Engineering JFE Shoji

JFE GROUP REPORT 2021

Company Profile / Share Information

Company Profile (As of March 31, 2021)

Company Name (Trade Name):	JFE Holdings, Inc.
Head Office:	2-2-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan
TEL:	+81-3-3597-4321
Established:	September 27, 2002
Capital:	147.1 billion yen
Number of Employees:	64,371 (Consolidated) Male: 54,983 / Female: 9,388

Share Data (As of March 31, 2021)

Total Number of Shares Authorized to Be Issued	2,298,000,000 shares
Total Number of Shares Issued	614,438,399 shares
Total Number of Shareholders	215,592 persons

Share Information (As of March 31, 2021)

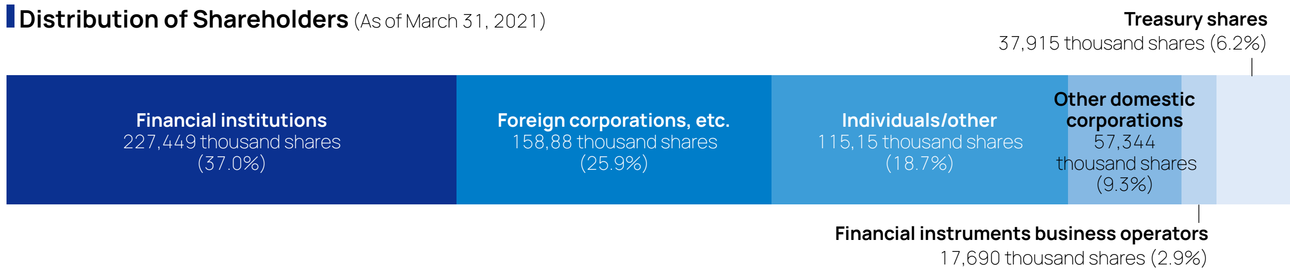
Minimum Trading Unit	100 shares
Fiscal Year-End	March 31 of each year
Stock Exchange Listing	Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc.
Security Code	5411
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd. 1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670, Japan

Major Shareholders (As of March 31, 2021)

Name	Number of shares held (Thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	53,606	9.30
Custody Bank of Japan, Ltd. (trust account)	31,127	5.40
Nippon Life Insurance Company	20,821	3.61
The Dai-ichi Life Insurance Company, Limited	13,127	2.28
Mizuho Bank, Ltd.	12,138	2.11
JFE Employees Stock Ownership Plan	10,266	1.78
Custody Bank of Japan, Ltd. (trust account 5)	8,774	1.52
STATE STREET BANK WEST CLIENT - TREATY 505234	8,471	1.47
JFE Business Partners Stock Ownership Plan	8,144	1.41
Tokio Marine & Nichido Fire Insurance Co., Ltd.	7,827	1.36

Note: In addition to the above, the Company retains 37,915 thousand shares as treasury shares. The treasury shares are not included in the shareholding ratio calculation.

Distribution of Shareholders (As of March 31, 2021)



Changes in Share Prices, Trading Volume and Dividends

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Share price (Yen) (As of year-end)	2,434	1,778	1,767	1,943	2,654	1,516	1,909	2,144	1,879	703	1,363
Trading volume (Million shares) (Fiscal year)	760	722	1,206	1,113	799	1,080	1,141	896	685	823	1,077
Annual dividends per share (Yen)	35	20	20	40	60	30	30	80	95	20	10

Annual Highlights

JFE Holdings

2020
- June Held the 18th Ordinary General Meeting of Shareholders
- July Selected for inclusion in FTSE4Good Index Series and FTSE Blossom Japan Index for the first time
- Aug. Selected for inclusion in DX Stocks 2020 (sixth year running, including Competitive IT Strategy Company Stock)
- Sep. Announced CO_2 emission reduction target for the JFE Group
- Sep. Issued JFE Group Report 2020 (integrated report)
- Sep. Issued JFE Group CSR Report 2020 (online only instead of a publication)
- Oct. Held the first JFE Group ESG Briefing

2021
- Feb. Issued JFE Group DX Report 2020
- Feb. JFE Group CSR Report 2020 won the Excellence Award in the 24th Environmental Communication Award
- Feb. Won the Environmentally Sustainable Companies Special Award in the 2nd ESG Finance Awards Japan
- Mar. Co-sponsored the 15th All-China Japanese Speech Contest

JFE Steel (Steel business)

2020
- Apr. Won 2020 Commendation for Science and Technology from Minister of Education, Culture, Sports, Science and Technology, Awards for Science and Technology (Development Category) for developing environmentally friendly high-quality stainless-steel smelting process
- Apr. Collaborated with Taiheiyo Cement and Research Institute of Innovative Technology for the Earth (RITE) in establishing group to research technologies to fixate CO_2 in carbonate
- May Collaborated with Tohoku University in establishing department to research advanced analysis technologies for steelmaking processes
- June Received Field Innovation Award from The Japanese Society for Artificial Intelligence for developing safety support system using human-behavior analysis software
- June Named by Ministry of Economy, Trade and Industry to Global Niche Top Companies Selection 100 for ARRESTEX heavy-crack-arrest steel plate for super-large container vessels
- June Opened JFE Digital Transformation Center (JDXC®) to pursue DX initiatives
- July Completed rollout of steel sheet non-contact control technology for hot dip galvanizing process in all production bases worldwide
- July Nine companies including Nihon Shipyard (then "JMU") launched Ship Carbon Recycling Working Group within Carbon Capture & Reuse (CCR) Study Group to pursue zero-emission ship fuel based on methane
- Sep. Won seventh straight annual National Commendation for Invention for T-eye® system that uses magnetic flux leakage method to measure minute concave-convex defects in steel sheets
- Sep. Developed 100% chromate-free hot dip galvanized steel sheets
- Oct. Introduced training simulator that uses mixed-reality technology
- Oct. Started demonstration testing of medium-sized facility to produce ferro coke
- Oct. Won Steelie Awards 2020 from World Steel Association for development of resource-conserving silicon-gradient magnetic steel sheet for high-speed motors
- Nov. Commenced companywide deployment of automated smart cranes for coil warehouses
- Nov. Launched Super-RQ quenching facility at Keihin steel plate mill
- Dec. Developed JNRF™ silicon-gradient magnetic steel sheet for high-speed motors
- Dec. Received Prize of the Chairman from Energy Conservation Center, Japan (ECCJ) for Energy Conservation Best Practices at Workplaces, Energy Conservation Grand Prize Award for developing energy-supply demand-guidance system based on data science
- Dec. Received Chairman's Prize in 55th JSPMI Prize for surface inspection system using twin-illumination and subtraction technique
- Dec. 1.5 GPa-grade high-tensile strength cold-rolled steel sheets adopted for first time in vehicle body structural parts
- Dec. Started testing Type 2 pressure accumulator for JFE-made hydrogen stations at commercial locations

2021
- Feb. Signed agreement with BHP to develop methods for reducing carbon in steelmaking
- Feb. Launched curriculum at Vietnamese university to train steel-structure engineers
- Mar. Developed world's first ultrasonic robots for inspecting steel plate
- Mar. Developed energy-absorption structure made with ultra-high-strength steel incorporating resins
- Mar. Greatly expanded processing landslide prevention piles with JFE Nejiru® threaded joints
- Mar. Received 53rd Ichimura Industry Award for chrome ore smelting reduction process using hydrocarbon fuel burner

JFE Engineering (Engineering business)

2020
- Apr. Established Kyoei J&T Recycling Corporation (J&T Recycling Corporation)
- July Started to provide "BRA-ING", a high-performance fully automated operating system for waste incinerators
- Sep. Acceptance of operation and maintenance order for waste-to-energy plants in Fukuyama and Kurashiki
- Oct. Turned food biogas power generation business company Bios Komaki into a subsidiary (J&T Recycling Corporation)
- Oct. Held the 50th anniversary ceremony of Tsu-Works
- Oct. Constructed new LUCANT™ plant for Mitsui Chemicals (JFE Project One)
- Nov. Received order for one of the world's largest waste-to-energy plants in Stapelfeld, Germany (SBG)
- Dec. Signed share transfer agreement to acquire shares of Mitsui E&S Plant Engineering Inc.

2021
- Jan. Kesennuma Wan Oudan Kyo Bridge completed
- Feb. Nagoya Nishi JCT (NAGOYA-DAINI-KANJO EXPRESSWAY) completed
- Mar. Appointed as joint preferential negotiation right holder for transfer of gas business and comprehensive consign of waterworks and sewage businesses by Myoko City, Niigata Prefecture
- Mar. Ibaraki Trunk Line, one of the longest gas pipelines in Japan, completed

JFE Shoji (Trading business)

2020
- Apr. Merger of JFE Shoji Steel Construction Materials and JFE Shoji Usuitakenzai
- July Established Renewable Energy Steel Products Team in Steel Overseas Division
- Oct. Formed alliance with Niigata Steel and Fujita Metal to optimize steel sheet processing businesses
- Oct. Invested in Sankyo Noritake Steel

2021
- Feb. Launched operations at second plant of JFE Shoji Steel Hai Phong, a coil center in northern Vietnam

Japan Marine United (Shipbuilding business)

2020
- June Participated in the Designing the Future of Full Autonomous Ship Project (DFFAS Project) sponsored by the Joint Technological Development Program for the Demonstration of Unmanned Ships under the administration of the Nippon Foundation
- Aug. Launched joint R&D program for transporting liquefied ammonia and using it as a marine fuel
- Oct. Participated in newly established Planning and Design Center for Green Ships

2021
- Jan. Launched Nihon Shipyard as joint venture in marketing, sales, and design with Imabari Shipbuilding as part of capital and business alliance
- Jan. Received lot of 12 container ships by 3,000 TEU type from abroad
- Mar. Delivered Aegis destroyer *Haguro* to Japan's Ministry of Defense

JFE GROUP REPORT 2021

Operating and Main Group Companies (As of April 1, 2021)

Notes 1: Net sales/Revenue: Results for FY2020
2: Number of employees: As of March 31, 2020 (Consolidated)
* Equity method affiliates

JFE Steel
Steel Business

Head office Chiyoda-ku, Tokyo **Revenue** 2,255.2 billion yen **Number of employees** 45,797 (male: 40,054; female: 5,743)

Domestic group companies
■JFE Mineral Company, Ltd. ■Mizushima Ferroalloy Co., Ltd. ■JFE Material Co., Ltd. ■Chiba Riverment and Cement Corporation
■Mizushima Riverment Corporation ■JFE Precisions Co., Ltd. ■JFE Plastic Resource Corporation ■JFE Bars & Shapes Corporation
■JFE Metal Products & Engineering, Inc. ■JFE Galvanizing & Coating Co., Ltd. ■JFE Welded Pipe Manufacturing Co., Ltd. ■JFE Container Co., Ltd.
■JFE Steel Pipe Co., Ltd. ■Galvatex Corporation ■JFE Pipe Fitting Mfg. Co., Ltd. ■JFE Tubic Corporation ■JFE Techno-Wire Corporation
■JFE Kozai Corporation ■Daiwa Kohtai Co., Ltd. ■GECOSS Corporation ■JFE Plant Engineering Co., Ltd. ■JFE Advantech Co., Ltd.
■JFE Civil Engineering & Construction Corporation ■JFE Sekkei Ltd. ■JFE Logistics Corporation ■JFE West Technology Corporation
■JFE Wing Corporation ■JFE Techno-Research Corporation ■JFE Systems, Inc. ■JFE Chemical Corporation ■JFE Life Corporation
■JFE East Japan GS Co., Ltd. ■JFE West Japan GS Co., Ltd. ■JFE Apple East Corporation ■JFE Apple West Corporation
■Shinagawa Refractories Co., Ltd.* ■Nippon Chuzo K.K.* ■Nippon Chutetsukan K.K.* ■EXA Corporation* ■Setouchi Joint Thermal Power Co., Ltd.*
■Setouchi Joint Thermal Power Co., Ltd.* ■Mizushima Eco-Works Co., Ltd.* ■NKK Seamless Steel Pipe K.K.*

Overseas group companies
■Nova Era Silicon S.A. ■Thai Coated Steel Sheet Co., Ltd. ■JFE Steel Galvanizing (Thailand) Ltd. ■Philippine Sinter Corporation
■PT.JFE Steel Galvanizing Indonesia ■JFE Steel Australia Resources Pty. Ltd. ■Nucor-JFE Steel Mexico, S. Der. L. Dec.V.* ■California Steel Industries, Inc.*
■Hojalata Y Laminados S.A.* ■Fujian Sino-Japan Metal Co., Ltd.* ■Bohai NKK Drill Pipe Co., Ltd.* ■Guangzhou JFE Steel Sheet Co., Ltd.*
■Inner Mongolia Erdos EJM Manganese Alloys Co., Ltd.* ■Jiaxing JFE Precision Steel Pipe Co., Ltd.* ■Shanghai Baowu JFE Clean Iron Powder Co., Ltd.*
■BaoWu JFE Special Steel Co., Ltd. * ■JSW Steel Ltd.* ■Thai Cold Rolled Steel Sheet Public Co., Ltd.* ■P.T. Sermani Steel*
■Perusahaan Sadur Timah Malaysia (Perstima) Bhd.* ■JFE Steel Tubular Technical Center Pte. Ltd.* ■J-Spiral Steel Pipe Co., Ltd.*
■Agrimeco & JFE Steel Products Co., Ltd.* ■Al Gharbia Pipe Company* ■JFE MERANTI MYANMAR Co., Ltd. ■JFE Connections America, Inc.
■GECOSS VIETNAM COMPANY LIMITED

JFE Engineering
Engineering Business

Head office Chiyoda-ku, Tokyo **Yokohama head office** Yokohama, Kanagawa Prefecture **Revenue** 485.7 billion yen
Number of employees 10,612 (male: 9,141; female: 1,471)

Domestic group companies
■Asukasoken Co., Ltd. ■Urban Energy Corporation ■AnyTech Inc. ■Kitanihon Industrial Co. Ltd. ■J&T Recycling Corporation
■JFE Aqua Machine and Service Corporation ■JFE Environmental Service Corporation ■JFE Environment Technology Company, Limited
■JFE Career Navi Corporation ■JFE Technos Co., Ltd. ■JFE Pipeline Engineering Corporation ■JFE Business Support Yokohama Corporation
■JFE Project One Co., Ltd. ■J Farm Corporation ■Japan Tunnel Systems Corporation* ■JP Steel Plantech Co.* ■Tohoku Dock Tekko K.K.
■Fuji Kako Co., Ltd ■Mie Data Craft Co., Ltd.

Overseas group companies
■JFE Techno Manila, Inc. ■JFE Engineering (M) SDN. Bhd. ■PT. JFE Engineering Indonesia ■JFE Engineering India Private Limited
■Mitr Project Sevices Co., Ltd. ■Standardkessel Baumgarte Holding GmbH ■J&M Steel Solutions Company Limited
■DongJie Environmental Technology Co., Ltd.*

JFE Shoji
Trading Business

Head office Chiyoda-ku, Tokyo **Revenue** 932.5 billion yen **Number of employees** 7,910 (male: 5,757; female: 2,153)

Domestic group companies
■JFE Shoji Steel Construction Materials Corporation ■JFE Shoji Pipe & Fitting Corporation ■JFE Shoji Electrical Steel Co., Ltd.
■Kawasho Foods Corporation ■JFE Shoji Electronics Corporation ■JFE Shoji Coil Center Corporation ■Niigata Steel Corporation
■Nagano Can Corporation ■Toyo Kinzoku Corporation ■JFE Shoji Terre One Corporation ■Tochigi Shearing Corporation ■Hokuriku Steel Co., Ltd.
■K&I Tubular Corporation ■Taisei Kogyo Corporation ■Kadota Kozai Corporation ■JFE Shoji Zosen Kako Corporation
■JFE Shoji Kohnan Steel Center Co., Ltd ■Naigai Steel Corporation ■JFE Shoji Tinplate Center Corporation ■Mizushima Steel Corporation
■Mizushima Metal Products Corporation ■Nihon Jiseizai Kogyo Co., Ltd. ■Kyushu-Tech Corporation ■JFE Shoji Matech Inc.
■JFE Shoji Machinery & Materials Corporation ■JFE Shoji Business Support, Inc. ■JFE Shoji Service Corporation
■Kadowaki Steel Material's Corporation ■Tohsen Corporation ■Shin Nihon Kogyo Corporation ■Yashimanada Corporation
■Mitsuwa Tekken Corporation ■JFE Shoji Jutaku Shizai Corporation ■Aichi Kanzai Kogyo Corporation ■Hoshi Kinzoku Corporation
■Showa Kigyo Corporation ■Hokuriku Kogyo Corporation ■Kohnan Blanking Service Corporation ■JFE Shoji Cormec Co., Ltd.
■Hanwa Kozai Co., Ltd.* ■Kita-Kanto Steel Corporation* ■Ohmi sangyo Co., Ltd.*

Overseas group companies
■Guangzhou JFE Shoji Steel Products Co., Ltd. ■Dongguan JFE Shoji Steel Products Co., Ltd. ■Zhejiang JFE Shoji Steel Products Co., Ltd.
■Jiangsu JFE Shoji Steel Products Co., Ltd. ■JFE Shoji Steel Philippines, Inc. ■Central Metals (Thailand) Ltd. ■Steel Alliance Service Center Co., Ltd.
■New Bangpoo Manufacturing Co., Ltd. ■JFE Shoji Steel Vietnam Co., Ltd. ■JFE Shoji Steel Hai Phong Co., Ltd. ■JFE Shoji Steel Malaysia Sdn. Bhd.
■PT. JFE Shoji Steel Indonesia ■JFE Shoji Steel India Private Limited ■VEST Inc. ■JFE Shoji Steel America, Inc. ■JFE Shoji Steel de Mexico, S.A. de C.V.
■Kelly Pipe Co., LLC ■JFE Shoji Steel Service Center Bajio, S.A.P.I. de C.V. ■Cogent Power Inc. ■Marushin Canneries(Malaysia)Sdn. Bhd.
■JY Steel Processing Co., Ltd. ■Kawarin Enterprise Pte. Ltd.* ■r. bourgeois JFE Shoji Magnetic Lamination, Inc.*

Japan Marine United
Shipbuilding Business

Head office Yokohama, Kanagawa Prefecture **Net sales** 237.3 billion yen **Number of employees** 5,309 (male: 5,054; female: 255)

Domestic group companies
■JMU AMTEC Co., Ltd. ■IMC Co., Ltd. ■JMU Defense Systems Co., Ltd.

Employee Data (Non-consolidated: Actual figures for FY2020)

JFE Steel

Number of employees (March 31, 2021)	16,089 (Male 14,718, Female 1,371)
Number of managers	2,781 (Male 2,616, Female 165)
Ratio of female managers	5.9%
Number of recruits	489 (Male 452, Female 37) (New graduates 448, Mid-career 41)
Average years employed	15.8 (Male 15.4, Female 18.2)
Turnover rate	3.1%
Number of rehired employees	626
Number of annual leave days taken (average)	13.2 days/year
Overtime working hours (average)	15.0 hours/month
Number of employees working shorter hours for childcare (total number of persons)	81
Number of dispatched employees	169

JFE Engineering

Number of employees (March 31, 2021)	3,866 (Male 3,324, Female 542)
Number of managers	2,401 (Male 2,257, Female 144)
Ratio of female managers	6.0%
Number of recruits	138 (Male 122, Female 16) (New graduates 77, Mid-career 61)
Average years employed	14.4 (Male 14.4, Female 14.5)
Turnover rate	1.5%
Number of rehired employees	44
Number of annual leave days taken (average)	17.2 days/year
Overtime working hours (average)	24.3 hours/month
Number of employees working shorter hours for childcare (total number of persons)	70
Number of dispatched employees	652

JFE Shoji

Number of employees (March 31, 2021)	1,003 (Male 598, Female 405)
Number of managers	629 (Male 592, Female 37)
Ratio of female managers	5.9%
Number of recruits	43 (Male 24, Female 19) (New graduates 40, Mid-career 3)
Average years employed	14.0 (Male 14.7, Female 12.8)
Turnover rate	3.7%
Number of rehired employees	31
Number of annual leave days taken (average)	10.4 days/year
Overtime working hours (average)	29.8 hours/month
Number of employees working shorter hours for childcare (total number of persons)	62
Number of dispatched employees	16

FINANCIAL INFORMATION

Note: Fiscal Year (FY) 2020 in the following pages refers to the period beginning April 1, 2020 and ended March 31, 2021

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, 2021 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.

JFE GROUP REPORT 2021

Consolidated Financial Statements

Consolidated Statement of Financial Position

(million yen)

	Notes	As of March 31, 2020	As of March 31, 2021
Assets			
Current assets			
Cash and cash equivalents	7, 21	86,704	142,416
Trade and other receivables	8, 21, 38	678,098	751,824
Contract assets	27	142,075	101,282
Inventories	9	872,602	785,632
Income taxes receivable		20,946	14,748
Other financial assets	10, 38	6,307	13,359
Other current assets	11	108,410	79,430
Total current assets		1,915,146	1,888,694
Non-current assets			
Property, plant and equipment	12, 21	1,717,751	1,772,303
Goodwill	13	6,497	6,200
Intangible assets	13	88,802	95,055
Right-of-use asset	14, 21	102,322	111,938
Investment property	15	58,158	58,310
Investments accounted for using equity method	6, 18, 21	336,040	355,242
Retirement benefit asset	24	15,520	22,159
Deferred tax assets	19	94,930	86,014
Other financial assets	10, 21, 38	296,004	244,505
Other non-current assets	11, 21	14,946	14,547
Total non-current assets		2,730,974	2,766,278
Total assets	6	4,646,120	4,654,972

(million yen)

	Notes	As of March 31, 2020	As of March 31, 2021
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	20, 21, 38	557,252	496,995
Bonds payable, borrowings, and lease liabilities	21, 37, 38	376,473	277,027
Contract liabilities	27	44,813	43,038
Income taxes payable, etc.		13,249	15,090
Provisions	23	12,507	11,518
Other financial liabilities	22, 38	89,465	86,836
Other current liabilities	11	210,543	208,510
Total current liabilities		1,304,306	1,139,017
Non-current liabilities			
Bonds payable, borrowings, and lease liabilities	21, 37, 38	1,437,835	1,529,112
Retirement benefit liability	24	143,316	141,186
Provisions	23	25,740	24,105
Deferred tax liabilities	19	3,723	7,591
Other financial liabilities	22, 38	16,246	45,417
Other non-current liabilities	11	8,398	8,387
Total non-current liabilities		1,635,261	1,755,800
Total liabilities		2,939,568	2,894,818
Equity			
Share capital	25	147,143	147,143
Capital surplus	25	652,430	652,465
Retained earnings	25	1,002,076	1,029,976
Treasury shares	25	(180,637)	(180,639)
Other components of equity		6,012	30,278
Equity attributable to owners of parent		1,627,026	1,679,223
Non-controlling interests		79,526	80,930
Total equity		1,706,552	1,760,154
Total liabilities and equity		4,646,120	4,654,972

Consolidated Statement of Profit or Loss

(million yen)

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Revenue	27	3,729,717	3,227,285
Cost of sales	12, 13, 29	(3,334,103)	(2,912,766)
Gross profit		395,614	314,519
Selling, general and administrative expenses	12, 13, 28, 29, 30	(356,992)	(324,057)
Share of profit of investments accounted for using equity method	6, 18	8,782	14,239
Other income	31	30,818	25,782
Other expenses	32	(40,323)	(43,394)
Business profit (loss)		37,899	(12,911)
Profit on sales of fixed assets	6, 33	–	28,021
Impairment losses	6, 16	(238,826)	(7,544)
Operating profit (loss)		(200,927)	7,566
Finance income	6, 34	2,727	1,686
Finance costs	6, 34	(15,273)	(14,184)
Loss before tax		(213,473)	(4,930)
Income tax expense	19	20,183	(14,133)
Net loss		(193,290)	(19,063)
Loss attributable to			
Owners of parent		(197,744)	(21,868)
Non-controlling interests		4,454	2,804
Net loss		(193,290)	(19,063)
Earnings per share			
Basic losses per share (yen)	36	(343.39)	(37.98)
Diluted losses per share (yen)	36	(343.39)	(37.98)

Consolidated Statement of Comprehensive Income

(million yen)

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net loss		(193,290)	(19,063)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	24, 35	(4,975)	12,020
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	35, 38	(49,143)	46,751
Share of other comprehensive income of investments accounted for using equity method	18, 35	3,148	13,284
Total of items that will not be reclassified to profit or loss		(50,971)	72,056
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	35	(3,080)	(609)
Effective portion of cash flow hedges	35	(44)	11,673
Share of other comprehensive income of investments accounted for using equity method	18, 35	(11,786)	(825)
Total of items that may be reclassified to profit or loss		(14,911)	10,238
Total other comprehensive income		(65,882)	82,295
Comprehensive income		(259,172)	63,231
Comprehensive income attributable to			
Owners of parent		(263,243)	60,036
Non-controlling interests		4,070	3,195
Comprehensive income		(259,172)	63,231

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, 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
Net 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	38	—	—	—	—	—	—
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				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, 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
Net 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	38	—	(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

(million yen)

	Notes	Equity attributable to owners of parent					
						Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Balance as of April 1, 2020		147,143	652,430	1,002,076	(180,637)	—	39,768
Net loss		—	—	(21,868)	—	—	—
Other comprehensive income		—	—	—	—	12,186	59,433
Comprehensive income		—	—	(21,868)	—	12,186	59,433
Purchase of treasury shares		—	—	—	(65)	—	—
Disposal of treasury shares		—	(22)	—	26	—	—
Dividends	26	—	—	—	—	—	—
Share-based payment transactions	30	—	(23)	—	37	—	—
Change in scope of consolidation		—	—	—	—	—	—
Changes in ownership interest in subsidiaries		—	80	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	49,768	—	(12,186)	(37,581)
Transfer to non-financial assets	38	—	—	—	—	—	—
Other		—	—	—	—	—	—
Total transactions with owners		—	34	49,768	(1)	(12,186)	(37,581)
Balance as of March 31, 2021		147,143	652,465	1,029,976	(180,639)	—	61,620

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity					
		Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total	Total		
Balance as of April 1, 2020		(31,941)	(1,813)	6,012	1,627,026	79,526	1,706,552
Net loss		—	—	—	(21,868)	2,804	(19,063)
Other comprehensive income		(314)	10,599	81,904	81,904	390	82,295
Comprehensive income		(314)	10,599	81,904	60,036	3,195	63,231
Purchase of treasury shares		—	—	—	(65)	—	(65)
Disposal of treasury shares		—	—	—	4	—	4
Dividends	26	—	—	—	—	(1,743)	(1,743)
Share-based payment transactions	30	—	—	—	13	—	13
Change in scope of consolidation		—	—	—	—	694	694
Changes in ownership interest in subsidiaries		—	—	—	80	(854)	(774)
Transfer from other components of equity to retained earnings		—	—	(49,768)	—	—	—
Transfer to non-financial assets	38	—	(7,871)	(7,871)	(7,871)	—	(7,871)
Other		—	—	—	—	112	112
Total transactions with owners		—	(7,871)	(57,639)	(7,838)	(1,791)	(9,629)
Balance as of March 31, 2021		(32,256)	914	30,278	1,679,223	80,930	1,760,154

Consolidated Statement of Cash Flow

(million yen)

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities			
Loss before tax		(213,473)	(4,930)
Depreciation and amortization		231,577	236,353
Changes in allowance		(6,601)	(2,696)
Interest and dividend income		(12,205)	(7,179)
Interest expenses		14,486	13,844
Changes in trade and other receivables		86,357	(71,111)
Change in inventories		42,559	86,569
Change in trade and other payables		(52,338)	(42,479)
Other		184,494	47,381
Subtotal		274,856	255,751
Interest and dividends received		24,192	14,857
Interest paid		(13,241)	(12,362)
Income taxes paid		(24,736)	(10,972)
Net cash from operating activities		261,070	247,274
Cash flows from investing activities			
Purchase of property, plant and equipment, intangible assets, and investment property		(352,842)	(308,123)
Proceeds from sale of property, plant and equipment, intangible assets, and investment property		3,357	29,547
Purchase of investments		(35,299)	(5,731)
Proceeds from sale of investments		23,530	128,898
Other		2,875	(8,812)
Net cash from investing activities		(358,378)	(164,221)
Cash flows from financing activities			
Change in short-term borrowings	37	(11,500)	3,396
Change in commercial papers	37	5,999	(88,999)
Proceeds from long-term borrowings	37	183,529	224,077
Repayments of long-term borrowings	37	(104,825)	(214,826)
Proceeds from issuance of bonds	37	120,000	60,000
Payments for purchase of treasury shares		(73)	(65)
Dividends paid to owners of parent	26	(40,363)	–
Other	37	(48,865)	(13,674)
Net cash provided from financing activities		103,900	(30,092)
Effect of exchange rate change on cash and cash equivalents		(2,176)	2,752
Changes in cash and cash equivalents		4,416	55,712
Cash and cash equivalents at beginning of period		82,288	86,704
Cash and cash equivalents at end of period	7	86,704	142,416

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, 2021, 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 Note "6. Segment Information."

2. Basis of Presentation

(1) Statement of compliance with IFRS

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

The Group's consolidated financial statements for the fiscal year ended March 31, 2021 were authorized for issue on June 25, 2021 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 Note "3. Significant Accounting Policies."

(3) Functional currency and reporting currency

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

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's provisional reporting date and the consolidated reporting date.

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(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.

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c. Derecognition

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

(iii) Derivative and hedge accounting

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

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

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

a. Fair value hedges

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

b. Cash flow hedges

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

- Buildings and structures: 2–75 years
- Machinery and vehicles: 2–27 years

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

(8) Goodwill and intangible assets

(i) Goodwill

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

Goodwill is carried at 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-cancelable period of leased assets, together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

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

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

(ii) Leases as a lessor

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

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

In the case of operating leases, the Group records the leased assets on the consolidated statement of financial position and recognizes lease payments 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 or whenever an indication of impairment exists.

Impairment losses recognized on assets other than goodwill in previous years are assessed at the end of each reporting period to determine whether there is any indication that the recognized impairment loss may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated, and if the recoverable amount exceeds the carrying amount of the asset or the cash-generating unit to which the asset belongs, 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 carryforwards 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

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

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

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

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

The Company has applied consolidated tax reporting.

(20) Equity

(i) Share capital and capital surplus

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

(ii) Treasury shares

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

(21) Earnings per share

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

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

4. Significant Judgements, Accounting Estimates, and Assumptions

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

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

Additionally, while performance for the fiscal year ended March 31, 2021 was affected by COVID-19, accounting estimates were made on the assumption that impact on the fiscal year ending March 31, 2022 will be limited.

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

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

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

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

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

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

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

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

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

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

  Provisions are measured based on the best estimates of the expenditures expected to be required to settle the obligations in the future on the reporting date. The expenditures expected to be required to settle the obligations in the future are determined by comprehensively taking into account future possible results. Since assumptions which are used for measuring these provisions may be affected by uncertain changes in economic conditions in the future and other factors, 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 amount of defined benefit obligations and fair values of plan assets are recognized as liabilities or assets. Defined benefit obligations are determined based on actuarial assumptions which include the estimates of discount, retirement, mortality, and salary increase rates. These assumptions are determined by comprehensively taking into account all available information, such as market trends in interest rate fluctuations. Since these actuarial assumptions may be affected by uncertain changes in the economic environment in the future, social trends, and other factors, 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 "38. 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 "41. Contingent Liabilities")

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

5. New IFRS Standards Not Yet Adopted

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

6. Segment Information

(1) Overview of reportable segments

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

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

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

(2) Information on reportable segments

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

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

Intersegment transactions are based on market prices and the like.

Fiscal year ended March 31, 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 (loss)	(8,783)	23,118	27,016	41,351	(15,998)	25,353
Impairment losses						(238,826)
Profit 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 investments 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 (loss) 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 profit of investments 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.

Fiscal year ended March 31, 2021

(million yen)

	Steel	Engineering	Trading	Total	Adjustments (Note)	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	1,938,933	474,908	813,443	3,227,285	–	3,227,285
Intersegment revenue	316,283	10,842	119,066	446,192	(446,192)	–
Total	2,255,216	485,750	932,510	3,673,477	(446,192)	3,227,285
Segment profit (loss)	(65,461)	24,073	20,098	(21,289)	(4,118)	(25,408)
Profit on sales of fixed assets						28,021
Impairment losses						(7,544)
Loss before tax						(4,930)
Segment assets	3,864,262	478,146	717,270	5,059,679	(404,707)	4,654,972
Other items						
Depreciation and amortization	211,645	14,629	11,065	237,340	(987)	236,353
Impairment losses	(6,351)	(59)	(1,133)	(7,544)	–	(7,544)
Finance income	689	171	1,000	1,861	(174)	1,686
Finance costs	(11,880)	(838)	(2,053)	(14,772)	588	(14,184)
Share of profit of investments accounted for using equity method	16,873	277	671	17,822	(3,582)	14,239
Investments accounted for using equity method	312,476	11,903	17,144	341,525	13,717	355,242
Capital expenditures	308,384	22,358	12,798	343,540	(1,145)	342,395

Note: Adjustments are as follows:

- Adjustments to segment profit (loss) include corporate profit not allocated to a reportable segment: 9,334 million yen, elimination of dividend income from each reportable segment: (8,847) million yen, and share of loss of investments accounted for using equity method related to Japan Marine United Corporation: (4,136) million yen; elimination of other intersegment transactions: (469) million yen. Corporate profit is profit of the Company.
- Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 103,726 million yen and elimination of intersegment receivables and payables, etc.: (508,433) million yen. Corporate assets are assets of the Company.

(3) Information about the categories of products and services

The information is the same as information on reportable segments.

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

The information is provided in Note "27. Revenue."

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Japan	1,828,061	1,898,718
Other	160,416	159,636
Total	1,988,478	2,058,355

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, 2020	As of March 31, 2021
Cash and bank deposits with maturities of three months or less	86,679	142,404
Deposits paid	25	12
Total	86,704	142,416

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, 2020 and 2021 is consistent with that reported in the consolidated statement of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(million yen)

	As of March 31, 2020	As of March 31, 2021
Notes and accounts receivable–trade	639,997	716,893
Other	39,672	37,012
Allowance for doubtful accounts	(1,570)	(2,080)
Total	678,098	751,824

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, 2020	As of March 31, 2021
Merchandise and finished goods	442,257	378,785
Work in progress	47,419	39,436
Raw materials and supplies	382,925	367,409
Total	872,602	785,632

Inventories recognized as an expense in cost of sales for the fiscal years ended March 31, 2020 and 2021 amounted to 2,800,612 million yen and 2,396,972 million yen, respectively.

10. Other Financial Assets

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Financial assets measured at amortized cost		
Lease receivables (non-current)	25,021	24,135
Other	21,068	35,580
Allowance for doubtful accounts	(552)	(655)
Subtotal	45,537	59,059
Financial assets measured at fair value through profit or loss		
Derivative assets	26,843	28,238
Other	3,874	3,871
Subtotal	30,718	32,109
Equity financial assets measured at fair value through other comprehensive income		
Equity securities	219,561	160,405
Investments in capital	6,494	6,290
Subtotal	226,055	166,696
Total	302,311	257,865
Current assets	6,307	13,359
Non-current assets	296,004	244,505
Total	302,311	257,865

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, 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

(million yen)

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

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

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

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Fair value	23,502	128,281
Accumulated gains or losses recognized in other comprehensive income	8,188	38,010

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, 2020	As of March 31, 2021
Construction scaffolding materials	22,676	21,964
Other	100,680	72,012
Total	123,357	93,977
Current assets	108,410	79,430
Non-current assets	14,946	14,547
Total	123,357	93,977

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Accrued expenses	156,906	153,613
Other	62,035	63,284
Total	218,941	216,897
Current liabilities	210,543	208,510
Non-current liabilities	8,398	8,387
Total	218,941	216,897

12. Property, Plant and Equipment

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

Fiscal year ended March 31, 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

Fiscal year ended March 31, 2021

(million yen)

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

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, 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
As of March 31, 2021							
Cost	1,890,019	6,286,086	202,399	410,263	122,588	17,901	8,929,258
Accumulated depreciation and accumulated impairment losses	(1,545,203)	(5,416,876)	(155,857)	(22,672)	(5,106)	(11,238)	(7,156,954)
Carrying amount	344,815	869,209	46,542	387,590	117,481	6,663	1,772,303

13. Goodwill and Intangible Assets

(1) Movement of goodwill and intangible assets

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

Fiscal year ended March 31, 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

Fiscal year ended March 31, 2021

(million yen)

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

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, 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
As of March 31, 2021				
Cost	10,244	389,962	25,051	425,258
Accumulated amortization and accumulated impairment losses	(4,043)	(302,618)	(17,340)	(324,002)
Carrying amount	6,200	87,344	7,711	101,256

(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, 2020 and 2021 amounted to 38,716 million yen and 36,205 million yen, respectively.

14. Lease Transactions

(1) Lease transactions as a lessee

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

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Depreciation of right-of-use assets		
Buildings and structures	10,848	11,174
Machinery and vehicles	11,577	11,999
Tools, furniture and fixtures	2,105	2,631
Land	1,155	1,256
Other	948	1,029
Total	26,635	28,090
Interest on lease liabilities	639	583
Expense relating to short-term leases	4,034	4,316
Expense relating to leases of low-value assets	835	769
Income from subleasing right-of-use assets	1,388	1,587
Total cash outflow for leases	48,113	50,597

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Buildings and structures	32,775	40,711
Machinery and vehicles	52,139	51,824
Tools, furniture and fixtures	3,528	5,554
Land	11,145	11,271
Other	2,732	2,576
Total	102,322	111,938

Right-of-use assets for the fiscal years ended March 31, 2020 and 2021 increased by 20,944 million yen and 36,591 million yen, respectively.

(2) Lease transactions as a lessor

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

(i) Income from operating leases

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Lease income	10,698	11,355

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Within one year	1,179	1,238
Later than one year and within two years	976	1,225
Later than two years and within three years	963	1,225
Later than three years and within four years	963	1,159
Later than four years and within five years	896	961
Later than five years	2,658	1,828
Total	7,636	7,638

(iii) Income from finance leases

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Finance income on the net investment in the lease	984	919

(iv) Maturity analysis of lease payments receivable

(million yen)

	As of March 31, 2020	As of March 31, 2021
Within one year	7,565	6,951
Later than one year and within two years	5,622	5,885
Later than two years and within three years	3,749	4,111
Later than three years and within four years	3,364	5,276
Later than four years and within five years	4,832	7,839
Later than five years	16,404	10,389
Total	41,538	40,453
Unearned finance income	5,813	6,407
Net investment in the lease	35,724	34,045

15. Investment Properties

(1) Movement of investment properties

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	59,425	58,158
Acquisition	251	728
Reclassification from property, plant and equipment	451	982
Reclassification to property, plant and equipment	(265)	(155)
Depreciation	(971)	(989)
Impairment losses	(4)	(5)
Sale or disposal	(728)	(409)
Balance at the end of the year	58,158	58,310
Cost (balance at the beginning of the year)	132,849	127,821
Accumulated depreciation and accumulated impairment losses (balance at the beginning of the year)	(73,424)	(69,662)
Cost (balance at the end of the year)	127,821	128,205
Accumulated depreciation and accumulated impairment losses (balance at the end of the year)	(69,662)	(69,894)

(2) Fair values

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

(million yen)

	As of March 31, 2020		As of March 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment properties	58,158	136,545	58,310	137,251

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

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

Fair value hierarchy is described in Note "38. Financial Instruments."

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(3) Income and expenses arising from investment properties

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Rental income	10,698	11,355
Direct sales expenses arising from investment properties which generated income	3,223	3,104
Direct sales expenses arising from investment properties which did not generate income	40	20

16. Impairment of Non-financial Assets

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

Fiscal year ended March 31, 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.

Fiscal year ended March 31, 2021
The carrying amount was reduced to the recoverable amount mainly for idle assets, and the reduction was recorded as an impairment loss. Impairment losses in the consolidated statement of profit or loss totaled 7,544 million yen, consisting of 5,232 million yen of machinery and vehicles and 2,311 million yen of buildings and structures. The recoverable amount of the business assets was primarily determined at their expected disposal price.

17. Subsidiaries

Name	Address	Paid-In Capital (Millions of yen)	Main Business Operations	Voting shares (%)	Details of Relationship		
					Concurrent holding of director position, etc.	Business loans	Other
(Consolidated subsidiaries)							
[Steel business]							
JFE Steel Corporation*[1, 3]	Chiyoda-ku, Tokyo	239,644	Manufacture and sale of steel products	100.0	Yes	Yes	Conclusion of contract related to business management. Lease of buildings from the company
JFE Bars & Shapes Corporation*[1]	Minato-ku, Tokyo	30,000	Manufacture and sale of shaped steel and rebar products	100.0 (100.0)	–	–	–
JFE Chemical Corporation	Taito-ku, Tokyo	6,000	Manufacture and sale of chemical products	100.0 (100.0)	Yes	–	–
JFE Metal Products & Engineering, Inc.	Minato-ku, Tokyo	5,000	Manufacture, processing, and sale of secondary steel products	97.4 (97.4)	–	–	–
JFE Galvanizing & Coating Co., Ltd.	Shinagawa-ku, Tokyo	5,000	Manufacture, processing, and sale of secondary steel products	100.0 (100.0)	–	–	–
GECOSS Corporation*[2]	Chuo-ku, Tokyo	4,397	Rental and sale of temporary construction materials	62.0 (62.0)	–	–	–
JFE Logistics Corporation	Chiyoda-ku, Tokyo	4,000	Various transportation and warehousing businesses	89.2 (89.2)	–	–	–
JFE Container Co., Ltd.*[2]	Chiyoda-ku, Tokyo	2,365	Various transportation and warehousing businesses	59.6 (59.6)	–	–	–
JFE Civil Engineering & Construction Corporation	Taito-ku, Tokyo	2,300	Contracting for civil engineering and construction works	100.0 (100.0)	Yes	–	–
JFE Mineral Company, Ltd.	Minato-ku, Tokyo	2,000	Manufacture, processing, and sale of mineral products, and manufacture and sale of iron and steel slag and functional materials	100.0 (100.0)	–	–	–
JFE Life Corporation	Taito-ku, Tokyo	2,000	Real estate, insurance agency and various service businesses	100.0 (100.0)	–	Yes	–
JFE Plant Engineering Co., Ltd.	Taito-ku, Tokyo	1,700	Manufacture and sale of machinery and equipment, and contracting for electrical construction, telecommunications construction, equipment management, and construction works	100.0 (100.0)	–	–	–
JFE Systems, Inc. *[2]	Minato-ku, Tokyo	1,390	Development and sale of various computer systems	67.7 (67.7)	–	–	–
Mizushima Ferroalloy Co., Ltd.	Kurashiki, Okayama	1,257	Manufacture and sale of ferroalloy	100.0 (100.0)	–	–	–
JFE Pipe Fitting Mfg. Co., Ltd.	Kishiwada, Osaka	958	Manufacture and sale of steel pipe joints	86.6 (86.6)	–	Yes	–
JFE Kozai Corporation	Chuo-ku, Tokyo	488	Shearing and fusing of steel plates/sheets, and sale of steel materials	100.0 (100.0)	–	Yes	–
JFE Welded Pipe Manufacturing Co., Ltd.	Chuo-ku, Tokyo	450	Manufacture and sales of electric resistance welded steel pipes	100.0 (100.0)	–	Yes	–
JFE Material Co., Ltd.	Imizu, Toyama	450	Manufacture and sale of ferroalloy	100.0 (100.0)	–	Yes	–

Name	Address	Paid-In Capital (Millions of yen)	Main Business Operations	Voting shares (%)	Details of Relationship: Concurrent holding of director position, etc.	Details of Relationship: Business loans	Details of Relationship: Other
JFE Precisions Co., Ltd.	Higashi-ku, Niigata	450	Manufacture and sale of formed and fabricated materials	100.0 (100.0)	–	Yes	–
JFE Techno-Research Corporation	Chiyoda-ku, Tokyo	100	Material analysis, environmental research, technical information surveys and support for intellectual properties	100.0 (100.0)	–	–	–
JFE East Japan GS Co., Ltd.	Kawasaki-ku, Kawasaki	50	Various service businesses	100.0 (100.0)	–	–	–
JFE Steel Australia Resources Pty. Ltd. *1	Brisbane, Australia	Millions of AUD 460	Investments in coal mines and the iron ore mining business in Australia	100.0 (100.0)	–	–	–
Philippine Sinter Corporation*1	Manila, The Philippines	Millions of PHP 1,881	Manufacture and sale of sintered ore	100.0 (100.0)	–	–	–
PT. JFE Steel Galvanizing Indonesia	Bekasi, Indonesia	Millions of USD 139	Manufacture and sale of cold-rolled and hot-dip zinc galvanized steel products	100.0 (100.0)	–	–	–
JFE Steel Galvanizing (Thailand) Ltd.	Rayong, Thailand	Millions of THB 4,362	Manufacture and sale of hot-dip zinc galvanized steel products	100.0 (100.0)	–	–	–
Thai Coated Steel Sheet Co., Ltd.	Bangkok, Thailand	Millions of THB 2,206	Manufacture and sales of electro-galvanized steel products	81.4 (81.4)	–	–	–
Nova Era Silicon S.A.	Belo Horizonte, Brazil	Millions of BRL 137	Manufacture and sale of ferroalloy	100.0 (100.0)	–	–	–
126 other companies							
[Engineering business]							
JFE Engineering Corporation*1	Chiyoda-ku, Tokyo	10,000	Engineering business	100.0	Yes	Yes	Conclusion of contract related to business management
J&T Recycling Corporation	Tsurumi-ku, Yokohama	650	Total recycling business	64.0 (64.0)	–	–	–
JFE Project One Co., Ltd.	Mihama-ku, Chiba	450	Design, construction, and maintenance of oil refining, petrochemical, and energy-related plants	100.0 (100.0)	–	–	–
Asukasoken Co., Ltd.	Shinagawa-ku, Tokyo	356	Gas pipe burial and gas facility construction works	57.2 (57.2)	–	–	–
JFE Technos Co., Ltd.	Tsurumi-ku, Yokohama	301	Machinery and facility maintenance	100.0 (100.0)	–	–	–
JFE Environmental Service Corporation	Tsurumi-ku, Yokohama	97	Operation, maintenance, and management of waste processing facilities, water treatment facilities, etc.	100.0 (100.0)	–	–	–
Urban Energy Corporation AnyTech	Tsurumi-ku, Yokohama	50	Electricity retailing business	100.0 (100.0)	–	–	–
Standardkessel Baumgarte Holding GmbH	Duisburg, Germany	Thousands of EUR 1,300	Construction and maintenance of waste power plants, biomass power plants, waste heat recovery power plants, etc.	100.0 (100.0)	–	–	–
64 other companies							
[Trading business]							
JFE Shoji Corporation*1, 4	Chiyoda-ku, Tokyo	14,539	Domestic and export/import trade of steel products, raw materials for ironmaking/steelmaking; non-ferrous metal products; chemical products; petroleum products; and various equipment and materials, etc.	100.0	Yes	Yes	Conclusion of contract related to business management
JFE Shoji Steel Construction Materials Corporation	Chiyoda-ku, Tokyo	1,500	Sale of construction material products and equipment and materials for civil engineering; metallic processing business; civil engineering/construction works; and various other works	100.0 (100.0)	–	–	–
JFE Shoji Electronics Corporation	Chiyoda-ku, Tokyo	1,000	Sale of semiconductor products and sale, installation, and maintenance of device assembling and inspection equipment for electronic components, etc.	100.0 (100.0)	–	Yes	–
Kawasho Foods Corporation	Chiyoda-ku, Tokyo	1,000	Domestic and import/export trade of various foods	100.0 (100.0)	–	–	–

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Name	Address	Paid-In Capital (Millions of yen)	Main Business Operations	Voting shares (%)	Details of Relationship: Concurrent holding of director position, etc.	Details of Relationship: Business loans	Details of Relationship: Other
JFE Shoji Pipe & Fitting Corporation	Chiyoda-ku, Tokyo	500	Sale of steel pipe and pipe material products	100.0 (100.0)	–	Yes	–
JFE Shoji Electrical Steel Co., Ltd.	Kita-ku, Osaka	400	Processing and sale of electromagnetic steel sheets	100.0 (100.0)	–	–	–
JFE Shoji Kohnan Steel Center Co., Ltd.	Higashinada-ku, kobe	250	Processing and sale of steel sheets	100.0 (100.0)	–	–	–
JFE Shoji Coil Center Corporation	Kanazawa-ku, Yokohama	230	Processing and sale of steel sheets	85.7 (85.7)	–	Yes	–
K&I Tubular Corporation	Chiyoda-ku, Tokyo	50	Export/overseas trade of specialty pipes/tubes	60.0 (60.0)	–	–	–
Zhejiang JFE Shoji Steel Products Co., Ltd.	Pinghu, China	Millions of CNY 181	Processing and sale of steel sheets	97.9 (97.9)	–	–	–
VEST Inc.	Los Angeles, United States	Millions of USD 5	Sale and manufacture of welded steel pipes	100.0 (100.0)	–	–	–
Dongguan JFE Shoji Steel Products Co., Ltd.	Dongguan, China	Millions of CNY 90	Processing and sale of steel sheets	100.0 (100.0)	–	–	–
JFE Shoji Steel America, Inc.	Los Angeles, United States	Millions of USD 6	Processing and sale of steel sheets	100.0 (100.0)	–	–	–
Central Metals (Thailand) Ltd.	Samut Prakan, Thailand	Millions of THB 240	Processing and sale of steel sheets	100.0 (100.0)	–	–	–
JFE Shoji (Hong Kong) Ltd.	Hong Kong, China	Millions of USD 1	Export/import and domestic trade of steel products, chemical products, etc.	100.0 (100.0)	–	–	–
JFE Shoji (Thailand) Ltd.	Bangkok, Thailand	Millions of THB 20	Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, various equipment and materials, etc.	100.0 (100.0)	–	–	–
JFE Shoji (Shanghai) Co., Ltd.	Shanghai, China	Millions of CNY 3	Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, non-ferrous metal products, chemical products, etc.	100.0 (100.0)	–	–	–
Cogent Power Inc.	Burlington, Canada	Millions of CAD 0	Processing and sale of electromagnetic steel sheets	100.0 (100.0)	–	–	–
JFE Shoji America Holdings Inc.	Los Angeles, United States	Millions of USD 0	Business management, etc. of subsidiaries in the United States	100.0 (100.0)	–	–	–
JFE Shoji America, LLC	Los Angeles, United States	–	Export/import and domestic trade of steel products and raw materials for ironmaking/steelmaking	100.0 (100.0)	–	–	–
Kelly Pipe Co., LLC	San Francisco, United States	–	Sale of steel pipes	100.0 (100.0)	–	–	–
81 other companies							
(Equity-method affiliates, etc.)							
[Steel business]							
Japan-Brazil Niobium Corporation	Chiyoda-ku, Tokyo	37,272	Investment in niobium mining in Brazil	25.0 (25.0)	–	–	–
Setouchi Joint Thermal Power Co., Ltd.	Fukuyama, Hiroshima	5,000	Thermal power generation business	50.0 (50.0)	–	–	–
Shinagawa Refractories Co., Ltd.*2	Chiyoda-ku, Tokyo	3,300	Manufacture and sale of various refractories, and contracting for furnace construction work	34.1 (34.1)	–	–	–
Nippon Chuzo K.K.*2	Kawasaki-ku, Kawasaki	2,627	Manufacture and sale of cast steel products, etc.	34.0 (34.0)	–	–	–
Nippon Chutetsukan K.K. *2	Kuki, Saitama	1,855	Manufacture and sale of cast-iron pipes, etc.	30.0 (30.0)	Yes	–	–
NKK Seamless Steel Pipe K.K.	Kawasaki-ku, Kawasaki	1,595	Manufacture and sale of seamless steel pipes	49.0 (49.0)	Yes	–	–
EXA Corporation	Nishi-ku, Yokohama	1,250	Development and sales of various computer systems	49.0 (49.0)	–	–	–
K.K. JFE Sanso Center	Fukuyama, Hiroshima	90	Manufacture and sale of oxygen gas, nitrogen gas, argon gas, etc.	40.0 (40.0)	–	–	–
Guangzhou JFE Steel Sheet Co., Ltd.	Guangzhou, China	Millions of CNY 3,191	Manufacture and sale of cold-rolled and hot-dip zinc galvanized steel sheets	50.0 (50.0)	–	–	–

Name	Address	Paid-In Capital (Millions of yen)	Main Business Operations	Voting shares (%)	Details of Relationship		
					Concurrent holding of director position, etc.	Business loans	Other
Nucor-JFE Steel Mexico, S. Der. L. Dec.V.	Silao, Mexico	Millions of USD 361	Manufacture and sale of hot-dip zinc galvanized steel sheets	50.0 (50.0)	–	–	–
BaoWu JFE Special Steel Co., Ltd.	Shaoguan, China	Millions of CNY 1,372	Manufacture and sale of specialty steel rods	50.0 (50.0)	–	–	–
Thai Cold Rolled Steel Sheet Public Company Limited.	Bangkok, Thailand	Millions of THB 4,816	Manufacture and sale of cold-rolled steel sheets	36.0 (36.0)	–	–	–
California Steel Industries, Inc.	Fontana, United States	Millions of USD 40	Manufacture and sale of steel products	50.0 (50.0)	–	–	–
JSW Steel Ltd.	Mumbai, India	Ten millions of INR 301	Manufacture and sale of steel products	15.0 (15.0)	–	–	–
Inner Mongolia Erdos EJM Manganese Alloys Co., Ltd.	Ordos, China	Millions of CNY 232	Manufacture and sale of ferroalloy	24.5 (24.5)	–	–	–
Bohai NKK Drill Pipe Co., Ltd.	Cangzhou, China	Millions of CNY 129	Processing, manufacture, and sale of drill pipes and drill pipe accessories	28.3 (28.3)	–	–	–
28 other companies							
[Engineering business]							
Iwate Geothermal Power Co., Ltd.	Hachimandaira, Iwate	2,626	Geothermal power generation business	29.9 (29.9)	–	–	–
JP Steel Plantech Co.	Kohoku-ku, Yokohama	1,995	Design, manufacture, and installation of steelmaking machinery, etc.	34.0 (34.0)	–	–	–
9 other companies							
[Trading business]							
Hanwa Kozai Co., Ltd.	Yodogawa-ku, Osaka	1,076	Processing and sale of stainless [steel] products	47.9 (47.9)	–	–	–
MOBY Corporation	Ichikawa, Chiba	211	Processing and sale steel plates for containers	20.0 (20.0)	–	–	–
Ohmi sangyo Co., Ltd.	Taisho-ku, Osaka	100	Processing and sale of steel sheets	35.7 (35.7)	–	–	–
OSAKA KOWAZ Inc.	Taisho-ku, Osaka	60	Processing and sale of steel sheets	30.7 (30.7)	–	–	–
20 other companies*5							
[Other business]							
Japan Marine United	Nishi-ku, Yokohama	57,500	Design, manufacture, sale, installation, repair, and maintenance of ships, naval vessels, and marine structures, etc.	35.0	Yes	–	–

Notes:
1. *1 Falls under category of a specified subsidiary
2. *2 A securities report has been submitted
3. The figures in parentheses of "voting shares" are voting shares that are indirectly held and are included in the percentage of voting rights.
4. *3 Net sales of JFE Steel Corporation account for over 10% of the Group's consolidated revenue.
   Principal information on profits and losses, etc. (JGAAP)
   Net sales ¥1,557,031 million
   Ordinary loss ¥94,209 million
   Net loss ¥33,130 million
   Net assets ¥741,454 million
   Total assets ¥2,875,872 million
5. *4 Net sales of JFE Shoji Corporation account for over 10% of the Group's consolidated revenue.
   Principal information on profits and losses, etc. (JGAAP)
   Net sales ¥1,024,895 million
   Ordinary income ¥12,763 million
   Net income ¥11,653 million
   Net assets ¥130,747 million
   Total assets ¥365,543 million
6. Equity-method affiliates includes joint operations.
7. Changes in affiliate companies
   - Baosteel Special Steel Shaoguan Co., Ltd. changed its corporate name to Baosteel Special Steel Shaoguan Co., LTD. on December 10, 2020.
   - Iwate Geothermal Power Co., Ltd. is listed as an important equity-method affiliate from the consolidated fiscal year under review.
   - JFE Shoji Usuitakenzai Corporation merged with JFE Shoji Steel Construction Materials Corporation on April 1, 2020, with JFE Shoji Steel Construction Materials Corporation as the surviving company.ss
   - JFE Shoji Trade (Hong Kong) Ltd., changed its corporate name to JFE Shoji (Hong Kong) Ltd. on April 1, 2020.
   - JFE Shoji Trade America LLC changed its corporate name to JFE Shoji America LLC on April 1, 2020.
   - JFE Shoji Trade Thailand Ltd. changed its corporate name to JFE Thailand Ltd. on May 5, 2020.
   - VEST Inc. is listed as an important subsidiary from the consolidated fiscal year under review.
   - Mitsui E&S Plant Engineering Inc. became a consolidated subsidiary of JFE Engineering Corporation via the acquisition of shares on April 1, 2021. On the same date,
   - Mitsui E&S Plant Engineering Inc. changed its corporate name to JFE Environment Technology Co., Ltd.
8. *5 The other 20 equity-method affiliates in the trading business include three consolidated subsidiaries and one equity-method affiliate of the steel business.

18. Investments Accounted for Using Equity Method

(1) Material associates

JSW Steel Limited

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

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

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

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Current assets	572,156	426,411
Non-current assets	1,362,946	1,393,517
Total assets	1,935,102	1,819,928
Current liabilities	773,634	576,718
Non-current liabilities	600,415	717,355
Total liabilities	1,374,049	1,294,074
Total equity	561,052	525,854
Equity attributable to owners of parent	568,768	534,047
Non-controlling interests	(7,715)	(8,193)

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Revenue	864,848	767,122
Profit	58,203	53,389
Other comprehensive income	(4,071)	8,859
Comprehensive income	54,132	62,248

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, 2020	As of March 31, 2021
Equity attributable to owners of parent	568,768	534,047
Ownership interest (%)	15.0	15.0
Equity attributable to the Group	85,315	80,107
Consolidation adjustment	1,920	6,408
Carrying amount of interests in JSW Steel Limited	87,235	86,515
Fair value of interests in JSW Steel Limited	77,420	258,175

Dividends received from JSW Steel for the fiscal years ended March 31, 2020 and 2021 were 2,335 million yen and 1,062 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, 2020	As of March 31, 2021
Associates	114,017	128,887
Joint ventures	134,787	139,840

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Associates		
Profit	(9,193)	(45)
Other comprehensive income	4,110	13,750
Comprehensive income	(5,083)	13,705
Joint ventures		
Profit	4,725	4,963
Other comprehensive income	(17)	46
Comprehensive income	4,707	5,009

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, 2020	As of March 31, 2021
Deferred tax assets		
Impairment losses	37,137	36,676
Retirement benefit liability	38,510	36,295
Unused tax loss carryforwards	11,942	13,878
Accrued bonuses	13,454	13,426
Accrued expenses	10,326	9,989
Other	47,431	36,441
Total deferred tax assets	158,803	146,708
Deferred tax liabilities		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	28,921	23,403
Retained earnings of subsidiaries and associates	14,223	18,670
Reserve for tax purpose reduction entry of non-current assets	6,605	6,526
Other	17,846	19,684
Total deferred tax liabilities	67,596	68,285
Net deferred tax assets	91,207	78,422

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	33,059	91,207
Adjustments due to application of IFRS 16	558	–
Balance at the beginning of the year (modified)	33,617	91,207
Deferred tax expense	39,747	4,552
Deferred taxes on items of other comprehensive income		
Effective portion of cash flow hedges	19	(1,316)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	13,799	(11,470)
Remeasurements of defined benefit plans	2,070	(5,089)
Other	1,953	538
Balance at the end of the year	91,207	78,422

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Deductible temporary differences	340,667	347,458
Unused tax loss carryforwards	366,250	414,328

Unrecognized deferred tax assets for the above deductible temporary differences were 104,328 million yen and 106,425 million yen as of March 31, 2020 and 2021, respectively. Unrecognized deferred tax assets for the above unused tax loss carryforwards were 16,243 million yen and 21,709 million yen as of March 31, 2020 and 2021, respectively.

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Year one	109,540	108,151
Year two to year five	115,379	76,886
Later than five years	140,447	226,774
No specified expiration date	882	2,515
Total	366,250	414,328

Taxable temporary differences arising from investments in subsidiaries and associates for which deferred tax liabilities were not recognized as of March 31, 2020 and 2021 amounted to 50,023 million yen and 62,727 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 131,818 million yen and 124,021 million yen were recognized as of March 31, 2020 and 2021, respectively, for taxable entities that incurred net loss in the current or previous period, and whose recoverability of deferred tax assets depends on future taxable income.

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

(2) Income tax expense

The breakdown of income tax expense is as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Current tax expense	19,564	18,685
Deferred tax expense	(39,747)	(4,552)
Total	(20,183)	14,133

(3) Reconciliation of effective tax rate

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

(%)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Effective statutory tax rate	30.0	30.0
(Reconciliation)		
Items permanently not tax-deductible, such as entertainment expenses	(0.6)	(9.9)
Items permanently not taxable, such as dividend income	0.3	6.7
Changes in valuation allowance	(21.8)	(242.7)
Share of profit (loss) of investments accounted for using equity method	1.2	86.6
Retained earnings of subsidiaries and associates	(1.4)	(90.2)
Other	1.8	(67.2)
Burden ratio of corporation tax, etc., after application of tax effect accounting	9.5	(286.6)

20. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(million yen)

	As of March 31, 2020	As of March 31, 2021
Notes and accounts payable–trade	477,048	436,211
Accounts payable–other	80,204	60,784
Total	557,252	496,995

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, 2020	As of March 31, 2021
Short-term borrowings (Note 1)	123,505	125,816
Current portion of long-term borrowings (Note 1)	122,846	72,151
Bonds due within one year (Note 2)	–	30,183
Commercial papers	88,999	–
Bonds payable (Note 2)	230,066	259,401
Long-term borrowings (Note 1)	1,097,012	1,159,012
Lease liabilities	151,877	159,573
Total	1,814,308	1,806,139
Current liabilities	376,473	277,027
Non-current liabilities	1,437,835	1,529,112
Total	1,814,308	1,806,139

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

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

(Note 1) The weighted average interest rate and repayment date for the balance of borrowings as of March 31, 2021 are as follows:

	(%)	Repayment date
Short-term borrowings	1.30	–
Current portion of long-term borrowings	0.54	–
Long-term borrowings	0.71	April 2, 2022 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, 2020	As of March 31, 2021	Interest rate (%)	Collateral	Redemption date
The Company	The 17th unsecured bond	June 8, 2011	30,524	30,183	1.326	None	June 8, 2021
The Company	The 21st unsecured bond	March 13, 2014	9,978	9,983	0.804	None	March 13, 2024
The Company	The 22nd unsecured bond	September 19, 2014	19,955	19,965	0.703	None	September 19, 2024
The Company	The 23rd unsecured bond	May 23, 2017	9,980	9,989	0.090	None	May 23, 2022
The Company	The 24th unsecured bond	March 1, 2018	9,972	9,982	0.110	None	March 1, 2023
The Company	The 25th unsecured bond	May 21, 2018	20,168	20,117	0.260	None	May 21, 2025
The Company	The 26th unsecured bond	November 22, 2018	9,966	9,975	0.150	None	November 22, 2023
The Company	The 27th unsecured bond	May 27, 2019	29,899	29,923	0.170	None	May 27, 2024
The Company	The 28th unsecured bond	May 27, 2019	9,959	9,965	0.260	None	May 27, 2026
The Company	The 29th unsecured bond	May 27, 2019	19,909	19,919	0.365	None	May 25, 2029
The Company	The 30th unsecured bond	September 20, 2019	9,959	9,968	0.120	None	September 20, 2024
The Company	The 31st unsecured bond	September 20, 2019	29,886	29,904	0.250	None	September 18, 2026
The Company	The 32nd unsecured bond	September 20, 2019	19,906	19,916	0.320	None	September 20, 2029
The Company	The 33rd unsecured bond	July 14, 2020	–	19,943	0.050	None	July 14, 2023
The Company	The 34th unsecured bond	July 14, 2020	–	29,895	0.250	None	July 14, 2025
The Company	The 35th unsecured bond	July 14, 2020	–	9,950	0.470	None	July 12, 2030
Total	–	–	230,066	289,584	–	–	–

(2) Assets pledged as collateral and corresponding secured obligations

Assets pledged as collateral

(million yen)

	As of March 31, 2020	As of March 31, 2021
Cash and cash equivalents	852	842
Trade and other receivables	10,300	7,921
Property, plant and equipment	12,644	10,783
Right-of-use assets	161	159
Investments accounted for using equity method	2,332	2,307
Other financial assets (non-current)	679	802
Total	26,970	22,815

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Property, plant and equipment	10,351	9,434

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Shares of consolidated subsidiaries (book value posted on the non-consolidated financial statements of the consolidated subsidiaries)	553	649

Corresponding secured obligations

(million yen)

	As of March 31, 2020	As of March 31, 2021
Trade and other payables	164	128
Bonds payable, borrowings, and lease liabilities (current)	960	1,006
Bonds payable, borrowings, and lease liabilities (non-current)	12,427	12,309
Total	13,552	13,444

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Bonds payable, borrowings, and lease liabilities (current)	559	559
Bonds payable, borrowings, and lease liabilities (non-current)	5,574	5,014
Total	6,133	5,574

22. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(million yen)

	As of March 31, 2020	As of March 31, 2021
Financial liabilities measured at amortized cost		
Deposits received	85,377	81,320
Other	14,713	48,218
Subtotal	100,090	129,538
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	5,621	2,715
Total	105,712	132,253
Current liabilities	89,465	86,836
Non-current liabilities	16,246	45,417
Total	105,712	132,253

23. Provisions

The breakdown and movement of provisions are as follows:
Fiscal year ended March 31, 2021

(million yen)

	Provision for loss on specified business	Other provisions	Total
Balance at the beginning of the year	10,161	28,087	38,248
Increase during the year	604	10,808	11,412
Interest expense incurred over the discount period	144	(0)	143
Decrease due to intended use	(2,729)	(8,431)	(11,160)
Decrease due to reversal	–	(3,078)	(3,078)
Exchange differences on translation of foreign operations, etc.	–	59	59
Balance at the end of the year	8,180	27,444	35,624
Current liabilities	–	11,518	11,518
Non-current liabilities	8,180	15,925	24,105
Total	8,180	27,444	35,624

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, 2020	As of March 31, 2021
Funded defined benefit obligations	197,765	190,721
Plan assets	(125,241)	(133,600)
Subtotal	72,524	57,120
Unfunded defined benefit obligations	55,272	61,906
Total	127,796	119,027
Amounts recognized in the consolidated statement of financial position		
Retirement benefit liability	143,316	141,186
Retirement benefit asset	(15,520)	(22,159)
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	127,796	119,027

(2) Reconciliation of defined benefit obligations

The movement of defined benefit obligations is as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	254,878	253,037
Current service cost	14,842	15,344
Interest expense	1,502	1,545
Remeasurements		
Actuarial losses arising from changes in demographic assumptions	615	(1,311)
Actuarial losses arising from changes in financial assumptions	(2,215)	(2,240)
Experience adjustments	540	3,808
Past service cost	70	(1,228)
Benefits paid	(18,605)	(16,309)
Exchange differences on translation of foreign operations, etc.	1,408	(19)
Balance at the end of the year	253,037	252,627

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

(years)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Weighted average duration	11.0	10.9

(3) Reconciliation of plan assets

The movement of plan assets is as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	137,259	125,241
Interest income	758	747
Remeasurements		
Return on plan assets (excluding interest income)	(8,055)	17,467
Contribution to the plan by employer	2,201	2,297
Benefits paid	(8,809)	(12,010)
Effects of business combinations and disposals	2,025	–
Exchange differences on translation of foreign operations, etc.	(138)	(143)
Balance at the end of the year	125,241	133,600

The Group expects to contribute 2,221 million yen to its defined benefit plans in the fiscal year ending March 31, 2022.

(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, 2020			As of March 31, 2021		
	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	47,741	268	48,009	53,241	378	53,620
Foreign stocks	6,017	698	6,715	8,490	1,024	9,515
Debt instruments						
Domestic bonds	16,043	3,003	19,047	13,610	3,685	17,295
Foreign bonds	2,965	2,218	5,184	3,082	2,265	5,347
Cash and deposits	5,185	–	5,185	9,356	–	9,356
Life insurance general accounts	–	39,431	39,431	–	36,759	36,759
Other	–	1,667	1,667	–	1,705	1,705
Total	77,953	47,288	125,241	87,781	45,818	133,600

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, 2020	As of March 31, 2021
Discount rate	Mainly 0.6	Mainly 0.6
Anticipated rate of salary increase	Mainly 0.9 to 3.0	Mainly 0.8 to 2.8

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.

(%)

	Change in assumptions	As of March 31, 2020	As of March 31, 2021
Discount rate	Increase by 0.5%	(12,580)	(11,827)
	Decrease by 0.5%	13,616	12,769

(6) Defined contribution pension plans

Contributions to the defined contribution pension plans are as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Contributions to the defined contribution pension plans	36,203	35,998

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

25. Equity and Other Equity Items

(1) Share capital

(i) Authorized shares

The number of authorized shares as of April 1, 2019, March 31, 2020, and March 31, 2021 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, 2019	614,438
Increase (decrease)	–
As of March 31, 2020	614,438
Increase (decrease)	–
As of March 31, 2021	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, 2019	38,590
As of March 31, 2020	38,601
As of March 31, 2021	38,646

Note: Treasury shares as of March 31, 2020 and 2021 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.

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26. Dividends

(1) Amounts of dividends paid

Fiscal year ended 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.

Fiscal year ended March 31, 2021
There is no applicable item.

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

Fiscal year ended March 31, 2020
There is no applicable item.

Fiscal year ended March 31, 2021

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 25, 2021	Common stock	5,765	Retained earnings	10	March 31, 2021	June 28, 2021

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

27. Revenue

(1) Disaggregation of revenue

Fiscal year ended 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

Fiscal year ended March 31, 2021

(million yen)

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

(2) Contract balances

(million yen)

	As of March 31, 2019	As of March 31, 2020	As of March 31, 2021
Receivables from contracts with customers	718,931	639,997	716,893
Contract assets	124,039	142,075	101,282
Contract liabilities	59,060	44,813	43,038

The amount recognized as receivables that was included in the opening balance of contract assets was 85,824 million yen and 110,985 million yen as of March 31, 2020 and 2021, respectively.

The amount recognized as revenue that was included in the opening balance of contract liabilities was 45,878 million yen and 37,770 million yen as of March 31, 2020 and 2021, respectively.

(3) Remaining performance obligations

(million yen)

	As of March 31, 2020	As of March 31, 2021
Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the fiscal year	932,447	959,342
Expected timing of revenue recognition		
Within one year	377,370	345,029
Over one year	555,076	614,313

28. Selling, General and Administrative Expenses

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Employee benefit expenses	136,824	133,846
Product shipping-related expenses	92,056	75,387
Provision of allowance for doubtful accounts	120	463
Other	127,991	114,359
Total	356,992	324,057

29. Employee Benefit Expenses

Employee benefit expenses are as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Employee benefit expenses	492,785	480,417

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

30. Share-based Payment

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

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

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

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

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

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

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

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

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal ear ended March 31, 2021
Equity-settled	54	13
Cash-settled	(16)	28
Total	37	41

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Other non-current liabilities	21	44

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

	Fiscal year ended March 31, 2020	Fiscal ear ended March 31, 2021
Number of points granted (points)	29,880	18,900
Weighted average fair value of points at the grant date (yen)	1,867	743

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

31. Other Income

The breakdown of other income is as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal ear ended March 31, 2021
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	9,478	5,492
Rental income	6,765	6,727
Gain on sale of investments in subsidiaries	80	–
Other	14,493	13,562
Total	30,818	25,782

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal ear ended March 31, 2021
Financial assets derecognized during the year	650	2,976
Financial assets held as of the reporting date	8,828	2,515

32. Other Expenses

The breakdown of other expenses is as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Loss on retirement of fixed assets	20,251	20,760
Other	20,072	22,633
Total	40,323	43,394

33. Profit on Sales of Fixed Assets

Fiscal year ended March 31, 2021

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

34. Finance Income and Finance Costs

(1) Finance income

The breakdown of finance income is as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Interest income		
Financial assets measured at amortized cost	2,727	1,686
Total	2,727	1,686

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(2) Finance costs

The breakdown of finance costs is as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Interest expenses		
Financial liabilities measured at amortized cost	14,325	13,701
Other	161	143
Other	786	339
Total	15,273	14,184

35. Other Comprehensive Income

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Remeasurements of defined benefit plans		
Amount arising during the year	(7,045)	17,109
Before tax effects	(7,045)	17,109
Tax effects	2,070	(5,089)
Remeasurements of defined benefit plans	(4,975)	12,020
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income		
Amount arising during the year	(62,943)	58,221
Before tax effects	(62,943)	58,221
Tax effects	13,799	(11,470)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(49,143)	46,751
Exchange differences on translation of foreign operations		
Amount arising during the year	(3,080)	(607)
Reclassification adjustments	–	(1)
Before tax effects	(3,080)	(609)
Tax effects	–	–
Exchange differences on translation of foreign operations	(3,080)	(609)
Effective portion of cash flow hedges		
Amount arising during the year	286	15,966
Reclassification adjustments	(350)	(2,977)
Before tax effects	(63)	12,989
Tax effects	19	(1,316)
Effective portion of cash flow hedges	(44)	11,673
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the year	(8,659)	13,773
Reclassification adjustments	20	(1,314)
Share of other comprehensive income of investments accounted for using equity method	(8,638)	12,459
Total other comprehensive income	(65,882)	82,295

36. Earnings per Share

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Basic losses per share (yen)	(343.39)	(37.98)
Diluted losses per share (yen)	(343.39)	(37.98)

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Loss attributable to owners of parent (million yen)	(197,744)	(21,868)
Amount not attributable to common shareholders of parent (million yen)	–	–
Loss used in calculation of basic earnings per share (million yen)	(197,744)	(21,868)
Profit adjustments (million yen)	–	–
Loss used in calculation of diluted earnings per share (million yen)	(197,744)	(21,868)
Weighted average number of common shares used in calculation of basic earnings per share (thousand shares)	575,854	575,829
Impact of dilutive potential common shares		
Share—based payments (thousand shares)	–	–
Weighted average number of common shares used in calculation of diluted earnings per share (thousand shares)	575,854	575,829

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, 2020 and 2021 is 589,000 and 567,000, respectively.
2. Share-based payments for the fiscal years ended March 31, 2020 and 2021 (118,000 and 107,000 shares, respectively) have a reverse dilution effect and are not included in the calculation of diluted earnings per share for these fiscal years.

37. Supplemental Information to the Consolidated Statement of Cash Flows

Movement of liabilities arising from financing activities

Fiscal year ended March 31, 2020

(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	Closing balance
Short-term borrowings	135,601	(11,500)	–	(595)	123,505
Current portion of long-term borrowings	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	1,040,824	181,569	–	(125,380)	1,097,012
Lease liabilities	157,087	(42,603)	36,377	1,016	151,877
Total	1,629,591	150,599	36,377	(2,259)	1,814,308

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

Fiscal year ended March 31, 2021

(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	Closing balance
Short-term borrowings	123,505	3,396	–	(1,084)	125,816
Current portion of long-term borrowings	122,846	(123,234)	–	72,539	72,151
Current portion of bonds	–	–	–	30,183	30,183
Commercial papers	88,999	(88,999)	–	–	–
Bonds payable	230,066	60,000	–	(30,665)	259,401
Long-term borrowings	1,097,012	132,486	–	(70,486)	1,159,012
Lease liabilities	151,877	(44,927)	51,942	681	159,573
Total	1,814,308	(61,279)	51,942	1,168	1,806,139

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

38. 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, 2020	As of March 31, 2021
ROE *1	(11.1)%	(1.3)%
D/E ratio *2	96.4%	93.2%
Debt / EBITDA multiple *4	6.7x	8.1 x

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, 2020	As of March 31, 2021
Loan commitments	1,456	3,215
Financial guarantee contracts	52,275	53,061

(iii) Movement of allowance for doubtful accounts

(million yen)

Fiscal year ended 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	Lifetime expected credit losses: 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

(million yen)

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

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, 2020	As of March 31, 2021
Financial assets with allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses	33,649	40,427
Trade receivables, contract assets, and lease receivables	817,203	851,091
Credit-impaired financial assets	1,180	1,840

(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, 2020	As of March 31, 2021
Not past due	800,830	842,435
Past due within 30 days	8,351	5,674
Past due between 30 days and 90 days	3,703	1,356
Past due over 90 days	4,318	1,625
Total	817,203	851,091

(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 (500,000 million yen at the end of the fiscal year ended March 31, 2021).

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

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

As of March 31, 2021

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

(5) Foreign exchange risk

(i) Foreign exchange risk management

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

(ii) Foreign exchange sensitivity analysis

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

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

(million yen)

	Currency	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Impact on profit before tax	U.S. dollar	(496)	(462)

(6) Interest rate risk

(i) Interest rate risk management

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

(ii) Interest rate sensitivity analysis

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

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

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Impact on profit before tax	(6,783)	(6,435)

(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 year ended March 31, 2020	Fiscal year ended March 31, 2021
Impact on other comprehensive income (before tax)	(1,694)	(974)

(8) Carrying amounts and fair values of financial instruments

(million yen)

	As of March 31, 2020		As of March 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	1,097,012	1,104,809	1,159,012	1,164,546
Bonds due within one year	–	–	30,183	30,069
Bonds payable	230,066	229,226	259,401	259,748

The fair value of financial assets and financial liabilities measured at amortized cost excluding long-term borrowings, bonds due within one year, 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 due within one year and bonds payable is based on market prices.

Long-term borrowings, bonds due within one year, 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, 2020 and 2021.

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

As of March 31, 2021

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

• 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, 2020 and 2021 is as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	64,201	56,583
Other comprehensive income (Note)	(8,229)	10,043
Acquisition	1,722	2,733
Sale	(79)	(68)
Other	(1,031)	(72)
Balance at the end of the year	56,583	69,220

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

(10) Derivative transactions and hedging activities

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

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

(i) Fair value hedges

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

The amount recognized in profit or loss for the hedge ineffectiveness portion and the portion excluded from the assessment of hedge effectiveness was immaterial for the fiscal years ended March 31, 2020 and 2021.

(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, 2020 and 2021.

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

(million yen)

	As of March 31, 2020		As of March 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate swap transactions	1,035	—	355	—
Option contracts	15,265	—	9,702	—
Subtotal	16,301	—	10,058	—
Cash flow hedges				
Forward exchange transactions	516	1,198	2,944	318
Interest rate swap transactions	—	1,341	389	850
Cross-currency interest rate swap transactions	9,348	2,965	9,535	802
Commodity futures transactions	215	43	5,088	—
Subtotal	10,081	5,549	17,958	1,971
Total	26,382	5,549	28,016	1,971

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, 2020		As of March 31, 2021	
	Within one year	Over one year	Within one year	Over one year
Fair value hedges				
Interest rate swap transactions	20,000	50,000	30,000	20,000
Option contracts	—	27,265	—	27,265
Cash flow hedges				
Forward exchange transactions	99,028	7,366	119,626	3,121
Interest rate swap transactions	12,993	123,734	11,987	117,749
Cross-currency interest rate swap transactions	22,868	89,626	7,727	81,899
Commodity futures transactions	6,066	—	23,908	—

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, 2020	As of March 31, 2021
Cash flow hedges		
Forward exchange transactions		
U.S. dollar	109.02 yen	107.75 yen
Euro	124.09 yen	123.55 yen
Interest rate swap transactions		
Receive floating / pay fixed	0.29%	0.25%
Cross-currency interest rate swap transactions		
U.S. dollar	101.88 yen	100.94 yen
Receive floating / pay fixed	0.28%	0.38%

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

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)	—

As of March 31, 2021

(million yen)

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

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

Fiscal year ended 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)

Fiscal year ended March 31, 2021

(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	(2)	(938)	(900)	(30)	–	(1,871)
Hedging gains or losses recognized in other comprehensive income	2,429	226	2,499	8,602	–	13,757
Reclassification adjustments to profit (Note)	(647)	118	(1,555)	–	–	(2,084)
Reclassification amount to cost of n on-financial assets	(619)	–	–	(7,251)	–	(7,871)
Balance at the end of the year	1,160	(592)	42	1,319	–	1,930

Note: 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.

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

(11) Transfer of financial assets

As of March 31, 2020 and 2021, trade receivables transferred without satisfying conditions for derecognition of financial assets of 6,241 million yen and 6,150 million yen were recognized in "Trade and other receivables," respectively, and the amounts received due to the transfer of 6,241 million yen and 6,150 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.

39. Related Parties

Compensation for key management personnel is as follows:

(million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Compensation and bonuses	1,523	1,452
Share-based payment	41	24
Post-employment benefits	3	–
Total	1,569	1,476

40. Commitments

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

(million yen)

	As of March 31, 2020	As of March 31, 2021
Acquisition of property, plant and equipment	239,716	209,761

41. 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, 2020	As of March 31, 2021
Joint ventures	15,146	18,274
Associates	938	900
Other	26,869	23,673
Total	42,953	42,848

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, 2020	As of March 31, 2021
Guarantee limit for associates	9,322	10,213

(2) Litigation, etc.

There is no applicable item.

42. Subsequent Events

There is no applicable item.

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Other

(Significant lawsuits, etc.)
There is no applicable item.

(Quarterly information for the fiscal year ended March 31, 2021)

(Cumulative period)	Three months ended June 30, 2020	Six months ended September 30, 2020	Nine months ended December 31, 2020	Fiscal year ended March 31, 2021
Revenue (million yen)	743,900	1,492,294	2,318,467	3,227,285
Loss before taxes (million yen)	(50,440)	(120,788)	(70,655)	(4,930)
Loss attributable to owners of parent (million yen)	(39,197)	(105,712)	(69,677)	(21,868)
Basic losses per share (million yen)	(68.07)	(183.58)	(121.00)	(37.98)

(Accounting period)	Three months ended June 30, 2020	Three months ended September 30, 2020	Three months ended December 31, 2020	Three months ended March 31, 2021
Basic earnings (losses) per share (yen)	(68.07)	(115.51)	62.58	83.03

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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, 2021, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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Valuation of non-financial assets in the Steel Business segment	
Description of Key Audit Matter	**Auditor's Response**
JFE Steel Corporation, a consolidated subsidiary in the Steel Business segment, recognized property, plant and equipment of 1,192,220 million yen. In the event the Company determines that any indications of impairment exist on an asset or cash-generating unit related to non-financial assets as of the end of each reporting period, the Company measures the recoverable amount of the cash-generating unit at the higher of its fair value less costs of disposal or its value in use. Furthermore, the Company reduces the carrying amount of the asset to its recoverable amount, if the carrying amount exceeds the recoverable amount. In the Steel Business, the Company supplies various industries with steel products with sales volumes and selling prices highly affected by supply and demand conditions in domestic and overseas markets, especially the Asian steel market. The prices of key raw materials such as iron ore and coking coal are highly volatile, due to global market dynamics including crude steel production in China, as well as possible natural disasters or accidents in sourcing countries. Moreover, the Company's projected cost reduction or sales promotion may not be achieved due to potential delay of a facility launch or unexpected changes in demand for steel products, while the Company executes significant capital investments. In order to determine whether indications of impairment exist on non-financial assets, the Company needs to consider not only its past performance results, but also multiple factors such as the current business environment, analysis of financial impact due to temporary factors such as large-scale refurbishment of manufacturing facilities, crude steel production, shipment volume, selling prices, iron ore and coking coal prices. Given that these are subject to significant uncertainty and require management's judgement, we determined the Company's judgement regarding indications of impairment on non-financial assets to be a key audit matter.	We performed following audit procedures to assess the appropriateness of the Company's judgement regarding indications of impairment on non-financial assets of JFE Steel Corporation, among others. In order to assess the effectiveness of the estimation process by the management, we compared business plans in the past years with actual results. In addition, we reviewed relevant documents and materials including analysis of actual results of executed capital investments. In order to understand the business environment and analysis of financial impact due to temporary factors, such as large-scale refurbishment of a manufacturing facility, we discussed with the management and examined the management response by reviewing relevant documents and materials, and by comparing it with available external data. In order to examine whether any significant changes that could decrease the recoverable amount of the assets are expected to occur, we performed following procedures. · We discussed crude steel production and shipment volume with the management and examined the management response by reviewing relevant documents and materials, and by comparing it with available external data. · We inquired of the management regarding metal spreads (selling prices of steel products minus costs of key raw materials) and compared the management response with historical market data in the past years. · We inquired of the management regarding analysis of expecting effects from planned or capital investments in progress. In addition, we examined the management response by reviewing relevant documents and materials.

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Valuation of deferred tax assets	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 19, "Income Taxes" to the consolidated financial statements, the Company recognized deferred tax assets of 146,708 million yen as of March 31, 2021, which includes 13,878 million yen with respect to its unused tax loss carryforwards. In addition to deductible temporary differences, the deferred tax assets pertaining to the unused tax loss carry forward, mainly comprised of those from JFE Steel Corporation, were recognized to the extent that it is probable that future taxable income will be available. The valuation of deferred tax assets is primarily based on the estimate of future taxable income by the management. The estimate of future taxable income is based on the business plan including significant assumptions such as crude steel production, shipment volume, selling prices, iron ore and coking coal prices, and cost reductions. They are affected by the management judgement involving uncertainties such as changes in the market conditions caused by domestic and overseas demand trends, and volatile prices of iron ore and coking coal. Therefore, we determined this to be a key audit matter.	We performed following audit procedures to assess the valuation of deferred tax assets, among others. We recalculated the balance of temporary differences and evaluated its consistency with relevant documents and materials, by involving our tax specialists from our network firm. In addition, we examined the temporary differences reversal and expiration schedule by evaluating its consistency with relevant documents and materials, and by also performing recalculations. With regard to temporary differences of depreciable assets, which were subject to impairment in the previous year, we evaluated the consistency with the calculation results for tax depreciation. In order to assess the management's estimate of future taxable income, we obtained an understanding of policies and procedures for the design and approval of the business plan, which is basis of future taxable income. Furthermore, we evaluated operating effectiveness of the controls. We discussed with the management significant assumptions used in the business plan such as crude steel production, shipment volume, selling prices, iron ore and coking coal prices, and cost reductions. We then reviewed relevant documents and materials, as well as comparing these significant assumptions with market trends and available external data. In order to evaluate the management's assessment of estimation uncertainties in the business plan, we compared business plans in the past years with actual results, as well as considering the current business environment.

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.

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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.

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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 25, 2021

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