# JFE Holdings, Inc.

Financial Report for

Fiscal year ended March 31, 2026

# Financial Information

## 1. Preparation Policy of the Consolidated Financial Statements

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") pursuant to the provisions of Article 312 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, 2026 were audited by Ernst & Young ShinNihon LLC.

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

The Company is making particular efforts to ensure the appropriateness of consolidated financial statements. 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 in Accordance with IFRS

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

## Consolidated Financial Statements

## Consolidated Statement of Financial Position

(million yen)

| | Notes | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7, 21 | 172,841 | 167,807 |
| Trade and other receivables | 8, 21, 41 | 692,985 | 668,994 |
| Contract assets | 27 | 155,257 | 155,769 |
| Inventories | 9 | 1,228,540 | 1,188,142 |
| Income taxes receivable | | 6,257 | 14,605 |
| Other financial assets | 10, 41 | 22,116 | 22,956 |
| Other current assets | 11 | 90,786 | 86,462 |
| Total current assets | | 2,368,785 | 2,304,738 |
| Non-current assets | | | |
| Property, plant and equipment | 12, 21 | 1,964,041 | 2,039,974 |
| Goodwill | 13 | 33,999 | 31,348 |
| Intangible assets | 13 | 201,002 | 208,881 |
| Right-of-use assets | 14, 21 | 93,447 | 111,370 |
| Investment property | 15 | 54,126 | 53,317 |
| Investments accounted for using equity method | 6, 18, 21 | 636,972 | 816,153 |
| Retirement benefit asset | 24 | 27,432 | 35,794 |
| Deferred tax assets | 19 | 56,432 | 44,072 |
| Other financial assets | 10, 21, 41 | 190,524 | 225,997 |
| Other non-current assets | 11 | 20,873 | 23,590 |
| Total non-current assets | | 3,278,851 | 3,590,500 |
| Total assets | 6 | 5,647,637 | 5,895,238 |

(million yen)

| | Notes | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|---|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 20, 21, 41 | 595,954 | 571,142 |
| Bonds payable, borrowings, and lease liabilities | 21, 40, 41 | 395,415 | 443,307 |
| Contract liabilities | 27 | 47,591 | 38,964 |
| Income taxes payable | | 29,849 | 15,096 |
| Provisions | 23 | 10,410 | 11,906 |
| Other financial liabilities | 22, 41 | 148,830 | 131,952 |
| Other current liabilities | 11 | 245,661 | 277,021 |
| Total current liabilities | | 1,473,713 | 1,489,391 |
| Non-current liabilities | | | |
| Bonds payable, borrowings, and lease liabilities | 21, 40, 41 | 1,371,035 | 1,516,078 |
| Retirement benefit liability | 24 | 103,092 | 85,930 |
| Provisions | 23 | 29,355 | 23,185 |
| Deferred tax liabilities | 19 | 15,430 | 10,023 |
| Other financial liabilities | 22, 41 | 40,098 | 54,516 |
| Other non-current liabilities | 11 | 28,042 | 35,923 |
| Total non-current liabilities | | 1,587,055 | 1,725,657 |
| Total liabilities | | 3,060,768 | 3,215,048 |
| Equity | | | |
| Share capital | 25 | 171,310 | 171,310 |
| Capital surplus | 25 | 579,514 | 579,387 |
| Retained earnings | 25 | 1,607,951 | 1,646,021 |
| Treasury shares | 25 | (13,736) | (12,608) |
| Other components of equity | | 184,539 | 235,423 |
| Equity attributable to owners of parent | | 2,529,578 | 2,619,535 |
| Non-controlling interests | | 57,289 | 60,654 |
| Total equity | | 2,586,868 | 2,680,190 |
| Total liabilities and equity | | 5,647,637 | 5,895,238 |

## Consolidated Statement of Profit or Loss

(million yen)

| | Notes | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|---|
| Revenue | 27 | 4,859,647 | 4,539,270 |
| Cost of sales | 12, 13, 29 | (4,326,565) | (4,013,367) |
| Gross profit | | 533,081 | 525,903 |
| Selling, general and administrative expenses | 12, 13, 28, 29, 30 | (409,375) | (431,062) |
| Share of profit of investments accounted for using equity method | 6, 18 | 29,133 | 54,537 |
| Other income | 31 | 30,614 | 28,621 |
| Other expenses | 32 | (48,115) | (42,614) |
| Business profit | | 135,339 | 135,385 |
| Gain on sales of land | 6 | 86,622 | 3,202 |
| Cost for promoting and developing land utilization of Keihin district | 6, 33 | (14,607) | (12,176) |
| Impairment losses | 6, 16 | (25,194) | (8,743) |
| Cost for removal in connection with the construction of Green Transformation (GX) facilities | 6, 34 | – | (5,464) |
| Loss relating to loss of control over subsidiaries | 6, 35 | (13,129) | – |
| PCB disposal costs | 6, 36 | (3,962) | – |
| Operating profit | | 165,068 | 112,203 |
| Finance income | 6, 37 | 5,714 | 5,588 |
| Finance costs | 6, 37 | (26,467) | (30,373) |
| Profit before tax | | 144,315 | 87,417 |
| Income tax expense | 19 | (51,060) | (13,385) |
| Net profit | | 93,254 | 74,032 |
| Profit attributable to: | | | |
| Owners of parent | | 91,867 | 70,165 |
| Non-controlling interests | | 1,386 | 3,867 |
| Net profit | | 93,254 | 74,032 |
| Earnings per share | | | |
| Basic earnings per share (yen) | 39 | 144.43 | 110.30 |
| Diluted earnings per share (yen) | 39 | 138.24 | 105.47 |

## Consolidated Statement of Comprehensive Income

(million yen)

| | Notes | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|---|
| Net profit | | 93,254 | 74,032 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of defined benefit plans | 24, 38 | 6,899 | 21,580 |
| Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income | 38, 41 | (6,570) | 17,369 |
| Share of other comprehensive income of investments accounted for using equity method | 18, 38 | 11,729 | (1,935) |
| Total of items that will not be reclassified to profit or loss | | 12,059 | 37,014 |
| Items that may be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | 38 | 10,041 | 27,430 |
| Effective portion of cash flow hedges | 38 | 1,725 | 4,120 |
| Share of other comprehensive income of investments accounted for using equity method | 18, 38 | 20,615 | 12,372 |
| Total of items that may be reclassified to profit or loss | | 32,382 | 43,922 |
| Total other comprehensive income | | 44,442 | 80,937 |
| Comprehensive income | | 137,696 | 154,969 |
| Comprehensive income attributable to: | | | |
| Owners of parent | | 135,807 | 148,830 |
| Non-controlling interests | | 1,888 | 6,139 |
| Comprehensive income | | 137,696 | 154,969 |

## 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 | Share acquisition rights | 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, 2024 | | 171,310 | 587,266 | 1,570,027 | (14,938) | 3,081 | – | 48,444 |
| Net profit | | – | – | 91,867 | – | – | – | – |
| Other comprehensive income | | – | – | – | – | – | 8,934 | 3,071 |
| Comprehensive income | | – | – | 91,867 | – | – | 8,934 | 3,071 |
| Purchase of treasury shares | | – | – | – | (970) | – | – | – |
| Disposal of treasury shares | | – | (924) | – | 1,835 | – | – | – |
| Dividends | 26 | – | – | (63,672) | – | – | – | – |
| Share-based payment transactions | 30 | – | (193) | – | 336 | – | – | – |
| Changes in scope of consolidation | | – | – | – | – | – | – | – |
| Changes in ownership interest in subsidiaries | | – | 379 | – | – | – | – | – |
| Put options granted to non-controlling interests | 41 | – | (7,014) | – | – | – | – | – |
| Transfer from other components of equity to retained earnings | | – | – | 9,728 | – | – | (8,934) | (793) |
| Transfer to non-financial assets | 41 | – | – | – | – | – | – | – |
| Other | | – | – | – | – | – | – | – |
| Total transactions with owners | | – | (7,752) | (53,944) | 1,201 | – | (8,934) | (793) |
| Balance as of March 31, 2025 | | 171,310 | 579,514 | 1,607,951 | (13,736) | 3,081 | – | 50,722 |

| | Notes | Equity attributable to owners of parent | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | Other components of equity | | | Total | | |
| | | Exchange differences on translation of foreign operations | Effective portion of cash flow hedges | Total | | | |
| Balance as of April 1, 2024 | | 96,035 | 2,900 | 150,461 | 2,464,128 | 74,392 | 2,538,521 |
| Net profit | | – | – | – | 91,867 | 1,386 | 93,254 |
| Other comprehensive income | | 27,581 | 4,352 | 43,939 | 43,939 | 502 | 44,442 |
| Comprehensive income | | 27,581 | 4,352 | 43,939 | 135,807 | 1,888 | 137,696 |
| Purchase of treasury shares | | – | – | – | (970) | – | (970) |
| Disposal of treasury shares | | – | – | – | 911 | – | 911 |
| Dividends | 26 | – | – | – | (63,672) | (1,207) | (64,880) |
| Share-based payment transactions | 30 | – | – | – | 143 | – | 143 |
| Changes in scope of consolidation | | – | – | – | – | (18,741) | (18,741) |
| Changes in ownership interest in subsidiaries | | – | – | – | 379 | (69) | 309 |
| Put options granted to non-controlling interests | 41 | – | – | – | (7,014) | – | (7,014) |
| Transfer from other components of equity to retained earnings | | – | – | (9,728) | – | – | – |
| Transfer to non-financial assets | 41 | – | (133) | (133) | (133) | – | (133) |
| Other | | – | – | – | – | 1,027 | 1,027 |
| Total transactions with owners | | – | (133) | (9,862) | (70,356) | (18,991) | (89,348) |
| Balance as of March 31, 2025 | | 123,616 | 7,118 | 184,539 | 2,529,578 | 57,289 | 2,586,868 |

(million yen)

| | Notes | Equity attributable to owners of parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | | |
| | | Share capital | Capital surplus | Retained earnings | Treasury shares | Share acquisition rights | 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, 2025 | | 171,310 | 579,514 | 1,607,951 | (13,736) | 3,081 | – | 50,722 |
| Net profit | | – | – | 70,165 | – | – | – | – |
| Other comprehensive income | | – | – | – | – | – | 22,232 | 13,412 |
| Comprehensive income | | – | – | 70,165 | – | – | 22,232 | 13,412 |
| Purchase of treasury shares | | – | – | – | (655) | – | – | – |
| Disposal of treasury shares | | – | (979) | – | 1,589 | – | – | – |
| Dividends | 26 | – | – | (57,334) | – | – | – | – |
| Share-based payment transactions | 30 | – | (18) | – | 194 | – | – | – |
| Changes in scope of consolidation | | – | – | – | – | – | – | – |
| Changes in ownership interest in subsidiaries | | – | 870 | – | – | – | – | – |
| Transfer from other components of equity to retained earnings | | – | – | 25,239 | – | – | (22,232) | (3,006) |
| Transfer to non-financial assets | 41 | – | – | – | – | – | – | – |
| Other | | – | – | – | – | – | – | – |
| Total transactions with owners | | – | (126) | (32,094) | 1,128 | – | (22,232) | (3,006) |
| Balance as of March 31, 2026 | | 171,310 | 579,387 | 1,646,021 | (12,608) | 3,081 | – | 61,128 |

| | Notes | Equity attributable to owners of parent | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | | Other components of equity | | | Total | | |
| | | Exchange differences on translation of foreign operations | Effective portion of cash flow hedges | Total | | | |
| Balance as of April 1, 2025 | | 123,616 | 7,118 | 184,539 | 2,529,578 | 57,289 | 2,586,868 |
| Net profit | | – | – | – | 70,165 | 3,867 | 74,032 |
| Other comprehensive income | | 30,960 | 12,059 | 78,665 | 78,665 | 2,271 | 80,937 |
| Comprehensive income | | 30,960 | 12,059 | 78,665 | 148,830 | 6,139 | 154,969 |
| Purchase of treasury shares | | – | – | – | (655) | – | (655) |
| Disposal of treasury shares | | – | – | – | 609 | – | 609 |
| Dividends | 26 | – | – | – | (57,334) | (1,834) | (59,168) |
| Share-based payment transactions | 30 | – | – | – | 176 | – | 176 |
| Changes in scope of consolidation | | – | – | – | – | 16 | 16 |
| Changes in ownership interest in subsidiaries | | – | – | – | 870 | (760) | 110 |
| Transfer from other components of equity to retained earnings | | – | – | (25,239) | – | – | – |
| Transfer to non-financial assets | 41 | – | (2,541) | (2,541) | (2,541) | – | (2,541) |
| Other | | – | – | – | – | (195) | (195) |
| Total transactions with owners | | – | (2,541) | (27,780) | (58,874) | (2,774) | (61,648) |
| Balance as of March 31, 2026 | | 154,577 | 16,636 | 235,423 | 2,619,535 | 60,654 | 2,680,190 |

## Consolidated Statement of Cash Flow

(million yen)

| | Notes | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit before tax | | 144,315 | 87,417 |
| Depreciation and amortization | | 257,638 | 274,292 |
| Changes in allowance | | 1,684 | (4,388) |
| Interest and dividend income | | (9,312) | (9,619) |
| Interest expenses | | 24,064 | 28,125 |
| Share of loss (profit) of investments accounted for using equity method | | (29,133) | (54,537) |
| Changes in trade and other receivables | | 55,868 | 31,436 |
| Changes in inventories | | 123,540 | 45,815 |
| Changes in trade and other payables | | (66,022) | (35,516) |
| Other | | (80,270) | 61,267 |
| Subtotal | | 422,372 | 424,293 |
| Interest and dividends received | | 28,019 | 30,359 |
| Interest paid | | (21,916) | (26,071) |
| Income taxes paid | | (49,507) | (49,499) |
| Net cash provided by (used in) operating activities | | 378,968 | 379,081 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment, intangible assets, and investment property | | (279,417) | (321,720) |
| Proceeds from sale of property, plant and equipment, intangible assets, and investment property | | 91,406 | 4,777 |
| Purchase of investments | | (81,242) | (148,877) |
| Proceeds from sale of investments | | 3,464 | 15,339 |
| Other | 2 | (17,390) | (2,302) |
| Net cash provided by (used in) investing activities | | (283,179) | (452,784) |

| | Notes | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|---|
| | | | (million yen) |
| Cash flows from financing activities | | | |
| Changes in short-term borrowings | 40 | (29,170) | 61,995 |
| Changes in commercial papers | 40 | 17,995 | 15,977 |
| Proceeds from long-term borrowings | 40 | 145,161 | 214,071 |
| Repayments of long-term borrowings | 40 | (158,292) | (142,098) |
| Proceeds from issuance of bonds | 40 | 30,000 | 70,000 |
| Payments for redemption of bonds | 40 | (60,000) | (50,000) |
| Payments for purchase of treasury shares | | (62) | (655) |
| Proceeds from disposal of treasury shares | | 909 | 605 |
| Dividends paid to owners of parent | 26 | (63,672) | (57,334) |
| Other | 40 | (40,304) | (50,880) |
| Net cash provided by (used in) financing activities | | (157,435) | 61,681 |
| Effect of exchange rate change on cash and cash equivalents | | (8,590) | 6,987 |
| Net decrease in cash and cash equivalents | | (70,237) | (5,034) |
| Cash and cash equivalents at beginning of period | | 243,079 | 172,841 |
| Cash and cash equivalents at end of period | 7 | 172,841 | 167,807 |

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, 2026, consist of the Company and its subsidiaries (the "Group") and its interests in associates and joint arrangements of the Company.

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

## 2. Basis of Presentation

(1) Statement of compliance with IFRS

As the Company meets the requirements for treatment as a "specified company under the designated international accounting standards," set out under Article 1-2, item (i) of the Ordinance on Consolidated Financial Statements, the provision of Article 312 of the said ordinance is applied. The Group's consolidated financial statements are therefore prepared in accordance with IFRS issued by the International Accounting Standards Board.

The Group's consolidated financial statements for the fiscal year ended March 31, 2026 were approved by Yoshihisa Kitano, President and CEO of the Company, on July 27, 2026.

(2) Basis of measurement

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

(3) Functional currency and reporting currency

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

(4) Changes in presentation

(Consolidated Statement of Cash Flow)

"Expenditure for acquisition of shares of subsidiaries resulting in changes in scope of consolidation" and "Proceeds from sale of shares of subsidiaries resulting in changes in scope of consolidation," which were presented separately under "Cash flows from investing activities" in the fiscal year ended March 31, 2025, are included in "Other" under "Cash flows from investing activities" in the current fiscal year due to their decreased materiality in terms of amount. The consolidated financial statements for the fiscal year ended March 31, 2025 have been reclassified to reflect this change in presentation.

As a result, the (26,897) million yen previously presented as "Expenditure for acquisition of shares of subsidiaries resulting in changes in scope of consolidation" and the 6,403 million yen previously presented as "Proceeds from sale of shares of subsidiaries resulting in changes in scope of consolidation" under "Cash flows from investing activities" in the consolidated statement of cash flow for the fiscal year ended March 31, 2025 have been reclassified as "Other."

## 3. Material 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.

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

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

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

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

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

(2) Business combinations

Business combinations are accounted for using the acquisition method.

Identifiable assets acquired and liabilities assumed through business combinations, as a general rule, 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 (in principle, 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.

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

(3) Foreign currency translation

(i) Translation of foreign currency transactions

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

(ii) Translation of foreign operations

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

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

(4) Financial instruments

(i) Financial assets

a. Initial recognition and measurement

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

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

• The asset is held in a business model of which the objective is to hold the asset in order to collect its contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

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

Compound financial instruments issued by the Group comprise convertible bonds, which may be converted into shareholders' equity if the bondholder elects to do so. The financial liability component of the compound financial instrument is initially recognized at the fair value of similar liabilities that have no equity conversion option. The equity component is initially recognized as the difference between the fair value of the entire compound financial instrument and the fair value of the liability component, and is not remeasured subsequent to initial recognition.

b. Measurement subsequent to initial recognition

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

c. Derecognition

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

d. Impairment

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

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

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

A receivable is determined to be credit-impaired when a fact such as the commencement of legal liquidation proceedings due to the obligor's bankruptcy 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, the carrying amount of the receivable is directly reduced.

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

Estimates of allowance for doubtful accounts relating to financial assets reflect the following.

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

(ii) Financial liabilities

a. Initial recognition and measurement

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

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

b. Measurement subsequent to initial recognition

(a) Financial liabilities measured at amortized cost

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

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

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

c. Derecognition

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

(iii) Derivative and hedge accounting

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

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

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

a. Fair value hedges

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

b. Cash flow hedges

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

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

c. Derivatives not designated as hedges

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

The Group uses the cost model to measure the carrying amount of property, plant and equipment subsequent to their recognition. Under this model, property, plant and equipment are carried at their cost less any accumulated depreciation and any accumulated impairment losses.

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

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

- Buildings and structures: 2–75 years
- Machinery and vehicles: 2–33 years

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

(8) Goodwill and intangible assets

(i) Goodwill

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

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

(ii) Intangible assets

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

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

Intangible assets with finite useful lives, except for mining rights, are amortized using the straight-line method over their estimated useful lives, while mining rights are generally amortized using the units of production method based on the estimated volume of reserves. Intangible assets mainly comprise software for internal use and have estimated useful lives of 2–10 years. The amortization method and estimated useful lives are reviewed each year at the fiscal year-end and revised, as necessary.

(9) Leases

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

(i) Leases as a lessee

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

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

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

(ii) Leases as a lessor

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

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

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

(10) Investment property

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

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

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

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

(11) Impairment of non-financial assets

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

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

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

(12) Post-employment benefits

(i) Defined benefit plans

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

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

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

(ii) Defined contribution plans

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

(13) 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.

(14) Revenue

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

When the Group is engaged in a transaction as a principal 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.

(15) Business profit

Business profit is profit before income taxes excluding financial income and one-time items of significant value. Management considers it as a benchmark indicator of the Company’s consolidated earnings.

(16) 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 as an amount that reflects the amount the Company expects the tax authorities to refund or expects to pay to the tax authorities. The tax rate and tax law used to calculate the amount of tax are those that have been enacted or substantively enacted by the end of the reporting period.

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

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

- Temporary differences arising from initial recognition of goodwill;
- Temporary differences resulting from the initial recognition of an asset or liability in a transaction that is not a business combination and that neither affects accounting income or taxable income at the time of the transaction nor gives rise to the same amounts of taxable temporary differences and deductible temporary differences; and
- Taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangements, when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, unused tax losses carryforwards, and unused tax credits, but only to the extent that it is probable that future taxable income will be available against which the deductible temporary difference can be utilized, except when the deductible temporary difference results from the initial recognition of an asset or liability in a transaction that is not a business combination and that neither affects accounting income or taxable income at the time of the transaction nor gives rise to the same amounts of taxable temporary differences and deductible temporary differences.

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.

The Company and its certain domestic consolidated subsidiaries apply the group tax sharing system.

(17) 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 a deduction from equity. When treasury shares are disposed of, the difference between the consideration received and the carrying amount of the treasury shares is recognized directly in equity.

(18) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For an asset (or disposal group) to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The sale is considered highly probable only when the Group’s management is committed to a plan to sell the asset (or disposal group), and the sale is expected to be completed within one year from the date of classification.

After being classified as held for sale, the asset (or disposal group) is measured at the lower of the carrying amount and fair value less costs to sell, and is not depreciated or amortized.

## 4. Significant Judgements, Accounting Estimates, and Assumptions

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

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

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

・Scope of subsidiaries, associates, and joint arrangements (Note "3. Material Accounting Policies")
・Revenue recognition (Note "3. Material Accounting Policies")
・Leases (Note "3. Material 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. Material 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. Material 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. Material 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. Material 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. Material Accounting Policies" and Note "23. Provisions")

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

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

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

・Matters related to financial instruments (Note “3. Material Accounting Policies” and Note “41. 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 “44. 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

Major IFRS standards and interpretations newly established or amended by the approval date of the consolidated financial statements that the Group has not yet adopted are as follows. The impact of the application of this standard on the consolidated financial statements is currently being considered.

| Standard | Name of standard | Mandatory (in and after the fiscal year starting from) | Application date of the Company | Overview of the new standard or revision |
|---|---|---|---|---|
| IFRS 18 | Presentation and Disclosures in Financial Statements | January 1, 2027 | Fiscal year ending March 31, 2028 | A new standard to IAS 1, which is the current accounting standard on the presentation and disclosure in financial statements |

## 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 operating segments which were aggregated 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 steel structures, industrial machines, energy and the environment, recycling, and electricity retailing. The trading business purchases, processes, and distributes steel products, raw materials for steel production, nonferrous metal products, and food.

(2) Information on reportable segments

The accounting treatments for the Group's reportable segments are the same as those described in Note "3. Material 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, 2025

(million yen)

| | Steel | Engineering | Trading | Total | Adjustments (Note) | Amount recorded in consolidated financial statements |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Revenue from external customers | 3,007,924 | 554,156 | 1,297,566 | 4,859,647 | – | 4,859,647 |
| Intersegment revenue | 357,266 | 15,659 | 140,993 | 513,919 | (513,919) | – |
| Total | 3,365,191 | 569,815 | 1,438,559 | 5,373,566 | (513,919) | 4,859,647 |
| Segment profit | 36,385 | 19,386 | 47,971 | 103,743 | 10,842 | 114,586 |
| Gain on sales of land | | | | | | 86,622 |
| Impairment losses | | | | | | (25,194) |
| Cost for promoting and developing land utilization of Keihin district | | | | | | (14,607) |
| Loss relating to loss of control over subsidiaries | | | | | | (13,129) |
| PCB disposal costs | | | | | | (3,962) |
| Profit before tax | | | | | | 144,315 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Segment assets | 4,547,582 | 592,434 | 1,055,438 | 6,195,455 | (547,818) | 5,647,637 |
| Other items | | | | | | |
| Depreciation and amortization | 220,822 | 19,314 | 19,123 | 259,260 | (1,622) | 257,638 |
| Impairment losses | (20,013) | (3,389) | (1,681) | (25,084) | (110) | (25,194) |
| Finance income | 3,690 | 550 | 2,198 | 6,438 | (724) | 5,714 |
| Finance costs | (17,780) | (1,145) | (8,531) | (27,457) | 989 | (26,467) |
| Share of profit of investments accounted for using equity method | 16,133 | 2,677 | 991 | 19,803 | 9,330 | 29,133 |
| Investments accounted for using equity method | 537,033 | 48,305 | 25,313 | 610,652 | 26,319 | 636,972 |
| Capital expenditures | 266,499 | 27,066 | 24,911 | 318,477 | (3,651) | 314,826 |

Note: Adjustments are as follows:

- Adjustments to segment profit include corporate profit not allocated to a reportable segment: 60,005 million yen; elimination of dividend income from each reportable segment: (58,706) million yen; share of profit of investments accounted for using equity method related to Japan Marine United Corporation: 6,986 million yen; and elimination of other intersegment transactions: 2,556 million yen. Corporate profit is profit of the Company.
- Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 55,944 million yen and elimination of intersegment receivables and payables: (603,762) million yen. Corporate assets are assets of the Company.

Fiscal year ended March 31, 2026

(million yen)

| | Steel | Engineering | Trading | Total | Adjustments (Note) | Amount recorded in consolidated financial statements |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Revenue from external customers | 2,756,616 | 583,657 | 1,198,996 | 4,539,270 | – | 4,539,270 |
| Intersegment revenue | 331,814 | 16,115 | 134,060 | 481,990 | (481,990) | – |
| Total | 3,088,430 | 599,773 | 1,333,057 | 5,021,261 | (481,990) | 4,539,270 |
| Segment profit | 38,022 | 23,972 | 40,202 | 102,197 | 8,402 | 110,599 |
| Gain on sales of land | | | | | | 3,202 |
| Cost for promoting and developing land utilization of Keihin district | | | | | | (12,176) |
| Impairment losses | | | | | | (8,743) |
| Cost for removal in connection with the construction of Green Transformation (GX) facilities | | | | | | (5,464) |
| Profit before tax | | | | | | 87,417 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Segment assets | 4,780,920 | 627,896 | 1,072,891 | 6,481,708 | (586,469) | 5,895,238 |
| Other items | | | | | | |
| Depreciation and amortization | 233,602 | 22,905 | 19,902 | 276,410 | (2,118) | 274,292 |
| Impairment losses | (6,699) | (767) | (1,276) | (8,743) | — | (8,743) |
| Finance income | 4,189 | 781 | 2,139 | 7,110 | (1,522) | 5,588 |
| Finance costs | (22,771) | (1,881) | (7,756) | (32,410) | 2,037 | (30,373) |
| Share of profit of investments accounted for using equity method | 45,717 | 1,856 | (458) | 47,115 | 7,421 | 54,537 |
| Investments accounted for using equity method | 708,583 | 56,024 | 25,653 | 790,261 | 25,892 | 816,153 |
| Capital expenditures | 333,989 | 23,928 | 27,430 | 385,347 | (5,439) | 379,908 |

Note: Adjustments are as follows:

- Adjustments to segment profit include corporate profit not allocated to a reportable segment: 26,395 million yen; elimination of dividend income from each reportable segment: (25,006) million yen; share of profit of investments accounted for using equity method related to Japan Marine United Corporation: 6,607 million yen; and elimination of other intersegment transactions: 405 million yen. Corporate profit is profit of the Company.
- Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 42,183 million yen and elimination of intersegment receivables and payables: (628,652) 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Japan | 2,111,210 | 2,176,060 |
| Other | 256,280 | 292,422 |
| Total | 2,367,490 | 2,468,482 |

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

(6) Information about major customers

This information is omitted as there are no external customers that account 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Cash and bank deposits with maturities of three months or less | 172,582 | 165,838 |
| Negotiable certificates of deposit | 250 | 1,950 |
| Deposits paid | 8 | 19 |
| Total | 172,841 | 167,807 |

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, 2025 and 2026 is consistent with that reported in the consolidated statement of cash flow.

## 8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Notes and accounts receivable–trade | 625,505 | 621,442 |
| Other | 69,917 | 50,507 |
| Allowance for doubtful accounts | (2,438) | (2,955) |
| Total | 692,985 | 668,994 |

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, 2025 | As of March 31, 2026 |
|---|---|---|
| Merchandise and finished goods | 652,542 | 618,643 |
| Work in progress | 41,296 | 36,150 |
| Raw materials and supplies | 534,701 | 533,348 |
| Total | 1,228,540 | 1,188,142 |

Inventories recognized as an expense in cost of sales for the fiscal years ended March 31, 2025 and 2026 amounted to 3,800,807 million yen and 3,465,902 million yen, respectively.

## 10. Other Financial Assets

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Financial assets measured at amortized cost | | |
| Lease receivables (non-current) | 16,074 | 24,044 |
| Other | 38,107 | 48,600 |
| Allowance for doubtful accounts | (253) | (1,868) |
| Subtotal | 53,928 | 70,775 |
| Financial assets measured at fair value through profit or loss | | |
| Derivative assets | 24,586 | 20,203 |
| Other | 4,557 | 4,612 |
| Subtotal | 29,143 | 24,816 |
| Equity financial assets measured at fair value through other comprehensive income | | |
| Equity securities | 124,024 | 147,910 |
| Investments in capital | 5,544 | 5,451 |
| Subtotal | 129,568 | 153,362 |
| Total | 212,640 | 248,954 |
| Current assets | 22,116 | 22,956 |
| Non-current assets | 190,524 | 225,997 |
| Total | 212,640 | 248,954 |

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

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

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

(million yen)

| Issuers | As of March 31, 2025 |
|---|---|
| Formosa Ha Tinh (Cayman) Limited | 23,501 |
| Companhia Nipo-Brasileira de Pelotização | 8,277 |
| Mizuho Financial Group, Inc. | 6,100 |
| Japan Petroleum Exploration Co., Ltd. | 5,373 |
| ACTER GROUP CORPORATION LIMITED | 4,389 |

(million yen)

| Issuers | As of March 31, 2026 |
|---|---|
| Formosa Ha Tinh (Cayman) Limited | 21,660 |
| Japan Petroleum Exploration Co., Ltd. | 12,049 |
| Companhia Nipo-Brasileira de Pelotização | 11,345 |
| ACTER GROUP CORPORATION LIMITED | 9,478 |
| Mizuho Financial Group, Inc. | 9,165 |

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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Fair value | 2,705 | 3,665 |
| Accumulated gains or losses recognized in other comprehensive income | 957 | 1,643 |

## 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Advance payments | 26,285 | 36,679 |
| Other | 85,374 | 73,372 |
| Total | 111,660 | 110,052 |
| Current assets | 90,786 | 86,462 |
| Non-current assets | 20,873 | 23,590 |
| Total | 111,660 | 110,052 |

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Accrued expenses | 191,363 | 203,224 |
| Other | 82,340 | 109,719 |
| Total | 273,703 | 312,944 |
| Current liabilities | 245,661 | 277,021 |
| Non-current liabilities | 28,042 | 35,923 |
| Total | 273,703 | 312,944 |

## 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, 2025

(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 | 360,887 | 989,214 | 51,035 | 386,790 | 151,489 | 8,798 | 1,948,217 |
| Acquisition | 48,245 | 195,007 | 19,154 | 194 | (24,531) | 492 | 238,563 |
| Acquisition through business combinations | 13,009 | 9,138 | 93 | 2,616 | 2,057 | 73 | 26,988 |
| Sale or disposal | (6,803) | (6,831) | (813) | (13,864) | (1,254) | (5,340) | (34,907) |
| Depreciation | (28,500) | (148,016) | (15,476) | (9) | – | (157) | (192,159) |
| Impairment losses | (3,534) | (17,830) | (428) | (162) | – | (171) | (22,126) |
| Exchange differences on translation of foreign operations | 829 | (2,253) | 463 | 393 | 318 | (286) | (535) |
| Balance at the end of the year | 384,134 | 1,018,428 | 54,029 | 375,960 | 128,079 | 3,408 | 1,964,041 |

Fiscal year ended March 31, 2026

(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 | 384,134 | 1,018,428 | 54,029 | 375,960 | 128,079 | 3,408 | 1,964,041 |
| Acquisition | 39,210 | 145,854 | 25,344 | 2,105 | 73,148 | 1,759 | 287,424 |
| Acquisition through business combinations | 0 | 1 | 1 | – | – | – | 3 |
| Sale or disposal | (1,650) | (11,448) | (622) | (878) | (1,936) | (0) | (16,536) |
| Depreciation | (28,346) | (151,108) | (18,909) | (7) | – | (180) | (198,552) |
| Impairment losses | (994) | (6,865) | (163) | – | (81) | – | (8,104) |
| Exchange differences on translation of foreign operations | 1,608 | 4,722 | 754 | 1,620 | 2,233 | 757 | 11,697 |
| Balance at the end of the year | 393,963 | 999,585 | 60,434 | 378,801 | 201,444 | 5,745 | 2,039,974 |

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, 2025 | | | | | | | |
| Cost | 1,983,806 | 6,375,720 | 212,999 | 399,081 | 128,717 | 12,077 | 9,112,403 |
| Accumulated depreciation and accumulated impairment losses | (1,599,672) | (5,357,291) | (158,970) | (23,120) | (638) | (8,668) | (7,148,361) |
| Carrying amount | 384,134 | 1,018,428 | 54,029 | 375,960 | 128,079 | 3,408 | 1,964,041 |
| As of March 31, 2026 | | | | | | | |
| Cost | 2,001,732 | 6,363,441 | 223,167 | 401,843 | 201,847 | 17,650 | 9,209,682 |
| Accumulated depreciation and accumulated impairment losses | (1,607,768) | (5,363,855) | (162,732) | (23,042) | (403) | (11,905) | (7,169,708) |
| Carrying amount | 393,963 | 999,585 | 60,434 | 378,801 | 201,444 | 5,745 | 2,039,974 |

## 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, 2025

(million yen)

| | Goodwill | Software | Other | Total |
|---|---|---|---|---|
| Balance at the beginning of the year | 15,446 | 123,720 | 16,870 | 156,038 |
| Acquisition | – | 46,811 | 2,963 | 49,775 |
| Acquisition through business combinations | 19,451 | 115 | 49,511 | 69,078 |
| Sale or disposal | (1,214) | (520) | (121) | (1,856) |
| Amortization | – | (32,792) | (3,836) | (36,629) |
| Impairment losses | – | (1,677) | (36) | (1,714) |
| Exchange differences on translation of foreign operations | 356 | 32 | 803 | 1,191 |
| Other | (41) | (216) | (625) | (882) |
| Balance at the end of the year | 33,999 | 135,473 | 65,529 | 235,002 |

Fiscal year ended March 31, 2026

(million yen)

| | Goodwill | Software | Other | Total |
|---|---|---|---|---|
| Balance at the beginning of the year | 33,999 | 135,473 | 65,529 | 235,002 |
| Acquisition | 170 | 40,019 | 3,249 | 43,438 |
| Acquisition through business combinations | – | – | 0 | 0 |
| Sale or disposal | – | (1,899) | (5) | (1,904) |
| Amortization | – | (36,498) | (6,686) | (43,185) |
| Impairment losses | – | (177) | (0) | (177) |
| Exchange differences on translation of foreign operations | 455 | 70 | 7,267 | 7,793 |
| Other | (3,276) | (166) | 2,706 | (736) |
| Balance at the end of the year | 31,348 | 136,821 | 72,059 | 240,229 |

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, 2025 | | | | |
| Cost | 38,625 | 526,581 | 94,011 | 659,217 |
| Accumulated amortization and accumulated impairment losses | (4,625) | (391,107) | (28,481) | (424,214) |
| Carrying amount | 33,999 | 135,473 | 65,529 | 235,002 |
| As of March 31, 2026 | | | | |
| Cost | 35,974 | 561,004 | 107,614 | 704,593 |
| Accumulated amortization and accumulated impairment losses | (4,625) | (424,183) | (35,554) | (464,363) |
| Carrying amount | 31,348 | 136,821 | 72,059 | 240,229 |

(2) Significant intangible assets

The carrying amounts of other intangible assets as of March 31, 2025 and 2026 include mining rights of 35,652 million yen and 41,313 million yen, respectively.

(3) 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, 2025 and 2026 amounted to 42,987 million yen and 42,802 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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Depreciation of right-of-use assets | | |
| Buildings and structures | 10,903 | 11,826 |
| Machinery and vehicles | 11,191 | 13,001 |
| Tools, furniture and fixtures | 2,861 | 3,934 |
| Land | 2,045 | 1,996 |
| Other | 1,059 | 1,068 |
| Total | 28,062 | 31,827 |
| Interest on lease liabilities | 543 | 824 |
| Expense relating to short-term leases | 4,415 | 4,945 |
| Expense relating to leases of low-value assets | 707 | 1,287 |
| Income from subleasing right-of-use assets | 1,432 | 1,853 |

| | | |
|---|---|---|
| Total cash outflow for leases | 50,390 | 56,302 |

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Buildings and structures | 22,692 | 34,776 |
| Machinery and vehicles | 50,293 | 56,815 |
| Tools, furniture and fixtures | 4,899 | 3,957 |
| Land | 12,022 | 12,400 |
| Other | 3,538 | 3,419 |
| Total | 93,447 | 111,370 |

Right-of-use assets for the fiscal years ended March 31, 2025 and 2026 increased by 26,305 million yen and 48,883 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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Lease income | 9,167 | 10,864 |

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Within one year | 1,449 | 1,360 |
| Over one year and within two years | 1,195 | 1,184 |
| Over two years and within three years | 1,019 | 456 |
| Over three years and within four years | 291 | 165 |
| Over four years and within five years | – | – |
| Over five years | – | – |
| Total | 3,956 | 3,167 |

(iii) Income from finance leases

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Finance income on the net investment in the lease | 768 | 983 |

(iv) Maturity analysis of lease payments receivable

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Within one year | 8,210 | 11,445 |
| Over one year and within two years | 12,587 | 5,735 |
| Over two years and within three years | 2,217 | 3,745 |
| Over three years and within four years | 1,298 | 2,815 |
| Over four years and within five years | 602 | 3,966 |
| Over five years | 4,028 | 12,413 |
| Total | 28,944 | 40,121 |
| Unearned finance income | 1,495 | 1,700 |
| Net investment in the lease | 27,449 | 38,421 |

## 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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Balance at the beginning of the year | 52,849 | 54,126 |
| Acquisition | 182 | 163 |
| Reclassification from property, plant and equipment | 5,676 | 373 |
| Reclassification to property, plant and equipment | (506) | (503) |
| Depreciation | (787) | (727) |
| Impairment losses | (271) | – |
| Sale or disposal | (5,728) | (41) |
| Other | 2,712 | (74) |
| Balance at the end of the year | 54,126 | 53,317 |
| Cost (balance at the beginning of the year) | 112,213 | 103,493 |
| Accumulated depreciation and accumulated impairment losses (balance at the beginning of the year) | (59,363) | (49,366) |
| Cost (balance at the end of the year) | 103,493 | 101,545 |
| Accumulated depreciation and accumulated impairment losses (balance at the end of the year) | (49,366) | (48,228) |

(2) Fair values

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

(million yen)

| | As of March 31, 2025 | | As of March 31, 2026 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Investment property | 54,126 | 120,640 | 53,317 | 139,412 |

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 “41. Financial Instruments.”

(3) Income and expenses arising from investment properties

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

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Rental income | 9,167 | 10,864 |
| Direct sales expenses arising from investment properties which generated income | 2,695 | 2,768 |
| Direct sales expenses arising from investment properties which did not generate income | 15 | 23 |

## 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, 2025

The carrying amount was reduced to the recoverable amount mainly for assets for business use of JFE Steel Corporation, the consolidated subsidiary in the steel business, (Kurashiki, Okayama and Fukuyama, Hiroshima), in line with the policy of rebuilding the domestic production structure, as set forth in the Eighth Medium-term Business Plan, and the reduction was recorded as an impairment loss. Impairment losses in the consolidated statement of profit or loss totaled 25,194 million yen, consisting of 17,830 million yen of machinery and vehicles, 3,534 million yen of buildings and structures, 1,677 million yen of software, 1,080 million yen of right-of-use assets, and 1,070 million yen of other property, plant and equipment. The recoverable amount of these assets was calculated based on their value in use, but the discount rate was not taken into account due to their short expected period of use.

Fiscal year ended March 31, 2026

The carrying amount was reduced to the recoverable amount mainly for assets for business use of JFE Steel Corporation, the consolidated subsidiary in the steel business (Kawasaki, Kanagawa), following the decision to restructure the steel sheet business, and the reduction was recorded as an impairment loss. Impairment losses in the consolidated statement of profit or loss totaled 8,743 million yen, consisting of 6,865 million yen of machinery and vehicles, and 1,878 million yen of buildings and structures. The recoverable amount of these assets was calculated based on their value in use, but the discount rate was not taken into account due to their short expected period of use.

## 17. Subsidiaries and Associates

| Name | Address | Major business operations |
|---|---|---|
| (Consolidated subsidiaries)<br>[Steel business] | | |
| JFE Steel Corporation | Chiyoda-ku, Tokyo | Manufacture and sale of steel products |
| JFE Bars & Shapes Corporation | Minato-ku, Tokyo | Manufacture and sale of shaped steel and rebar products |
| JFE Chemical Corporation | Taito-ku, Tokyo | Manufacture and sale of chemical products |
| JFE Metal Products Corporation | Minato-ku, Tokyo | Manufacture, processing, and sale of secondary steel products |
| JFE Galvanizing & Coating Co., Ltd. | Shinagawa-ku, Tokyo | Manufacture, processing, and sale of secondary steel products |
| JFE Logistics Corporation | Chiyoda-ku, Tokyo | Various transportation and warehousing businesses |
| JFE Container Co., Ltd. | Chiyoda-ku, Tokyo | Manufacture and sale of various containers |
| JFE Civil Engineering & Construction Corporation | Chuo-ku, Tokyo | Contracting for civil engineering and construction works |
| JFE Mineral & Alloy Company, Ltd. | Minato-ku, Tokyo | Mining and exploitation, processing and sale of mineral products; and manufacture and sale of functional materials, ferroalloys, and iron and steel slag |
| JFE LIFE Corporation | Taito-ku, Tokyo | Real estate, insurance agency, and various service businesses |

| Name | Address | Major business operations |
|---|---|---|
| JFE Plant Engineering Co., Ltd. | Taito-ku, Tokyo | Manufacture and sale of machinery and equipment, and contracting for electrical construction, telecommunications construction, equipment management, and construction works |
| JFE Systems, Inc. | Minato-ku, Tokyo | Development and sale of various computer systems |
| JFE Kozai Corporation | Chuo-ku, Tokyo | Shearing and fusing of steel plates/sheets; and sale of steel materials |
| JFE Welded Pipe Manufacturing Co., Ltd. | Chuo-ku, Tokyo | Manufacture and sale of electric resistance welded steel pipes |
| JFE Precision Corporation | Higashi-ku, Niigata | Manufacture and sale of formed and fabricated materials |
| JFE Advantech Co., Ltd. | Nishinomiya, Hyogo | Manufacture and sale of measuring and weighing instruments |
| JFE Techno-Research Corporation | Chiyoda-ku, Tokyo | Material analysis, environmental research, technical information surveys, and support for intellectual properties |
| JFE East Japan GS Co., Ltd. | Kawasaki-ku, Kawasaki | Various service businesses |
| JFE West Japan GS Co., Ltd. | Fukuyama, Hiroshima | Various service businesses |
| JFE Steel Australia Resources Pty. Ltd. | Brisbane, Australia | Investments in coal mining and iron ore mining businesses in Australia |
| Philippine Sinter Corporation | Manila, The Philippines | Manufacture and sale of sintered ore |
| PT. JFE Steel Galvanizing Indonesia*1 | Bekasi, Indonesia | Manufacture and sale of cold-rolled and hot-dip zinc galvanized steel products |
| JFE Steel Galvanizing (Thailand) Ltd. | Rayong, Thailand | Manufacture and sale of hot-dip zinc galvanized steel products |
| Nova Era Silicon S.A. | Belo Horizonte, Brazil | Manufacture and sale of ferroalloy |
| Thai Coated Steel Sheet Co., Ltd. | Bangkok, Thailand | Manufacture and sale of electrogalvanized steel products |
| 103 other companies | | |
| [Engineering business]<br>JFE Engineering Corporation | Chiyoda-ku, Tokyo | Engineering business |
| JFE Plant Technology Co., Ltd. | Mihama-ku, Chiba | Design, construction, and maintenance related to basic chemical and functional chemical plants, and chemical supply systems for semiconductor manufacturing |
| J&T Recycling Corporation | Tsurumi-ku, Yokohama | Total recycling business |
| JFE Project One Co., Ltd. | Mihama-ku, Chiba | Design, construction, and maintenance of oil refining, petrochemical, and energy-related plants |
| JFE Environment Technology Company, Ltd. | Mihama-ku, Chiba | Design, procurement, construction, operation management, and maintenance of various environmental facilities |

| Name | Address | Major business operations |
|---|---|---|
| Asukasoken Co., Ltd. | Shinagawa-ku, Tokyo | Gas pipe burial and gas facility construction works |
| JFE Technos Co., Ltd. | Tsurumi-ku, Yokohama | Machinery and facility maintenance |
| Kinpai Co., Ltd. | Taisho-ku, Osaka | Gas pipe burial and gas facility construction works; sale and installation of home fixtures and equipment |
| JFE Environmental Service Corporation | Tsurumi-ku, Yokohama | Operation, maintenance, and management of waste processing facilities |
| Urban Energy Corporation | Tsurumi-ku, Yokohama | Electricity retailing business |
| JFE Solar Power Corporation | Tsurumi-ku, Yokohama | Generation, supply, and sale of electricity using photovoltaic systems |
| Standardkessel Baumgarte Holding GmbH | Mülheim, Germany | Construction and maintenance of waste power plants, biomass power plants, waste heat recovery power plants |
| 78 other companies | | |
| [Trading business]<br>JFE Shoji Corporation | Chiyoda-ku, Tokyo | 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 |
| JFE Shoji Steel Construction Materials Corporation | Chiyoda-ku, Tokyo | Sale of construction material products and equipment and materials for civil engineering/construction works; metallic processing business; and civil engineering/construction works and various other works |
| JFE Shoji Electronics Corporation | Chiyoda-ku, Tokyo | Sale of semiconductor products; and sale, installation, and maintenance of device assembling and inspection equipment for electronic components |
| Kawasho Foods Corporation | Chiyoda-ku, Tokyo | Domestic and import/export trade of various foods |
| JFE Shoji Pipe & Fitting Corporation | Chiyoda-ku, Tokyo | Sale of steel pipe and pipe material products |
| JFE Shoji Electrical Steel Co., Ltd. | Chiyoda-ku, Tokyo | Processing and sale of electromagnetic steel sheets |
| JFE Shoji Kohnan Steel Center Co., Ltd. | Higashinada-ku, Kobe | Processing and sale of steel sheets |
| JFE Shoji Coil Center Corporation | Kanazawa-ku, Yokohama | Processing and sale of steel sheets |
| K&I Tubular Corporation | Chiyoda-ku, Tokyo | Export/overseas trade of specialty pipes/tubes |
| JFE Shoji Machinery & Materials Corporation | Chiyoda-ku, Tokyo | Export/import and domestic trade of ironmaking/industrial materials |
| Zhejiang JFE Shoji Steel Products Co., Ltd. | Pinghu, China | Processing and sale of steel sheets |
| Guangzhou JFE Shoji Steel Products Co., Ltd. | Guangzhou, China | Processing and sale of steel sheets |

| Name | Address | Major business operations |
|---|---|---|
| PT. JFE Shoji Steel Indonesia | Bekasi, Indonesia | Processing and sale of steel sheets |
| Dongguan JFE Shoji Steel Products Co., Ltd. | Dongguan, China | Processing and sale of steel sheets |
| JFE Shoji Steel America, Inc. | Los Angeles, United States | Processing and sale of steel sheets |
| Central Metals (Thailand) Ltd. | Samut Prakan, Thailand | Processing and sale of steel sheets |
| JFE Shoji Vietnam Co., Ltd. | Ho Chi Minh, Vietnam | Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, various equipment and materials |
| JFE Shoji Steel Philippines, Inc. | Laguna, The Philippines | Processing and sale of steel sheets |
| JFE Shoji (Hong Kong) Ltd. | Hong Kong, China | Export/import and domestic trade of steel products, chemical products |
| JFE Shoji (Thailand) Ltd. | Bangkok, Thailand | Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, various equipment and materials |
| JFE Shoji (Shanghai) Co., Ltd. | Shanghai, China | Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, nonferrous metal products, chemical products |
| JFE Shoji Power Canada Inc. | Burlington, Canada | Processing and sale of electromagnetic steel sheets |
| JFE Shoji America Holdings Inc. | Los Angeles, United States | Business management of subsidiaries in the United States |
| Vest Tube LLC | Los Angeles, United States | Manufacture and sale of welded steel pipes |
| JFE Shoji America, LLC | Los Angeles, United States | Export/import and domestic trade of steel products and raw materials for ironmaking/steelmaking |
| Kelly Pipe Co., LLC | Santa Fe Springs, United States | Sale of steel pipes |
| CEMCO, LLC | City of Industry, United States | Processing and sale of steel frames for construction |

| Name | Address | Major business operations |
| --- | --- | --- |
| 83 other companies | | |
| (Equity-method associates)<br>[Steel business]<br>Japan-Brazil Niobium Corporation | Chiyoda-ku, Tokyo | Investment in niobium mining in Brazil |
| Setouchi Joint Thermal Power Co., Ltd. | Fukuyama, Hiroshima | Thermal power generation business |
| GECOSS Corporation | Bunkyo-ku, Tokyo | Rental and sale of temporary construction materials |
| Shinagawa Refra Co., Ltd.*1 | Chiyoda-ku, Tokyo | Manufacture and sale of various refractories, and contracting for furnace construction work |
| Nippon Chuzo K.K. | Kawasaki-ku, Kawasaki | Manufacture and sale of cast steel products |
| Nippon Chutetsukan K.K. | Kuki, Saitama | Manufacture and sale of cast-iron pipes |
| EXA Corporation | Nishi-ku, Yokohama | Development and sale of various computer systems |
| Seikei Steel Pipe Corporation | Sano, Tochigi | Manufacture and sale of cold press-formed square steel pipes |
| K.K. JFE Sanso Center | Fukuyama, Hiroshima | Manufacture and sale of oxygen gas, nitrogen gas, argon gas |
| Nucor-JFE Steel Mexico, S.de R.L. de C.V. | Silao, Mexico | Manufacture and sale of hot-dip zinc galvanized steel products |
| Guangzhou JFE Steel Sheet Co., Ltd. | Guangzhou, China | Manufacture and sale of cold-rolled and hot-dip zinc galvanized steel products |
| JSW JFE Electrical Steel Private Limited | Mumbai, India | Manufacture and sale of grain-oriented electrical steel |
| BaoWu JFE Special Steel Co., Ltd. | Shaoguan, China | Manufacture and sale of specialty steel rods |
| Thai Cold Rolled Steel Sheet Public Company Limited | Bangkok, Thailand | Manufacture and sale of cold-rolled steel sheets |
| Al Gharbia Pipe Company LLC | Abu Dhabi, UAE | Manufacture and sale of large-diameter welded steel pipes primarily for the energy industry |
| California Steel Industries, Inc. | Fontana, United States | Manufacture and sale of steel products |
| JSW Steel Limited | Mumbai, India | Manufacture and sale of steel products |
| Inner Mongolia Erdos EJM Manganese Alloys Co., Ltd. | Ordos, China | Manufacture and sale of ferroalloy |
| Bohai NKK Drill Pipe Co., Ltd. | Cangzhou, China | Processing, manufacture, and sale of drill pipes and drill pipe accessories |
| JSW Kalinga Steel Limited | Mumbai, India | Business management of subsidiaries engaged in the manufacture and sale of steel products in India |
| 20 other companies | | |
| [Engineering business]<br>TSUKISHIMA JFE AQUA SOLUTION CO., LTD. | Chuo-ku, Tokyo | Design, manufacture, and construction of equipment and plants for water purification plants, sewage treatment plants, biomass usage facilities, and sludge recycling facilities |
| Iwate Geothermal Power Co., Ltd. | Hachimantai, Iwate | Geothermal power generation business |

| Name | Address | Major business operations |
|---|---|---|
| JP Steel Plantech Co. | Nishi-ku, Yokohama | Design, manufacture, and installation of steelmaking machinery |
| Tahara Biomass Power LLC | Tahara, Aichi | Biomass power generation business |
| 26 other companies | | |
| [Trading business]<br>Hanwa Kozai Co., Ltd. | Yodogawa-ku, Osaka | Processing and sale of stainless steel products |
| MOBY Corporation | Ichikawa, Chiba | Processing and sale of steel plates for containers |
| Ohmi Sangyo Co., Ltd. | Taisho-ku, Osaka | Processing and sale of steel sheets |
| OSAKA KOWAZ Inc. | Taisho-ku, Osaka | Processing and sale of steel sheets |
| Sankyo Noritake Steel Co., Ltd. | Nishi-ku, Sakai | Processing and sale of steel sheets |
| Zhejiang r. bourgeois mechanics CO., LTD | Haining, China | Processing and sale of steel sheets |
| 19 other companies*2 | | |
| [Other businesses]<br>Japan Marine United Corporation | Nishi-ku, Yokohama | Design, manufacture, sale, installation, repair, and maintenance of ships, naval vessels, and marine structures |

Notes: 1. Equity-method associates include joint operations.

2. Changes in subsidiaries and associates
   - ・JFE West Japan GS Co., Ltd. and JFE Shoji Steel Philippines, Inc. are listed as significant consolidated subsidiaries from the fiscal year ended March 31, 2026.
   - ・Al Gharbia Pipe Company LLC, Tahara Biomass Power LLC, and Zhejiang r. bourgeois mechanics CO., LTD are listed as important equity-method associates from the fiscal year ended March 31, 2026.
   - ・JSW Kalinga Steel Limited became an equity-method associate (joint venture) of JFE Steel Corporation due to the acquisition of shares on March 30, 2026, and changed its trade name to JSW JFE Kalinga Steel Limited with effect on April 17, 2026.
   - ・Thai Coated Steel Sheet Co., Ltd. transferred its entire business to Thai Cold Rolled Steel Sheet Public Company Limited on October 1, 2025 and is currently in the process of liquidation.
   - ・JFE Steel Corporation transferred 9.6% of its equity interest in Inner Mongolia Erdos EJM Manganese Alloys Co., Ltd. to Inner Mongolia Erdos EJM Electric Power and Metallurgy Group Co., Ltd. on April 23, 2026.
3. *1 Shinagawa Refractories Co., Ltd., which was listed in the fiscal year ended March 31, 2025, changed its trade name to Shinagawa Refra Co., Ltd., effective October 1, 2025.
4. *2 The other 19 equity-method associates of the trading business include three consolidated subsidiaries and one equity-method associate of the steel business.

## 18. Investments Accounted for Using Equity Method

(1) Material associates

JSW Steel Limited

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

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

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Current assets | 1,164,453 | 1,361,588 |
| Non-current assets | 3,172,471 | 3,046,067 |
| Total assets | 4,336,924 | 4,407,656 |
| Current liabilities | 1,092,136 | 1,245,428 |
| Non-current liabilities | 1,724,052 | 1,663,587 |
| Total liabilities | 2,816,188 | 2,909,016 |
| Total equity | 1,520,736 | 1,498,640 |
| Equity attributable to owners of parent | 1,481,787 | 1,459,620 |
| Non-controlling interests | 38,948 | 39,019 |

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Revenue | 2,256,891 | 2,323,217 |
| Net profit | 36,218 | 108,384 |
| Other comprehensive income | 18,109 | (86) |
| Comprehensive income | 54,327 | 108,298 |

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, as well as the fair value of interests in JSW Steel Limited are as follows:

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Equity attributable to owners of parent | 1,481,787 | 1,459,620 |
| Ownership interest (%) | 15.0 | 15.0 |
| Equity attributable to the Group | 222,268 | 218,943 |
| Consolidation adjustment | 3,938 | 22,139 |
| Carrying amount of interests in JSW Steel Limited | 226,206 | 241,082 |
| Fair value of interests in JSW Steel Limited | 684,335 | 699,393 |

Dividends received from JSW Steel Limited for the fiscal years ended March 31, 2025 and 2026 were 4,825 million yen and

1,768 million yen, respectively.

(2) Immaterial associates and joint ventures

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Associates | 191,578 | 198,982 |
| Joint ventures | 219,187 | 376,088 |

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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Associates | | |
| Net profit | 25,428 | 20,859 |
| Other comprehensive income | 5,281 | (1,792) |
| Comprehensive income | 30,709 | 19,067 |
| Joint ventures | | |
| Net profit | (5,286) | 5,337 |
| Other comprehensive income | 3,476 | 6,855 |
| Comprehensive income | (1,810) | 12,193 |

(3) Commitments to joint ventures

The Group has commitments to make equity investments or provide loans in certain jointly controlled entities. The amounts of potential new or additional capital contributions or loans by the Group under material equity investment or loan commitments were 18,218 million yen and 149,826 million yen as of March 31, 2025 and 2026, respectively.

The commitments outstanding as of March 31, 2026 relate primarily to the acquisition of an equity interest in JSW Kalinga Steel Limited. Details are provided in "42. Related Parties."

(4) Entities over which the Group has determined that it has significant influence despite holding less than 20% of the voting rights

JSW Steel Limited

Although the Group holds less than 20% of the voting rights in JSW Steel Limited, it applies the equity method because it has significant influence through the concurrent appointment of directors of JFE Steel Corporation (a consolidated subsidiary in the steel business) as directors of JSW Steel Limited, as well as through the provision of technical support related to steel sheet manufacturing technology and operational improvement.

## 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Deferred tax assets | | |
| Retirement benefit liability | 30,661 | 19,951 |
| Impairment losses | 19,849 | 16,672 |
| Accrued bonuses | 14,615 | 16,098 |
| Accrued expenses | 10,942 | 11,849 |
| Cost for promoting and developing land utilization of Keihin district | 6,620 | 9,837 |
| Unrealized gain on non-current assets | 1,660 | 4,840 |
| Cash flow hedges | 5,578 | 3,764 |
| Provisions | 2,244 | 2,901 |
| Unused tax loss carryforwards | 1,579 | 2,734 |
| Other | 29,847 | 35,917 |
| Total deferred tax assets | 123,600 | 124,567 |
| Deferred tax liabilities | | |
| Retained earnings of subsidiaries and associates | 35,048 | 37,445 |
| Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income | 17,614 | 24,949 |
| Reserve for tax purpose reduction entry of non-current assets | 9,397 | 9,254 |
| Other | 20,538 | 18,868 |
| Total deferred tax liabilities | 82,598 | 90,518 |
| Net deferred tax assets | 41,001 | 34,049 |

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

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Balance at the beginning of the year | 50,199 | 41,001 |
| Deferred tax expense | (5,148) | 11,305 |
| Deferred taxes on items of other comprehensive income | | |
| Effective portion of cash flow hedges | (1,041) | (1,851) |
| Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income | 323 | (8,227) |
| Remeasurements of defined benefit plans | (3,194) | (9,211) |
| Other | (135) | 1,031 |
| Balance at the end of the year | 41,001 | 34,049 |

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, 2025 | As of March 31, 2026 |
|---|---|---|
| Deductible temporary differences | 406,204 | 452,603 |
| Unused tax loss carryforwards | 294,319 | 412,060 |

Unrecognized deferred tax assets for the above deductible temporary differences were 128,166 million yen and 141,840 million yen as of March 31, 2025 and 2026, respectively. Unrecognized deferred tax assets for the above unused tax loss carryforwards were 27,979 million yen and 38,270 million yen as of March 31, 2025 and 2026, 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Year one | 23,050 | 18,211 |
| Year two to year five | 135,115 | 206,592 |
| Over five years | 103,079 | 144,887 |
| No specified expiration date | 33,073 | 42,367 |
| Total | 294,319 | 412,060 |

Taxable temporary differences arising from investments in subsidiaries and associates for which deferred tax liabilities were not recognized as of March 31, 2025 and 2026 amounted to 56,379 million yen and 76,609 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 55,624 million yen and 107,265 million yen were recognized as of March 31, 2025 and 2026, 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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Current tax expense | 45,911 | 24,690 |
| Deferred tax expense | 5,148 | (11,305) |
| Total | 51,060 | 13,385 |

(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 after application of tax effect accounting is as follows:

(%)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Effective statutory tax rate | 30.0 | 30.0 |
| (Reconciliation) | | |
| Items permanently not tax-deductible, such as entertainment expenses | 1.1 | 2.0 |
| Items permanently not taxable, such as dividend income | (0.1) | (0.3) |
| Changes in valuation allowance | 12.6 | 11.3 |
| Share of profit (loss) of investments accounted for using equity method | (6.1) | (18.7) |
| Other | (2.1) | (9.0) |
| Burden ratio of corporation tax after application of tax effect accounting | 35.4 | 15.3 |

(4) Global Minimum Taxation

The Group has applied “International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12 “Income Taxes”).” These amendments have clarified that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the BEPS Pillar Two GloBE (global minimum taxation) rules published by the OECD. However, the amendments also provide a temporary exception for entities from the requirements to recognize and disclose deferred tax assets and liabilities related to income taxes arising from the global minimum taxation rules. The Group has applied the temporary exception and neither recognized nor disclosed deferred tax assets and liabilities related to income taxes arising from the global minimum taxation rules.

## 20. Trade and Other Payables

The breakdown of trade and other payables is as follows:

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Notes and accounts payable–trade | 534,070 | 500,655 |
| Accounts payable–other | 61,884 | 70,486 |
| Total | 595,954 | 571,142 |

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, 2025 | As of March 31, 2026 |
|---|---|---|
| Short-term borrowings (Note 1) | 137,763 | 202,992 |
| Current portion of long-term borrowings (Note 1) | 145,324 | 116,077 |
| Current portion of bonds (Note 2) | 49,991 | 39,990 |
| Commercial papers (Note 1) | 17,995 | 33,973 |
| Bonds payable (Note 2) | 184,397 | 214,219 |
| Convertible bonds (Note 2) | 87,770 | 88,407 |
| Long-term borrowings (Note 1) | 1,007,011 | 1,099,473 |
| Lease liabilities | 136,195 | 164,249 |
| Total | 1,766,451 | 1,959,385 |
| Current liabilities | 395,415 | 443,307 |
| Non-current liabilities | 1,371,035 | 1,516,078 |
| Total | 1,766,451 | 1,959,385 |

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 rates and repayment dates for the balance of borrowings as of March 31, 2026 are as follows:

| | (%) | Repayment date |
|---|---|---|
| Short-term borrowings | 3.69 | – |
| Current portion of long-term borrowings | 1.08 | – |
| Commercial papers | 0.98 | – |
| Long-term borrowings | 1.52 | April 22, 2027 to March 22, 2083 |

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

(million yen)

| Company name | Issuers | Date of issuance | As of March 31, 2025 | As of March 31, 2026 | Interest rate (%) | Collateral | Redemption date |
|---|---|---|---|---|---|---|---|
| The Company | The 25th unsecured bond | May 21, 2018 | 19,998 | – | 0.260 | None | May 21, 2025 |
| The Company | The 28th unsecured bond | May 27, 2019 | 9,992 | 9,998 | 0.260 | None | May 27, 2026 |
| The Company | The 29th unsecured bond | May 27, 2019 | 19,959 | 19,968 | 0.365 | None | May 25, 2029 |
| The Company | The 31st unsecured bond | September 20, 2019 | 29,974 | 29,991 | 0.250 | None | September 18, 2026 |
| The Company | The 32nd unsecured bond | September 20, 2019 | 19,955 | 19,965 | 0.320 | None | September 20, 2029 |
| The Company | The 34th unsecured bond | July 14, 2020 | 29,993 | – | 0.250 | None | July 14, 2025 |
| The Company | The 35th unsecured bond | July 14, 2020 | 9,971 | 9,977 | 0.470 | None | July 12, 2030 |
| The Company | The 1st unsecured bond with interest deferral and early redemption clauses (subordinated) | June 10, 2021 | 34,733 | 34,737 | 0.680 (*1) | None | June 10, 2081 |
| The Company | The 36th unsecured bond | June 9, 2022 | 24,954 | 24,975 | 0.330 | None | June 9, 2027 |
| The Company | The 37th unsecured bond | June 9, 2022 | 4,977 | 4,980 | 0.579 | None | June 9, 2032 |
| The Company | Zero Coupon Convertible Bonds due 2028 | September 28, 2023 | 87,770 | 88,407 | – | None | September 28, 2028 |
| The Company | The 38th unsecured bond | July 10, 2024 | 14,943 | 14,956 | 0.823 | None | July 10, 2029 |
| The Company | The 39th unsecured bond | December 4, 2024 | 14,935 | 14,945 | 1.162 | None | December 4, 2031 |
| The Company | The 40th unsecured bond | June 4, 2025 | – | 29,897 | 1.526 | None | June 4, 2030 |
| The Company | The 41st unsecured bond | October 23, 2025 | – | 19,921 | 1.591 | None | October 23, 2030 |
| The Company | The 42nd unsecured bond | October 23, 2025 | – | 2,983 | 1.824 | None | October 22, 2032 |
| The Company | The 43rd unsecured bond | October 23, 2025 | – | 16,918 | 2.184 | None | October 23, 2035 |
| Total | – | – | 322,159 | 342,627 | – | – | |

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

(2) Assets pledged as collateral and corresponding secured obligations

Assets pledged as collateral

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Property, plant and equipment | 7,823 | 7,219 |
| Right-of-use assets | 161 | 161 |
| Investments accounted for using equity method | 14,678 | 19,060 |
| Other financial assets (non-current) | 286 | 300 |
| Total | 22,949 | 26,741 |

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Property, plant and equipment | 6,578 | 5,829 |

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Shares of consolidated subsidiaries (carrying amount posted on the non-consolidated financial statements of the consolidated subsidiaries) | 870 | 870 |

Corresponding secured obligations

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Trade and other payables | 28 | 77 |
| Bonds payable, borrowings, and lease liabilities (current) | 564 | 561 |
| Bonds payable, borrowings, and lease liabilities (non-current) | 2,777 | 2,217 |
| Total | 3,370 | 2,856 |

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Bonds payable, borrowings, and lease liabilities (current) | 559 | 559 |
| Bonds payable, borrowings, and lease liabilities (non-current) | 2,777 | 2,217 |
| Total | 3,336 | 2,777 |

## 22. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Financial liabilities measured at amortized cost | | |
| Deposits received | 114,455 | 109,789 |
| Other | 66,828 | 67,220 |
| Subtotal | 181,283 | 177,010 |
| Financial liabilities measured at fair value through profit or loss | | |
| Derivative liabilities | 7,646 | 9,458 |
| Total | 188,929 | 186,469 |
| Current liabilities | 148,830 | 131,952 |
| Non-current liabilities | 40,098 | 54,516 |
| Total | 188,929 | 186,469 |

## 23. Provisions

The breakdown and movement of provisions are as follows:

Fiscal year ended March 31, 2026

(million yen)

| | Asset retirement obligations | Other provisions | Total |
|---|---|---|---|
| Balance at the beginning of the year | 14,849 | 24,915 | 39,765 |
| Increase during the year | 901 | 19,028 | 19,930 |
| Interest expense incurred over the discount period | 1 | – | 1 |
| Decrease due to intended use | (763) | (17,521) | (18,284) |
| Decrease due to reversal | (1,081) | (4,817) | (5,898) |
| Decrease due to changes in the scope of consolidation | (904) | 482 | (421) |
| Balance at the end of the year | 13,003 | 22,088 | 35,092 |
| Current liabilities | 309 | 11,597 | 11,906 |
| Non-current liabilities | 12,694 | 10,491 | 23,185 |
| Total | 13,003 | 22,088 | 35,092 |

Asset retirement obligations

Asset retirement obligations are primarily mine rehabilitation costs relating to the coal mining rights of an Australian consolidated subsidiary engaged in investments in the coal mining business, and are expected to be paid after one year or more has passed from the end of the fiscal year ended March 31, 2026. However, they will be impacted by 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Funded defined benefit obligations | 145,044 | 133,622 |
| Plan assets | (114,608) | (122,979) |
| Subtotal | 30,435 | 10,642 |
| Unfunded defined benefit obligations | 45,224 | 39,493 |
| Total | 75,659 | 50,136 |
| Amounts recognized in the consolidated statement of financial position | | |
| Retirement benefit liability | 103,092 | 85,930 |
| Retirement benefit asset | (27,432) | (35,794) |
| Net defined benefit liability (asset) recognized in the consolidated statement of financial position | 75,659 | 50,136 |

(2) Reconciliation of defined benefit obligations

The movement of defined benefit obligations is as follows:

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Balance at the beginning of the year | 210,902 | 190,268 |
| Current service cost | 12,064 | 11,188 |
| Interest expense | 2,224 | 3,499 |
| Remeasurements | | |
| Actuarial losses arising from changes in demographic assumptions | (33) | (4,275) |
| Actuarial losses arising from changes in financial assumptions | (15,078) | (14,430) |
| Experience adjustments | (1,464) | (1,017) |
| Past service cost | (1,846) | (653) |
| Benefits paid | (11,804) | (11,140) |
| Effects of business combinations and disposals | (4,552) | – |
| Exchange differences on translation of foreign operations | (144) | (321) |
| Balance at the end of the year | 190,268 | 173,116 |

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

(years)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Weighted average duration | 12.6 | 12.7 |

(3) Reconciliation of plan assets

The movement of plan assets is as follows:

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Balance at the beginning of the year | 134,691 | 114,608 |
| Interest income | 1,574 | 2,253 |
| Remeasurements | | |
| Return on plan assets (excluding interest income) | (5,622) | 11,187 |
| Contribution to the plan by employer | 1,552 | 1,552 |
| Benefits paid | (7,810) | (5,993) |
| Effects of business combinations and disposals | (9,782) | – |
| Exchange differences on translation of foreign operations | 4 | (628) |
| Balance at the end of the year | 114,608 | 122,979 |

The Group expects to contribute 1,774 million yen to its defined benefit plans in the fiscal year ending March 31, 2027.

(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, 2025 | | | As of March 31, 2026 | | |
|---|---|---|---|---|---|---|
| | 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 | 21,065 | 164 | 21,229 | 30,810 | 151 | 30,962 |
| Foreign stocks | 6,864 | 277 | 7,142 | 7,591 | 501 | 8,093 |
| Debt instruments | | | | | | |
| Domestic bonds | 11,954 | 2,016 | 13,971 | 12,156 | 2,466 | 14,622 |
| Foreign bonds | 2,303 | 3,210 | 5,513 | 2,560 | 3,367 | 5,928 |
| Cash and deposits | 35,653 | – | 35,653 | 33,432 | – | 33,432 |
| Life insurance general accounts | – | 28,571 | 28,571 | – | 27,622 | 27,622 |
| Other | – | 2,526 | 2,526 | – | 2,318 | 2,318 |
| Total | 77,842 | 36,766 | 114,608 | 86,551 | 36,428 | 122,979 |

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, 2025 | As of March 31, 2026 |
|---|---|---|
| Discount rate | Mainly 2.4 | Mainly 3.5 |
| Anticipated rate of salary increase | Mainly 0.9 to 3.0 | Mainly 0.6 to 2.6 |

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

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

(million yen)

| | Changes in assumptions | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|---|
| Discount rate | Increase by 0.5% | (9,685) | (7,960) |
| | Decrease by 0.5% | 10,341 | 8,509 |

(6) Defined contribution pension plans

Contributions to the defined contribution pension plans are as follows:

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Contributions to the defined contribution pension plans | 37,808 | 39,888 |

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, 2024, March 31, 2025, and March 31, 2026 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, 2024 | 639,438 |
| Increase (decrease) | – |
| As of March 31, 2025 | 639,438 |
| Increase (decrease) | – |
| As of March 31, 2026 | 639,438 |

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, 2024 | 3,472 |
| As of March 31, 2025 | 3,360 |
| As of March 31, 2026 | 3,302 |

Note: Treasury shares as of March 31, 2025 and 2026 include the Company shares held in trust accounts for employee stock ownership plans.

(3) Capital surplus and retained earnings

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

## 26. Dividends

(1) Amounts of dividends paid

Fiscal year ended March 31, 2025

| Resolution | Type of share | Total amount of dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 25, 2024 | Common stock | 31,827 | 50 | March 31, 2024 | June 26, 2024 |

Note: The total amount of dividends of 31,827 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 24 million yen.

| Resolution | Type of share | Total amount of dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors' Meeting held on November 6, 2024 | Common stock | 31,845 | 50 | September 30, 2024 | December 6, 2024 |

Note: The total amount of dividends of 31,845 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 36 million yen.

Fiscal year ended March 31, 2026

| Resolution | Type of share | Total amount of dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 25, 2025 | Common stock | 31,845 | 50 | March 31, 2025 | June 26, 2025 |

Note: The total amount of dividends of 31,845 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 36 million yen.

| Resolution | Type of share | Total amount of dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors' Meeting held on November 6, 2025 | Common stock | 25,489 | 40 | September 30, 2025 | December 4, 2025 |

Note: The total amount of dividends of 25,489 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 39 million yen.

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

Fiscal year ended March 31, 2025

| 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, 2025 | Common stock | 31,845 | Retained earnings | 50 | March 31, 2025 | June 26, 2025 |

Note: The total amount of dividends of 31,845 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 36 million yen.

Fiscal year ended March 31, 2026

| Resolution | Type of share | Total amount of dividends (million yen) | Source of funds for dividends | Dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 24, 2026 | Common stock | 25,488 | Retained earnings | 40 | March 31, 2026 | June 25, 2026 |

Note: The total amount of dividends of 25,488 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 39 million yen.

## 27. Revenue

(1) Disaggregation of revenue

Fiscal year ended March 31, 2025

(million yen)

| | Steel Business | Engineering Business | Trading Business | Elimination of intersegment revenue | Total |
|---|---|---|---|---|---|
| Region | | | | | |
| Japan | 2,147,734 | 493,617 | 663,158 | (212,066) | 3,092,444 |
| Other | 1,217,456 | 76,197 | 775,401 | (301,852) | 1,767,202 |
| Total | 3,365,191 | 569,815 | 1,438,559 | (513,919) | 4,859,647 |
| Transfer of goods or services | | | | | |
| At a point in time | 3,155,321 | 10,784 | 1,438,548 | (488,779) | 4,115,874 |
| Over time | 209,869 | 559,030 | 11 | (25,139) | 743,773 |
| Total | 3,365,191 | 569,815 | 1,438,559 | (513,919) | 4,859,647 |

Fiscal year ended March 31, 2026

(million yen)

| | Steel Business | Engineering Business | Trading Business | Elimination of intersegment revenue | Total |
|---|---|---|---|---|---|
| Region | | | | | |
| Japan | 2,003,534 | 530,081 | 613,313 | (203,900) | 2,943,029 |
| Other | 1,084,896 | 69,691 | 719,743 | (278,089) | 1,596,241 |
| Total | 3,088,430 | 599,773 | 1,333,057 | (481,990) | 4,539,270 |
| Transfer of goods or services | | | | | |
| At a point in time | 2,881,606 | 10,973 | 1,332,625 | (455,570) | 3,769,635 |
| Over time | 206,824 | 588,799 | 431 | (26,420) | 769,635 |
| Total | 3,088,430 | 599,773 | 1,333,057 | (481,990) | 4,539,270 |

(2) Contract balances

(million yen)

| | As of April 1, 2024 | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|---|
| Receivables from contracts with customers | 704,123 | 625,505 | 621,442 |
| Contract assets | 134,569 | 155,257 | 155,769 |
| Contract liabilities | 50,186 | 47,591 | 38,964 |

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

The amount recognized as receivables that was included in the opening balance of contract assets was 99,615 million yen and 99,162 million yen as of March 31, 2025 and 2026, respectively.

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

The amount recognized as revenue that was included in the opening balance of contract liabilities was 47,988 million yen and 45,907 million yen as of March 31, 2025 and 2026, respectively.

(3) Remaining performance obligations

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the fiscal year | 1,150,418 | 1,420,897 |
| Expected timing of revenue recognition | | |
| Within one year | 399,774 | 413,610 |
| Over one year | 750,644 | 1,007,286 |

These obligations are mainly related to the engineering business.

## 28. Selling, General and Administrative Expenses

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

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Employee benefit expenses | 158,659 | 164,443 |
| Product shipping-related expenses | 93,348 | 95,233 |
| Provision of allowance for doubtful accounts | 166 | 2,445 |
| Other | 157,200 | 168,939 |
| Total | 409,375 | 431,062 |

## 29. Employee Benefit Expenses

Employee benefit expenses are as follows:

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Employee benefit expenses | 536,728 | 565,971 |

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 remuneration of directors of the Company (excluding directors who are Audit & Supervisory Committee members and outside directors), directors (limited to executive directors) of its operating companies, and corporate officers (excluding non-residents of Japan under the Income Tax Act) of the Company and its operating companies (hereinafter referred to collectively as the “Directors/Officers”) is provided in the form of employee stock ownership plans. The Group’s objective is to establish a clear link between remuneration 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 remuneration 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.

Remuneration 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 as an equity-settled share-based payment transaction while part of the plan that provides cash is accounted for as 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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Equity-settled | 141 | 176 |
| Cash-settled | (20) | 69 |
| Total | 121 | 246 |

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Other non-current liabilities | 182 | 192 |

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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Number of points granted (points) | 57,029 | 97,864 |
| Weighted average fair value of points at the grant date (yen) | 2,508 | 1,823 |

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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Dividend income | | |
| Equity financial assets measured at fair value through other comprehensive income | 3,604 | 4,058 |
| Rental income | 4,977 | 5,944 |
| Other | 22,032 | 18,618 |
| Total | 30,614 | 28,621 |

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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Financial assets derecognized during the year | 798 | 84 |
| Financial assets held as of the reporting date | 2,805 | 3,974 |

## 32. Other Expenses

The breakdown of other expenses is as follows:

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Loss on retirement of fixed assets | 14,087 | 14,278 |
| Loss on disposal of inventories | 8,618 | 5,915 |
| Foreign exchange losses | 5,298 | – |
| Other | 20,110 | 22,420 |
| Total | 48,115 | 42,614 |

## 33. Cost for Promoting and Developing Land Utilization of Keihin District

Fiscal year ended March 31, 2025

Expenses were recorded for repurposing land, including removal costs, after the JFE Group terminated upstream processes of blast furnaces and other equipment at East Japan Works (Keihin district) of JFE Steel Corporation, one of the consolidated subsidiaries of the steel business.

Fiscal year ended March 31, 2026

Expenses were recorded for repurposing land, including removal costs, after the JFE Group terminated upstream processes of blast furnaces and other equipment at East Japan Works (Keihin district) of JFE Steel Corporation, one of the consolidated subsidiaries of the steel business.

## 34. Cost for Removal in Connection with the Construction of Green Transformation (GX) Facilities

Fiscal year ended March 31, 2026

Expenses were recorded mainly for the removal of facilities in connection with the construction of an innovative electric arc furnace and other equipment at West Japan Works (Kurashiki district) of JFE Steel Corporation, one of the consolidated subsidiaries of the steel business, to enable the supply of high-quality, high-strength GX Steel in large quantity. These losses were incurred because the removal of existing facilities was necessary to secure land for the transition to the new steelmaking process.

## 35. Loss Relating to Loss of Control over Subsidiaries

Fiscal year ended March 31, 2025

JFE ComService Co., Ltd., a subsidiary of JFE Steel Corporation and JFE Systems, Inc., the consolidated subsidiary in the steel business transferred 20.0% of the issued shares in GECOSS Corporation to Mizuho Leasing Company, Limited on May 10, 2024. As a result of this transaction, GECOSS Corporation was excluded from the scope of consolidation and became an equity-method associate of JFE Steel Corporation. These losses mainly represent the losses recorded in conjunction with this change. Furthermore, these losses include the loss of 8,746 million yen recognized as a result of remeasuring the fair value of the residual interests on the date of loss of control.

## 36. PCB Disposal Costs

Fiscal year ended March 31, 2025

Regarding the disposal of low-concentration polychlorinated biphenyl (PCB) waste, pursuant to the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, the JFE Group was approved by the Ministry of the Environment to operate facilities within the Group to render such poisonous waste harmless, and as a result, it has become possible to reasonably estimate the disposal costs of PCB. Accordingly, 3,962 million yen, which primarily corresponds to this amount, was recorded as PCB disposal costs in the consolidated statement of profit or loss.

## 37. Finance Income and Finance Costs

(1) Finance income

The breakdown of finance income is as follows:

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Interest income | | |
| Financial assets measured at amortized cost | 5,707 | 5,560 |
| Other | 6 | 27 |
| Total | 5,714 | 5,588 |

(2) Finance costs

The breakdown of finance costs is as follows:

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Interest expenses | | |
| Financial liabilities measured at amortized cost | 24,063 | 28,124 |
| Other | 1 | 1 |
| Other | 2,403 | 2,247 |
| Total | 26,467 | 30,373 |

## 38. 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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Remeasurements of defined benefit plans | | |
| Amount arising during the year | 10,094 | 30,791 |
| Before tax effects | 10,094 | 30,791 |
| Tax effects | (3,194) | (9,211) |
| Remeasurements of defined benefit plans | 6,899 | 21,580 |
| Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income | | |
| Amount arising during the year | (6,893) | 25,597 |
| Before tax effects | (6,893) | 25,597 |
| Tax effects | 323 | (8,227) |
| Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income | (6,570) | 17,369 |
| Exchange differences on translation of foreign operations | | |
| Amount arising during the year | 10,057 | 27,430 |
| Reclassification adjustments | (15) | – |
| Before tax effects | 10,041 | 27,430 |
| Tax effects | – | – |
| Exchange differences on translation of foreign operations | 10,041 | 27,430 |
| Effective portion of cash flow hedges | | |
| Amount arising during the year | 5,930 | 11,106 |
| Reclassification adjustments | (3,196) | (5,135) |
| Before tax effects | 2,734 | 5,971 |
| Tax effects | (1,009) | (1,851) |
| Effective portion of cash flow hedges | 1,725 | 4,120 |
| Share of other comprehensive income of investments accounted for using equity method | | |
| Amount arising during the year | 37,358 | 19,219 |
| Reclassification adjustments | (5,012) | (8,783) |
| Share of other comprehensive income of investments accounted for using equity method | 32,345 | 10,436 |
| Total other comprehensive income | 44,442 | 80,937 |

## 39. Earnings per Share

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

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Basic earnings per share (yen) | 144.43 | 110.30 |
| Diluted earnings per share (yen) | 138.24 | 105.47 |

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

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Profit attributable to owners of parent (million yen) | 91,867 | 70,165 |
| Amount not attributable to common shareholders of parent (million yen) | – | – |
| Profit used in calculation of basic earnings per share (million yen) | 91,867 | 70,165 |
| Profit adjustments (million yen) | 430 | 430 |
| Profit used in calculation of diluted earnings per share (million yen) | 92,298 | 70,595 |
| Weighted average number of common shares used in calculation of basic earnings per share (thousand shares) | 636,048 | 636,124 |
| Impact of dilutive potential common shares | | |
| Share-based payments (thousand shares) | 403 | 350 |
| Convertible bonds (thousand shares) | 31,237 | 32,893 |
| Weighted average number of common shares used in calculation of diluted earnings per share (thousand shares) | 667,689 | 669,367 |

Note: The Company shares held in trust accounts for employee stock ownership plans are included in treasury shares, which are excluded from the calculation of the weighted average number of shares used in the calculation of basic earnings per share. The weighted average number of treasury shares excluded from the calculation of basic earnings per share for the fiscal years ended March 31, 2025 and 2026 is 686 thousand and 886 thousand, respectively.

## 40. Supplemental Information on the Consolidated Statement of Cash Flow

(1) Proceeds from sale of shares of subsidiaries resulting in changes in scope of consolidation

Information on proceeds from sale of shares of subsidiaries resulting in changes in scope of consolidation is as follows:

Fiscal year ended March 31, 2025

The breakdown of assets and liabilities at the time of sale, the consideration assumed, and the amount received (net), in conjunction with the sales of shares of GECOSS Corporation and other companies and their exclusion from the scope of consolidated subsidiaries, are as follows:

| | (million yen) |
|---|---|
| Assets sold | |
| Current assets (including cash and cash equivalents) | 68,724 |
| Non-current assets | 38,321 |
| Total assets sold | 107,044 |
| Liabilities sold | |
| Current liabilities | (39,922) |
| Non-current liabilities | (4,204) |
| Total liabilities sold | (44,126) |
| | |
| Fair value of consideration received | 7,538 |
| Cash and cash equivalents included in assets sold | (1,135) |
| Amount received upon sale | 6,403 |

(2) Liabilities arising from financing activities

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

Fiscal year ended March 31, 2025

(million yen)

| Liabilities arising from financing activities | Balance at the beginning of the year | Changes from financing cash flows | Non-cash changes | | Balance at the end of the year |
|---|---|---|---|---|---|
| | | | Increase due to new leases | Other | |
| Short-term borrowings | 162,083 | (29,170) | – | 4,851 | 137,763 |
| Current portion of long-term borrowings | 160,701 | (153,792) | – | 138,415 | 145,324 |
| Current portion of bonds | 59,987 | (60,000) | – | 50,004 | 49,991 |
| Commercial papers | – | 17,995 | – | – | 17,995 |
| Bonds payable | 291,524 | 30,000 | – | (49,355) | 272,168 |
| Long-term borrowings | 1,015,091 | 140,661 | – | (148,742) | 1,007,011 |
| Lease liabilities | 140,890 | (44,724) | 39,596 | 433 | 136,195 |
| Total | 1,830,278 | (99,029) | 39,596 | (4,393) | 1,766,451 |

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

Fiscal year ended March 31, 2026

(million yen)

| Liabilities arising from financing activities | Balance at the beginning of the year | Changes from financing cash flows | Non-cash changes | | Balance at the end of the year |
|---|---|---|---|---|---|
| | | | Increase due to new leases | Other | |
| Short-term borrowings | 137,763 | 61,995 | – | 3,233 | 202,992 |
| Current portion of long-term borrowings | 145,324 | (142,098) | – | 112,850 | 116,077 |
| Current portion of bonds | 49,991 | (50,000) | – | 39,999 | 39,990 |
| Commercial papers | 17,995 | 15,977 | – | – | 33,973 |
| Bonds payable | 272,168 | 70,000 | – | (39,540) | 302,627 |
| Long-term borrowings | 1,007,011 | 214,071 | – | (121,609) | 1,099,473 |
| Lease liabilities | 136,195 | (49,244) | 76,493 | 805 | 164,249 |
| Total | 1,766,451 | 120,701 | 76,493 | (4,260) | 1,959,385 |

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

## 41. 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, 2025 | As of March 31, 2026 |
|---|---|---|
| ROE*1 | 3.7% | 2.7% |
| D/E ratio*2 | 54.3% | 59.4% |
| Debt / EBITDA multiple*4 | 4.5x | 4.8x |

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

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

3. *3 Debt with an equity component (subordinated loans and bonds payable)

(million yen)

| Borrowing date/Bond issuance date | Amount borrowed/Amount issued | Assessment of equity content | Amount deemed to be equity |
|---|---|---|---|
| June 30, 2016 | 167,500 | 50% | 83,750 |
| March 19, 2018 | 100,000 | 50% | 50,000 |
| June 10, 2021 | 35,000 | 50% | 17,500 |
| March 20, 2023 | 205,000 | 50% | 102,500 |

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

These indicators are monitored as necessary and appropriate.

The Group is not subject to material capital regulation.

### (2) Basic policy on financial risk management

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

### (3) Credit risk

#### (i) Credit risk management

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

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

#### (ii) Maximum exposure to credit risk

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

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Loan commitments | 400 | 895 |
| Financial guarantee contracts | 27,083 | 27,086 |

(iii) Movement of allowance for doubtful accounts

(million yen)

| | Fiscal year ended March 31, 2025 | | |
|---|---|---|---|
| | Allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses | Lifetime expected credit losses | |
| | | Allowance for doubtful accounts for trade receivables, contract assets, and lease receivables | Allowance for doubtful accounts for credit-impaired financial assets |
| Balance at the beginning of the year | 208 | 771 | 1,682 |
| Increase during the year | 19 | 267 | 149 |
| Decrease during the year (intended use) | – | – | (112) |
| Decrease during the year (reversal) | (61) | (209) | (99) |
| Other | 34 | 59 | (18) |
| Balance at the end of the year | 201 | 889 | 1,600 |

(million yen)

| | Fiscal year ended March 31, 2026 | | |
|---|---|---|---|
| | Allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses | Lifetime expected credit losses | |
| | | Allowance for doubtful accounts for trade receivables, contract assets, and lease receivables | Allowance for doubtful accounts for credit-impaired financial assets |
| Balance at the beginning of the year | 201 | 889 | 1,600 |
| Increase during the year | 46 | 759 | 1,896 |
| Decrease during the year (intended use) | – | (133) | (19) |
| Decrease during the year (reversal) | (34) | (282) | (122) |
| Other | 11 | 16 | (4) |
| Balance at the end of the year | 224 | 1,249 | 3,350 |

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, 2025 | As of March 31, 2026 |
|---|---|---|
| Financial assets with allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses | 72,775 | 46,828 |
| Trade receivables, contract assets, and lease receivables | 806,882 | 814,148 |
| Credit-impaired financial assets | 1,607 | 3,360 |

(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, 2025 | As of March 31, 2026 |
|---|---|---|
| Not past due | 790,608 | 800,380 |
| Past due within 30 days | 7,384 | 8,601 |
| Past due between 30 days and 90 days | 2,530 | 2,645 |
| Past due over 90 days | 6,358 | 2,519 |
| Total | 806,882 | 814,148 |

(4) Liquidity risk

(i) Liquidity risk management

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

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

The Group also maintains sufficient liquidity by setting commitment lines with financial institutions (500,000 million yen at the end of the fiscal year ended March 31, 2026).

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

As of March 31, 2025

(million yen)

| | Carrying amount | Contractual cash flows | Within one year | Over one year and within two years | Over two years and within three years | Over three years and within four years | Over four years and within five years | Over five years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | 595,954 | 595,954 | 595,954 | – | – | – | – | – |
| Bonds payable and borrowings | 1,630,255 | 1,697,868 | 373,189 | 344,190 | 237,287 | 208,118 | 350,384 | 184,697 |
| Installment payables | 52,802 | 53,955 | 24,379 | 9,077 | 9,702 | 8,772 | 2,023 | – |
| Lease liabilities | 136,195 | 138,076 | 44,586 | 38,323 | 19,036 | 8,689 | 5,844 | 21,595 |
| Subtotal | 2,415,208 | 2,485,855 | 1,038,110 | 391,591 | 266,026 | 225,580 | 358,252 | 206,293 |
| Derivative liabilities | 7,646 | 7,646 | 7,589 | 43 | 12 | – | – | – |
| Total | 2,422,854 | 2,493,501 | 1,045,700 | 391,635 | 266,039 | 225,580 | 358,252 | 206,293 |

As of March 31, 2026

(million yen)

| | Carrying amount | Contractual cash flows | Within one year | Over one year and within two years | Over two years and within three years | Over three years and within four years | Over four years and within five years | Over five years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | 571,142 | 571,142 | 571,142 | – | – | – | – | – |
| Bonds payable and borrowings | 1,795,135 | 1,875,386 | 582,105 | 285,899 | 246,347 | 366,521 | 142,401 | 252,111 |
| Installment payables | 52,474 | 54,794 | 11,237 | 11,842 | 13,892 | 4,073 | 13,749 | – |
| Lease liabilities | 164,249 | 168,387 | 51,170 | 37,854 | 22,159 | 14,149 | 9,561 | 33,492 |
| Subtotal | 2,583,002 | 2,669,711 | 1,215,655 | 335,596 | 282,399 | 384,744 | 165,712 | 285,603 |
| Derivative liabilities | 9,458 | 5,882 | 7,823 | (150) | (234) | (235) | (236) | (1,083) |
| Total | 2,592,461 | 2,675,594 | 1,223,479 | 335,446 | 282,164 | 384,508 | 165,475 | 284,520 |

(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 and foreign currencies paid for imports of raw materials 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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|---|
| Impact on profit before tax | U.S. dollar | (946) | (835) |

(6) Interest rate risk

(i) Interest rate risk management

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 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, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Impact on profit before tax | (7,131) | (7,242) |

(7) Share price fluctuation risk

(i) Share price fluctuation risk management

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

(ii) Share price fluctuation sensitivity analysis

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

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Impact on other comprehensive income (before tax) | (611) | (808) |

(8) Carrying amounts and fair values of financial instruments

(million yen)

| | As of March 31, 2025 | | As of March 31, 2026 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Long-term borrowings | 1,007,011 | 999,591 | 1,099,473 | 1,081,036 |
| Current portion of bonds | 49,991 | 49,952 | 39,990 | 39,849 |
| Bonds payable | 184,397 | 179,751 | 214,219 | 207,010 |
| Convertible bonds | 87,770 | 86,184 | 88,407 | 86,237 |

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

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

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

The fair value of current portion of bonds and bonds payable is based on market prices. The fair value of convertible bonds is determined by discounting to present value with the yields of similar bonds without an equity conversion option.

Long-term borrowings, current portion of bonds, bonds payable, and convertible bonds 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, 2025 and 2026.

As of March 31, 2025

(million yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative assets | – | 24,586 | – | 24,586 |
| Other | – | 4,557 | – | 4,557 |
| Equity financial assets measured at fair value through other comprehensive income | | | | |
| Equity securities | 61,176 | – | 62,847 | 124,024 |
| Investments in capital | – | – | 5,544 | 5,544 |
| Total | 61,176 | 29,143 | 68,392 | 158,712 |
| Financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative liabilities | – | 632 | 7,014 | 7,646 |
| Total | – | 632 | 7,014 | 7,646 |

As of March 31, 2026

(million yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative assets | – | 20,203 | – | 20,203 |
| Other | – | 4,612 | – | 4,612 |
| Equity financial assets measured at fair value through other comprehensive income | | | | |
| Equity securities | 80,853 | – | 67,056 | 147,910 |
| Investments in capital | – | – | 5,451 | 5,451 |
| Total | 80,853 | 24,816 | 72,508 | 178,178 |
| Financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative liabilities | – | 2,444 | 7,014 | 9,458 |
| Total | – | 2,444 | 7,014 | 9,458 |

・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.

Among derivative liabilities, non-controlling interest put options are calculated based on the contractual exercise price, and are categorized within Level 3 as they use unobservable inputs.

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, 2025 and 2026 is as follows:

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Financial assets | | |
| Balance at the beginning of the year | 75,030 | 68,392 |
| Other comprehensive income (Note 1) | (6,112) | 106 |
| Acquisition | 833 | 4,472 |
| Sale | (984) | (302) |
| Changes due to changes in the scope of consolidation | (206) | (118) |
| Other | (169) | (40) |
| Balance at the end of the year | 68,392 | 72,508 |
| Financial liabilities | | |
| Balance at the beginning of the year | – | 7,014 |
| Other (Note 2) | 7,014 | – |
| Balance at the end of the year | 7,014 | 7,014 |

Notes: 1. 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.

2. “Other” under financial liabilities recognized during the fiscal year ended March 31, 2025, represents non-controlling interest put options.

(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 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 conducts derivative transactions only with financial institutions with high credit ratings, the risk of failure to perform contracts due to bankruptcy of the counterparty, 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 to hedge the fluctuation risk in the fair value of its borrowings and designates such derivative transactions 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, 2025 and 2026.

(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, 2025 and 2026.

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

(million yen)

| | As of March 31, 2025 | | As of March 31, 2026 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Fair value hedges | | | | |
| Interest rate swap transactions | – | – | – | 1,302 |
| Subtotal | – | – | – | 1,302 |
| Cash flow hedges | | | | |
| Forward exchange transactions | 1,079 | 483 | 2,958 | 443 |
| Interest rate swap transactions | 2,630 | – | 2,800 | – |
| Cross-currency interest rate swap transactions | 19,447 | – | 12,185 | – |
| Commodity futures transactions | 823 | – | 1,278 | – |
| Commodity swap transactions | 43 | – | 415 | – |
| Subtotal | 24,024 | 483 | 19,640 | 443 |
| Total | 24,024 | 483 | 19,640 | 1,745 |

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, 2025 | | As of March 31, 2026 | |
|---|---|---|---|---|
| | Within one year | Over one year | Within one year | Over one year |
| Fair value hedges | | | | |
| Interest rate swap transactions | – | – | – | 28,500 |
| Cash flow hedges | | | | |
| Forward exchange transactions | 159,895 | 3,421 | 144,135 | 10,368 |
| Interest rate swap transactions | – | 5,581 | – | 10,266 |
| Cross-currency interest rate swap transactions | 25,418 | 20,655 | 1,057 | 19,598 |
| Commodity futures transactions | 30,780 | – | 25,480 | – |
| Commodity swap transactions | 415 | – | 1,978 | – |

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, 2025 | As of March 31, 2026 |
|---|---|---|
| Cash flow hedges | | |
| Forward exchange transactions | | |
| U.S. dollar | 148.83 yen | 156.26 yen |
| Euro | 152.30 yen | 173.97 yen |
| Interest rate swap transactions | | |
| Receive floating / pay fixed | – | 1.68% |
| Cross-currency interest rate swap transactions | | |
| U.S. dollar | 107.52 yen | 104.85 yen |
| Receive floating / pay fixed | 0.13% | 0.10% |

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

As of March 31, 2025

There is no applicable item.

As of March 31, 2026

(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 | – | 27,197 | – | (1,302) |

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

Fiscal year ended March 31, 2025

(million yen)

| | Forward exchange transactions | Interest rate swap transactions | Cross-currency interest rate swap transactions | Commodity futures transactions | Commodity swap transactions | Total |
|---|---|---|---|---|---|---|
| Balance at the beginning of the year | 1,188 | 190 | 602 | (1,952) | – | 29 |
| Hedging gains or losses recognized in other comprehensive income | 3,079 | (73) | 1,628 | (676) | (13) | 3,944 |
| Reclassification adjustments to profit (Note) | (1,007) | 17 | (1,229) | – | – | (2,219) |
| Reclassification amount to cost of non-financial assets | (3,048) | – | – | 2,870 | 43 | (133) |
| Balance at the end of the year | 210 | 133 | 1,002 | 242 | 30 | 1,620 |

Fiscal year ended March 31, 2026

(million yen)

| | Forward exchange transactions | Interest rate swap transactions | Cross-currency interest rate swap transactions | Commodity futures transactions | Commodity swap transactions | Total |
|---|---|---|---|---|---|---|
| Balance at the beginning of the year | 210 | 133 | 1,002 | 242 | 30 | 1,620 |
| Hedging gains or losses recognized in other comprehensive income | 2,970 | 102 | 3,074 | 1,437 | 78 | 7,663 |
| Reclassification adjustments to profit (Note) | (401) | 6 | (3,148) | – | – | (3,543) |
| Reclassification amount to cost of non-financial assets | (1,581) | – | – | (1,135) | 175 | (2,541) |
| Balance at the end of the year | 1,198 | 243 | 928 | 544 | 285 | 3,199 |

Note: Major line items for reclassification adjustments in the consolidated statement of profit or loss for the fiscal year ended March 31, 2025 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, 2026 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, 2025 and 2026, trade receivables transferred without satisfying conditions for derecognition of financial assets of 2,004 million yen and 4,047 million yen were recognized in “Trade and other receivables,” respectively, and the amounts received due to the transfer of 2,004 million yen and 4,047 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.

## 42. Related Parties

(1) Remuneration for key management personnel

(million yen)

| | Fiscal year ended March 31, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Remuneration and bonuses | 1,714 | 1,683 |
| Share-based payment | 68 | 97 |
| Total | 1,783 | 1,781 |

(2) Transactions with related parties

Fiscal year ended March 31, 2026

JFE Steel Corporation, a consolidated subsidiary in the steel business, acquired a 25% equity interest in JSW Kalinga Steel Limited*, a former subsidiary of JSW Steel Limited, an equity-method associate of JFE Steel Corporation, for 78.75 billion rupees in March 2026, and accounted for the company as an equity-method associate (joint venture). JFE Steel Corporation had a commitment to acquire an additional 25% equity interest in the company for INR 78.75 billion as of March 31, 2026, and the acquisition was completed in June 2026.

*JSW Kalinga Steel Limited changed its trade name to JSW JFE Kalinga Steel Limited on April 17, 2026.

## 43. Commitments

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

(million yen)

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Acquisition of property, plant and equipment | 236,148 | 364,405 |

## 44. 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Joint ventures | 20,314 | 18,599 |
| Associates | 548 | 2,996 |
| Other | 1,954 | 1,967 |
| Total | 22,817 | 23,563 |

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, 2025 | As of March 31, 2026 |
|---|---|---|
| Guarantee limit for associates | 4,266 | 3,522 |

(2) Litigation

There is no applicable item.

## 45. Subsequent Events

(1) Financing through unsecured bonds with interest deferral and early redemption clauses (subordinated)

The Company issued unsecured bonds with interest deferral and early redemption clauses (subordinated) on June 11, 2026 (hereinafter, the “Subordinated Bonds”) under the terms set forth below.

| | | | |
|---|---|---|---|
| 1. Name of bonds | JFE Holdings, Inc. The 2nd Unsecured Bond with Interest Deferral and Early Redemption Clauses (Subordinated) | JFE Holdings, Inc. The 3rd Unsecured Bond with Interest Deferral and Early Redemption Clauses (Subordinated) | JFE Holdings, Inc. The 4th Unsecured Bond with Interest Deferral and Early Redemption Clauses (Subordinated) |
| 2. Issue amount | 40 billion yen | 10 billion yen | 10 billion yen |
| 3. Coupon rate | 2.940% | 3.372% | 3.924% |
| 4. Closing date | June 11, 2026 | | |
| 5. Optional early redemption date | June 11, 2031 and each interest payment date thereafter | June 11, 2033 and each interest payment date thereafter | June 11, 2036 and each interest payment date thereafter |
| 6. Maturity date | June 11, 2061 | June 11, 2063 | June 11, 2066 |
| 7. Interest payment dates | June 11 and December 11 of each year | | |
| 8. Subordination | Subordinated | | |
| 9. Replacement restrictions | None. If the Company redeems the Subordinated Bonds prior to maturity, during the 12-month period preceding such early redemption, the Company is expected to replace the amount to be redeemed through common shares, or through securities or debt instruments recognized by a rating agency as having equity credit equal to or greater than that of the Subordinated Bonds (hereinafter, the “Replacement Securities”). However, if certain financial conditions are satisfied on or after the first optional redemption date of the Subordinated Bonds, the Company may reduce the amount of, or forgo, such funding through Replacement Securities. | | |
| 10. Credit ratings | Rating and Investment Information, Inc. (“R&I”): A-<br>Japan Credit Rating Agency, Ltd. (“JCR”): A | | |
| 11. Equity credit | R&I and JCR recognize 50% of the amount raised as equity. | | |
| 12. Use of proceeds | The proceeds will be used in full to repay commercial paper maturing on or before March 2027.<br>In addition, a portion of the Subordinated Bonds will be issued as Replacement Securities for the 35 billion yen 1st Unsecured Bond with Interest Deferral and Early Redemption Clauses (Subordinated), which are scheduled to be redeemed prior to maturity on June 10, 2027. | | |

(2) Financing through a subordinated loan

On June 30, 2026, the Company raised funds through a subordinated loan under the terms set forth below.

| | |
|---|---|
| 1. Loan amount | 105 billion yen |
| 2. Drawdown date | June 30, 2026 |
| 3. Maturity date | June 30, 2063<br>However, after the seventh anniversary of the drawdown date, all or part of the principal may be repaid prior to maturity. |
| 4. Subordination | Subordinated |
| 5. Replacement restrictions | None. If the Company repays the loan prior to maturity, during the 12-month period preceding such early repayment, the Company is expected to replace the loan through common shares, or through securities or debt instruments recognized by a rating agency as having equity credit equal to or greater than that of the loan (hereinafter, the “Replacement Securities”). However, if certain financial conditions are satisfied on or after the first optional repayment date of the loan, the Company may forgo such funding through Replacement Securities. |
| 6. Equity credit | R&I and JCR recognize 50% of the loan amount as equity. |
| 7. Use of proceeds | The proceeds were used to fund the early repayment of 167.5 billion yen of the 200 billion yen subordinated loan raised in June 2016, which had become eligible for early repayment. |
| 8. Lenders | Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, and Sumitomo Mitsui Trust Bank, Limited. |

(3) Equity investment in Bhushan Power and Steel Limited

JFE Holdings, Inc. and its consolidated subsidiary JFE Steel Corporation resolved at their respective board meetings on December 3, 2025 and November 25, 2025 to make an equity investment in Bhushan Power and Steel Limited (BPSL), a subsidiary of JSW Steel Limited (JSW), and to enter into a joint venture with JSW. The investment based on this resolution was carried out in two tranches through JSW Kalinga Steel Limited (renamed JSW JFE Kalinga Steel Limited on April 17, 2026).

BPSL owns an iron ore mine and integrated steelworks in eastern India. Mainly producing steel coils and sheets, bars, and wire rods, BPSL is a cost-competitive steel company with a wide sales network primarily in eastern and northern India. The company’s integrated steelworks plans to expand crude steel production capacity to 10 million tons by 2030, and potentially to 15 million tons thereafter, aiming to become one of the largest integrated steelworks in India.

The formation of the joint venture was completed on March 30, 2026, and JSW JFE Steel Limited (hereinafter “JJSL”) was established. JJSL will be positioned as the third integrated steelworks of JFE Steel Corporation, in addition to the company’s East Japan and West Japan works, and is expected to contribute to increased earnings as an overseas business.

BPSL Overview
Location: Sambalpur, Odisha, India
Annual Capacity: 4.5 million tons of crude steel
Products: Hot-rolled steel coils and sheets, cold-rolled steel coils and sheets, bars, wire rods, and steel pipes
FY2024 Sales (April 2024 – Mar 2025): INR 214.4 billion (approx. JPY 360 billion)

Joint Venture Overview
Investment by JFE: INR 157.5 billion (approx. JPY 270 billion)
Ownership: JFE Steel 50% and JSW Steel 50%

Method of Share Acquisition
Tranche 1: 25% stake for INR 78.75 billion (approx. JPY 135.0 billion), completed in March 2026
Tranche 2: 25% stake for INR 78.75 billion (approx. JPY 135.0 billion), completed in June 2026

## (2) Other

(Significant lawsuits)

There is no applicable item.

(Semi-annual information for the fiscal year ended March 31, 2026)

| | Six months ended September 30, 2025 | Fiscal year ended March 31, 2026 |
|---|---|---|
| Revenue (million yen) | 2,232,649 | 4,539,270 |
| Profit before taxes (million yen) | 34,174 | 87,417 |
| Profit attributable to owners of parent (million yen) | 26,676 | 70,165 |
| Basic earnings per share (yen) | 41.94 | 110.30 |

# Independent Auditor’s Report

The Board of Directors
JFE Holdings, Inc.

## *The Audit of the Consolidated Financial Statements*

### Opinion

We have audited the accompanying consolidated financial statements of JFE Holdings, Inc. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2026, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

### 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, including those applicable to audits of financial statements of public interest entities, 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.

<table>
<tr><td colspan="2">Indications of Impairment of Non-financial Assets in the Steel Business</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s Response</th></tr>
<tr><td>The Company recorded non-financial assets in the amount of 2,039,974 million yen in its consolidated statement of financial position as of March 31, 2026, with the majority of the balance recognized by its subsidiary, JFE Steel Corporation.</td><td>We performed the following audit procedures to assess the appropriateness of the Company’s judgment regarding indications of impairment on non-financial assets of JFE Steel Corporation, among others;<br><br>In order to assess the effectiveness of the estimation process by the management, we compared business plans in previous years with actual results.</td></tr>
</table>

| | |
|---|---|
| In the event the Company determines that indications of impairment exist on a non-financial asset or cash generating unit as of the end of each reporting period, the Company measures the recoverable amount of the non-financial asset or 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.<br><br>In the steel business, the Company supplies various industries with steel products with sales volumes and selling prices highly sensitive to supply and demand conditions in domestic and overseas markets, especially the Asian steel market. The prices of key raw materials such as iron ore, coking coal and ferrous scrap, are highly volatile, due to global market dynamics, as well as possible natural disasters or accidents in sourcing countries. Furthermore, the prices of electricity and natural gas used in the steelmaking process have fluctuated due to the strengthening of environmental regulations and geopolitical risks. The Company normally undertakes significant capital investments, however, expected cost reductions or sales expansion associated with these investments may not be realized in the event of a delay in starting facility operations or unexpected changes in demand for steel products.<br><br>In order to identify indicators of impairment on non-financial assets, the Company needs to consider multiple factors to understand the current business environment such as steel production, shipment volumes, selling prices of steel products, and price trends for iron ore, coking coal, ferrous scrap, as well as electricity and natural gas. These are subject to significant uncertainty and require management's judgment, therefore we determined the judgment on the indications of impairment of non-financial assets in the steel business to be a key audit matter. | In order to understand the business environment, we discussed with the management and examined the management response by reviewing relevant documents and materials and comparing their consistency with publicly disclosed information.<br><br>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.<br><br>・ We discussed steel production and shipment volume with the management and considered management responses by reviewing relevant documents and materials, and by comparing them with available external data.<br><br>・ We inquired of the management regarding metal spreads (selling prices of steel products minus costs of raw materials) and compared the management responses with historical market data in previous years. We also examined selling prices and material prices such as iron ore, coking coal, ferrous scrap, as well as prices for electricity and natural gas by reviewing relevant documents and materials, and by comparing such information with available external data.<br><br>・ We inquired of the management regarding status of major capital investments and the optimization plans for domestic operations, including the suspension of operations at certain facilities under the Company's Eighth Medium-term Business Plan. In addition, we considered the management responses by reviewing relevant documents and materials. |

**Other Information**

The other information comprises the information included in the Financial Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilitiy of Management, Audit & Supervisory Committee for the Consolidated Financial Statements**

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

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

The Audit & Supervisory Committee is 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 IFRS Accounting Standards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee 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 Audit & Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit & Supervisory Committee, 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.

### *Fee-related Information*

The fees for the audits of the financial statements of JFE Holdings, Inc. and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2026 are 802 million yen and 193 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 27, 2026

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Shin Ichinose
Designated Engagement Partner
Certified Public Accountant

Tetsuya Yoshida
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Designated Engagement Partner
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