

JFE Holdings, Inc.

Financial Report for

Fiscal year ended March 31, 2023

Financial Information

1. Preparation Policy of the Consolidated Financial Statements

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

2. Audit Certification

In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements of the Company for the fiscal year ended March 31, 2023 were audited by Ernst & Young ShinNihon LLC.

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

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

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

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

Consolidated Financial Statements

Consolidated Statement of Financial Position

		(million yen)	
	Notes	As of March 31, 2022	As of March 31, 2023
Assets			
Current assets			
Cash and cash equivalents	7, 22	101,773	119,391
Trade and other receivables	8, 22, 40	796,955	776,115
Contract assets	28	123,888	116,293
Inventories	9	1,227,935	1,367,230
Income taxes receivable		1,009	22,957
Other financial assets	10, 40	22,830	18,937
Other current assets	11	118,235	96,759
Subtotal		2,392,629	2,517,685
Assets held for sale	12	–	40,929
Total current assets		2,392,629	2,558,615
Non-current assets			
Property, plant and equipment	13, 22	1,850,779	1,891,053
Goodwill	14	8,174	14,911
Intangible assets	14	108,547	126,855
Right-of-use assets	15, 22	98,417	98,611
Investment property	16	57,660	53,559
Investments accounted for using equity method	6, 19, 22	454,642	465,482
Retirement benefit asset	25	24,079	23,521
Deferred tax assets	20	60,372	74,728
Other financial assets	10, 22, 40	217,217	200,599
Other non-current assets	11	15,388	16,100
Total non-current assets		2,895,280	2,965,425
Total assets	6	5,287,909	5,524,040

		(million yen)	
	Notes	As of March 31, 2022	As of March 31, 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	21, 22, 40	678,377	703,212
Bonds payable, borrowings, and lease liabilities	22, 39,40	339,726	397,026
Contract liabilities	28	32,580	48,543
Income taxes payable, etc.		50,547	32,320
Provisions	24	12,345	10,781
Other financial liabilities	23, 40	143,406	181,046
Other current liabilities	11	236,856	265,268
Subtotal		1,493,840	1,638,200
Liabilities directly associated with assets held for sale	12	–	23,598
Total current liabilities		1,493,840	1,661,798
Non-current liabilities			
Bonds payable, borrowings, and lease liabilities	22, 39, 40	1,509,739	1,465,939
Retirement benefit liability	25	125,927	120,663
Provisions	24	22,663	19,128
Deferred tax liabilities	20	12,065	5,480
Other financial liabilities	23, 40	43,976	41,325
Other non-current liabilities	11	8,957	16,308
Total non-current liabilities		1,723,330	1,668,846
Total liabilities		3,217,170	3,330,644
Equity			
Share capital	26	147,143	147,143
Capital surplus	26	652,233	640,536
Retained earnings	26	1,294,875	1,397,735
Treasury shares	26	(180,580)	(156,408)
Other components of equity		74,596	91,315
Equity attributable to owners of parent		1,988,268	2,120,322
Non-controlling interests		82,470	73,073
Total equity		2,070,739	2,193,395
Total liabilities and equity		5,287,909	5,524,040

Consolidated Statement of Profit or Loss

	Notes	(million yen)	
		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	28	4,365,145	5,268,794
Cost of sales	13, 14, 30	(3,694,690)	(4,659,371)
Gross profit		670,454	609,423
Selling, general and administrative expenses	13, 14, 29, 30, 31	(360,415)	(392,446)
Share of profit of investments accounted for using equity method	6, 19	99,730	23,002
Other income	32	37,524	38,060
Other expenses	33	(30,828)	(42,198)
Business profit		416,466	235,841
Gain on sales of land	6	–	4,105
Impairment losses	6, 17	(11,355)	(3,542)
Loss on liquidation of subsidiaries and associates	6, 12, 34	(4,918)	(6,739)
Restructuring expenses	6, 35	–	(4,578)
Operating profit		400,192	225,086
Finance income	6, 36	1,549	3,677
Finance costs	6, 36	(13,205)	(18,481)
Profit before tax		388,535	210,282
Income tax expense	20	(98,741)	(43,530)
Net profit		289,793	166,752
Profit attributable to:			
Owners of parent		288,058	162,621
Non-controlling interests		1,734	4,130
Net profit		289,793	166,752
Earnings per share			
Basic earnings per share (yen)	38	500.28	280.68
Diluted earnings per share (yen)	38	500.12	280.52

Consolidated Statement of Comprehensive Income

		(million yen)	
	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net profit		289,793	166,752
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	25, 37	8,978	8,144
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	37, 40	5,984	(8,651)
Share of other comprehensive income of investments accounted for using equity method	19, 37	(3,954)	2,891
Total of items that will not be reclassified to profit or loss		11,007	2,384
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	37	16,707	18,239
Effective portion of cash flow hedges	37	4,931	1,823
Share of other comprehensive income of investments accounted for using equity method	19, 37	32,808	14,614
Total of items that may be reclassified to profit or loss		54,447	34,677
Total other comprehensive income		65,455	37,061
Comprehensive income		355,249	203,814
Comprehensive income attributable to:			
Owners of parent		352,318	198,999
Non-controlling interests		2,930	4,815
Comprehensive income		355,249	203,814

Consolidated Statement of Changes in Equity

(million yen)

Equity attributable to owners of parent						
Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					Remeasurements of defined benefit plans	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Balance as of April 1, 2021	147,143	652,465	1,029,976	(180,639)	–	61,620
Net profit	–	–	288,058	–	–	–
Other comprehensive income	–	–	–	–	9,015	2,120
Comprehensive income	–	–	288,058	–	9,015	2,120
Purchase of treasury shares	–	–	–	(68)	–	–
Disposal of treasury shares	–	47	–	77	–	–
Dividends	27	–	(40,355)	–	–	–
Share-based payment transactions	31	123	–	50	–	–
Changes in scope of consolidation	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	(403)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	17,195	–	(9,015)	(8,180)
Transfer to non-financial assets	40	–	–	–	–	–
Other	–	–	–	–	–	–
Total transactions with owners	–	(232)	(23,159)	58	(9,015)	(8,180)
Balance as of March 31, 2022	147,143	652,233	1,294,875	(180,580)	–	55,560

Equity attributable to owners of parent						
Notes	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total			
Balance as of April 1, 2021	(32,256)	914	30,278	1,679,223	80,930	1,760,154
Net profit	–	–	–	288,058	1,734	289,793
Other comprehensive income	48,343	4,780	64,260	64,260	1,195	65,455
Comprehensive income	48,343	4,780	64,260	352,318	2,930	355,249
Purchase of treasury shares	–	–	–	(68)	–	(68)
Disposal of treasury shares	–	–	–	125	–	125
Dividends	27	–	–	(40,355)	(1,237)	(41,592)
Share-based payment transactions	31	–	–	173	–	173
Changes in scope of consolidation	–	–	–	–	232	232
Changes in ownership interest in subsidiaries	–	–	–	(403)	324	(79)
Transfer from other components of equity to retained earnings	–	–	(17,195)	–	–	–
Transfer to non-financial assets	40	(2,745)	(2,745)	(2,745)	–	(2,745)
Other	–	–	–	–	(709)	(709)
Total transactions with owners	–	(2,745)	(19,941)	(43,274)	(1,389)	(44,664)
Balance as of March 31, 2022	16,086	2,949	74,596	1,988,268	82,470	2,070,739

(million yen)

Equity attributable to owners of parent						
Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	
					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, 2022	147,143	652,233	1,294,875	(180,580)	–	55,560
Net profit	–	–	162,621	–	–	–
Other comprehensive income	–	–	–	–	9,023	(6,700)
Comprehensive income	–	–	162,621	–	9,023	(6,700)
Purchase of treasury shares	–	–	–	(60)	–	–
Disposal of treasury shares	–	(2,000)	–	24,204	–	–
Dividends	27	–	(75,198)	–	–	–
Share-based payment transactions	31	131	–	27	–	–
Changes in scope of consolidation	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	(9,827)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	15,437	–	(9,023)	(6,413)
Transfer to non-financial assets	40	–	–	–	–	–
Other	–	–	–	–	–	–
Total transactions with owners	–	(11,696)	(59,761)	24,172	(9,023)	(6,413)
Balance as of March 31, 2023	147,143	640,536	1,397,735	(156,408)	–	42,446

Equity attributable to owners of parent						
Notes	Other components of equity			Total	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total			
Balance as of April 1, 2022	16,086	2,949	74,596	1,988,268	82,470	2,070,739
Net profit	–	–	–	162,621	4,130	166,752
Other comprehensive income	31,854	2,200	36,377	36,377	684	37,061
Comprehensive income	31,854	2,200	36,377	198,999	4,815	203,814
Purchase of treasury shares	–	–	–	(60)	–	(60)
Disposal of treasury shares	–	–	–	22,204	–	22,204
Dividends	27	–	–	(75,198)	(1,815)	(77,014)
Share-based payment transactions	31	–	–	158	–	158
Changes in scope of consolidation	–	–	–	–	(127)	(127)
Changes in ownership interest in subsidiaries	–	–	–	(9,827)	(12,382)	(22,210)
Transfer from other components of equity to retained earnings	–	–	(15,437)	–	–	–
Transfer to non-financial assets	40	(4,221)	(4,221)	(4,221)	–	(4,221)
Other	–	–	–	–	112	112
Total transactions with owners	–	(4,221)	(19,658)	(66,944)	(14,213)	(81,157)
Balance as of March 31, 2023	47,941	928	91,315	2,120,322	73,073	2,193,395

Consolidated Statement of Cash Flow

	(million yen)	
Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before tax	388,535	210,282
Depreciation and amortization	252,283	269,600
Changes in allowance	(2,917)	(5,172)
Interest and dividend income	(5,417)	(9,315)
Interest expenses	12,652	16,760
Share of loss (profit) of investments accounted for using equity method	(99,730)	(23,002)
Changes in trade and other receivables	(23,333)	19,336
Changes in inventories	(431,449)	(124,579)
Changes in trade and other payables	174,808	6,995
Other	39,122	117,396
Subtotal	304,554	478,301
Interest and dividends received	35,450	37,250
Interest paid	(11,559)	(15,155)
Income taxes paid	(29,706)	(104,599)
Net cash provided by (used in) operating activities	298,738	395,797
Cash flows from investing activities		
Purchase of property, plant and equipment, intangible assets, and investment property	(313,328)	(289,197)
Proceeds from sale of property, plant and equipment, intangible assets, and investment property	2,711	17,673
Purchase of investments	(5,557)	(9,072)
Proceeds from sale of investments	33,449	20,939
Other	(5,309)	(14,651)
Net cash provided by (used in) investing activities	(288,034)	(274,308)

		(million yen)	
Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
Cash flows from financing activities			
Changes in short-term borrowings	39	13,834	(4,576)
Changes in commercial papers	39	–	19,999
Proceeds from long-term borrowings	39	122,422	305,876
Repayments of long-term borrowings	39	(103,959)	(330,944)
Proceeds from issuance of bonds	39	35,000	30,000
Payments for redemption of bonds	39	(30,000)	(20,000)
Payments for purchase of treasury shares		(65)	(60)
Dividends paid to owners of parent	27	(40,355)	(75,198)
Other	39	(54,303)	(35,271)
Net cash provided by (used in) financing activities		(57,427)	(110,175)
Effect of exchange rate change on cash and cash equivalents			
		6,080	7,839
Changes in cash and cash equivalents		(40,643)	19,153
Changes in cash and cash equivalents resulting from transfer to assets held for sale		–	(1,536)
Cash and cash equivalents at beginning of period		142,416	101,773
Cash and cash equivalents at end of period	7	101,773	119,391

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, 2023, 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 of the Ordinance on Consolidated Financial Statements, the provision of Article 93 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, 2023 were authorized for issue on July 26, 2023 by Koji Kakigi, President and CEO.

(2) Basis of measurement

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

(3) Functional currency and reporting currency

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

3. Significant Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

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

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

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

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

(ii) Associates and joint arrangements

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

A joint arrangement is an arrangement in which two or more parties have joint control such that decisions about the relevant

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

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

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

(iii) Consolidation eliminations

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

(2) Business combinations

Business combinations are accounted for using the acquisition method.

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

If the total value of the fair value of consideration (including contingent consideration) transferred in the business combination, the amount of any non-controlling interests of the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree ("Value A") exceeds the net value (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.

Acquisition costs incurred are recognized as expenses when incurred.

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

(3) Foreign currency translation

(i) Translation of foreign currency transactions

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

(ii) Translation of foreign operations

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

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

(4) Financial instruments

(i) Financial assets

a. Initial recognition and measurement

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.

b. Measurement subsequent to initial recognition

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

c. Derecognition

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

d. Impairment

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

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

The Group determines whether the credit risk on each financial asset has increased significantly since initial recognition on each reporting date, and if the credit risk has not increased significantly since initial recognition, the amount of the allowance for doubtful accounts is assessed based on the expected credit losses resulting from default events that may occur within 12 months (expected credit losses over 12 months). If, on the reporting date, credit risk on a financial asset has

increased significantly since initial recognition, the amount of the allowance for doubtful accounts is assessed based on the expected credit losses arising from all possible default events over the expected lifetime of the financial asset (expected credit losses over full lifetime). However, in the case of trade receivables, contract assets, and lease receivables that do not contain a significant financing component, regardless of the above, the amount of the allowance for doubtful accounts is always measured using the expected credit losses for the instrument's full lifetime.

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

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

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

(ii) Financial liabilities

a. Initial recognition and measurement

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

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

b. Measurement subsequent to initial recognition

(a) Financial liabilities measured at amortized cost

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

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

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

c. Derecognition

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

(iii) Derivative and hedge accounting

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

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

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

a. Fair value hedges

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

b. Cash flow hedges

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

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

c. Derivatives not designated as hedges

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

(iv) Offsetting financial assets and financial liabilities

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Goodwill and intangible assets

(i) Goodwill

Goodwill is not amortized; it is tested for impairment annually or whenever an indication of impairment exists. Impairment

losses on goodwill are recognized in the consolidated statement of profit or loss and are not subsequently reversed.

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

(ii) Intangible assets

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

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

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

(9) Leases

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

(i) Leases as a lessee

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

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

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

(ii) Leases as a lessor

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

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

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

(10) Investment property

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

The Group uses the cost model to measure the carrying amount of investment property subsequent to its recognition. Under

this model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

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

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

(11) Impairment of non-financial assets

For property, plant and equipment and intangible assets, 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) Share-based payment

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

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

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

(14) Provisions

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

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

(15) Revenue

With the exception of interest, dividend income, 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.

(16) 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.

(17) Finance income and finance costs

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

(18) Dividend income

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

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

(19) Income taxes

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

Current tax expense is measured 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 does not affect accounting income or taxable income at the time of the transaction; and
- Taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangements, when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

The Company and its certain domestic consolidated subsidiaries have transitioned from the consolidated tax reporting system to the group tax sharing system since the fiscal year ended March 31, 2023.

The Group has also applied “International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12 “Income Taxes)”” since the fiscal year ended March 31, 2023. 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) 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.

(21) Earnings per share

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

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

(22) 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. Significant Accounting Policies")
- Revenue recognition (Note "3. Significant Accounting Policies")
- Leases (Note "3. Significant Accounting Policies")

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

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

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

- Impairment of non-financial assets (Note "3. Significant Accounting Policies" and Note "17. Impairment of Non-financial Assets")

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

- Recoverability of deferred tax assets (Note "3. Significant Accounting Policies" and Note "20. Income Taxes")

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

- Valuation and accounting for provisions (Note "3. Significant Accounting Policies" and Note "24. Provisions")

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

- Measurement of defined benefit obligations (Note "3. Significant Accounting Policies" and Note "25. Post-employment Benefits")

With respect to defined benefit corporate pension plans, the net amount of defined benefit obligations and fair values of plan assets are recognized as liabilities or assets. Defined benefit obligations are determined based on actuarial assumptions which include the estimates of discount, retirement, mortality, and salary increase rates. These assumptions are determined by comprehensively taking into account all available information, such as market trends in interest rate fluctuations. Since these

actuarial assumptions may be affected by uncertain changes in the economic environment in the future, social trends, and other factors, the assumptions involve the risk of causing a significant modification on the measurement of defined benefit obligations prospectively.

- Matters related to financial instruments (Note “3. Significant Accounting Policies” and Note “40. 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 “43. Contingent Liabilities”)

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

5. New IFRS Standards Not Yet Adopted

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

6. Segment Information

(1) Overview of reportable segments

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

Consolidated reportable segments, one for each operating company, are characterized by their constituent products and services. There are no 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 energy, urban environment, steel structures and industrial machines, recycling, and electricity retailing. The trading business purchases, processes, and distributes steel products, raw materials for steel production, nonferrous metal products, and food.

(2) Information on reportable segments

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

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

Intersegment transactions are based on market prices and the like.

Fiscal year ended March 31, 2022

	Steel	Engineering	Trading	Total	Adjustments (Note)	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	2,790,084	496,834	1,078,225	4,365,145	–	4,365,145
Intersegment revenue	383,391	11,380	153,537	548,309	(548,309)	–
Total	3,173,475	508,215	1,231,763	4,913,454	(548,309)	4,365,145
Segment profit (loss)	323,776	26,005	55,973	405,756	(946)	404,809
Impairment losses						(11,355)
Loss on liquidation of subsidiaries and associates						(4,918)
Profit before tax						388,535
Segment assets	4,425,035	501,332	953,200	5,879,568	(591,659)	5,287,909
Other items						
Depreciation and amortization	225,486	16,143	11,743	253,372	(1,089)	252,283
Impairment losses	(7,308)	(2,778)	(1,269)	(11,355)	–	(11,355)
Finance income	633	182	951	1,767	(218)	1,549
Finance costs	(11,543)	(691)	(1,819)	(14,054)	848	(13,205)
Share of profit of investments accounted for using equity method	95,995	773	1,375	98,144	1,586	99,730
Investments accounted for using equity method	405,191	15,017	19,921	440,131	14,511	454,642
Capital expenditures	304,967	24,742	12,100	341,811	(875)	340,935

Note: Adjustments are as follows:

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

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

Fiscal year ended March 31, 2023

(million yen)

	Steel	Engineering	Trading	Total	Adjustments (Note)	Amount recorded in consolidated financial statements
Revenue						
Revenue from external customers	3,427,239	498,079	1,343,476	5,268,794	–	5,268,794
Intersegment revenue	453,900	14,421	170,661	638,982	(638,982)	–
Total	3,881,139	512,500	1,514,137	5,907,777	(638,982)	5,268,794
Segment profit (loss)	146,825	13,481	65,115	225,422	(4,384)	221,038
Gain on sales of land						4,105
Impairment losses						(3,542)
Loss on liquidation of subsidiaries and associates						(6,739)
Restructuring expenses						(4,578)
Profit before tax						210,282

Segment assets	4,529,302	504,942	1,050,040	6,084,286	(560,246)	5,524,040
Other items						
Depreciation and amortization	240,577	17,105	13,180	270,863	(1,262)	269,600
Impairment losses	(3,443)	(99)	–	(3,542)	–	(3,542)
Finance income	1,939	258	1,768	3,966	(288)	3,677
Finance costs	(13,468)	(770)	(5,029)	(19,268)	786	(18,481)
Share of profit of investments accounted for using equity method	25,521	383	2,285	28,189	(5,187)	23,002
Investments accounted for using equity method	415,484	17,283	22,375	455,143	10,338	465,482
Capital expenditures	277,467	23,183	27,650	328,301	(2,669)	325,632

Note: Adjustments are as follows:

- Adjustments to segment profit (loss) include corporate profit not allocated to a reportable segment: 52,383 million yen; elimination of dividend income from each reportable segment: (51,393) million yen; share of loss of investments accounted for using equity method related to Japan Marine United Corporation: (5,453) million yen; and elimination of other intersegment transactions: 78 million yen. Corporate profit is profit of the Company.
- Adjustments to segment assets: Corporate assets not allocated to a reportable segment: 87,439 million yen and elimination of intersegment receivables and payables, etc.: (647,685) 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 “28. 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, 2022	As of March 31, 2023
Japan	1,984,409	2,016,744
Other	154,559	184,347
Total	2,138,968	2,201,092

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

(6) Information about major customers

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

(million yen)

	Relevant segments	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Marubeni-Itochu Steel Inc. and its group companies	Steel and trading	437,482	548,642

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(million yen)

	As of March 31, 2022	As of March 31, 2023
Cash and bank deposits with maturities of three months or less	99,663	118,927
Negotiable certificates of deposit	2,100	450
Deposits paid	10	13
Total	101,773	119,391

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, 2022 and 2023 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, 2022	As of March 31, 2023
Notes and accounts receivable—trade	742,836	713,074
Other	56,453	65,442
Allowance for doubtful accounts	(2,333)	(2,400)
Total	796,955	776,115

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, 2022	As of March 31, 2023
Merchandise and finished goods	626,321	686,488
Work in progress	33,782	37,129
Raw materials and supplies	567,831	643,612
Total	1,227,935	1,367,230

Inventories recognized as an expense in cost of sales for the fiscal years ended March 31, 2022 and 2023 amounted to 3,171,818 million yen and 4,091,697 million yen, respectively.

10. Other Financial Assets

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

(million yen)

	As of March 31, 2022	As of March 31, 2023
Financial assets measured at amortized cost		
Lease receivables (non-current)	22,673	20,847
Other	33,208	38,494
Allowance for doubtful accounts	(303)	(370)
Subtotal	55,578	58,972
Financial assets measured at fair value through profit or loss		
Derivative assets	34,229	29,290
Other	3,853	4,116
Subtotal	38,083	33,407
Equity financial assets measured at fair value through other comprehensive income		
Equity securities	139,689	120,067
Investments in capital	6,697	7,090
Subtotal	146,387	127,157
Total	240,048	219,537
Current assets	22,830	18,937
Non-current assets	217,217	200,599
Total	240,048	219,537

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

(million yen)

Issuers	As of March 31, 2023
Formosa Ha Tinh (Cayman) Limited	19,300
Dongkuk Steel Mill Co., Ltd.	10,427
Companhia Nipo-Brasileira de Pelotização	10,361
Central Japan Railway Company	4,360
Japan Petroleum Exploration Co., Ltd.	4,125

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, 2022	Fiscal year ended March 31, 2023
Fair value	31,759	20,196
Accumulated gains or losses recognized in other comprehensive income	8,251	8,568

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, 2022	As of March 31, 2023
Advance payments to suppliers	36,139	21,555
Other	97,484	91,305
Total	133,624	112,860
Current assets	118,235	96,759
Non-current assets	15,388	16,100
Total	133,624	112,860

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

(million yen)

	As of March 31, 2022	As of March 31, 2023
Accrued expenses	192,489	204,928
Other	53,324	76,648
Total	245,813	281,576
Current liabilities	236,856	265,268
Non-current liabilities	8,957	16,308
Total	245,813	281,576

12. Assets Held for Sale

(million yen)

	As of March 31, 2022	As of March 31, 2023
Assets held for sale	–	40,929
Liabilities directly associated with assets held for sale	–	23,598

Assets held for sale mainly include 26,745 million yen of trade and other receivables and 5,030 million yen of inventories. Liabilities directly associated with assets held for sale mainly include 9,601 million yen of trade and other payables and 8,922 million yen of bonds payable, borrowings, and lease liabilities (non-current).

Details of assets and liabilities classified as assets held for sale and liabilities directly associated with assets held for sale are as follows.

(1) Transfer of shares in JFE Pipe Fitting Mfg. Co., Ltd.

JFE Steel Corporation (hereinafter, “JFE Steel”), a wholly-owned subsidiary of the Company, and the Company, at their respective board of directors meetings held on October 28, 2022 and November 4, 2022, resolved to transfer 76.6% of the issued shares in JFE Pipe Fitting Mfg. Co., Ltd. (hereinafter, “JFE Pipe Fitting”), a subsidiary of JFE Steel, to Riken Corporation (hereinafter, “Riken”). Accordingly, JFE Steel Corporation has concluded a share purchase agreement with Riken as of November 4, 2022. Upon the conclusion of this agreement, assets related to JFE Pipe Fitting and liabilities directly associated with these assets, which were included in the reportable segment of the steel business, were classified as assets held for sale and liabilities directly associated with assets held for sale during the period until the completion of the share transfer.

At the time of reclassification, they were measured at the lower of the carrying amount and fair value less costs to sell, and were reclassified at the fair value less costs to sell. In line with this, the difference between the carrying amount and fair value less costs to sell of 6,273 million yen was recognized as loss on liquidation of subsidiaries and associates. The fair value was determined based on the transfer price specified in the share purchase agreement with Riken, and was categorized as Level 3 within the fair value hierarchy.

The share transfer was completed on May 9, 2023.

(i) Purpose of the share transfer

JFE Pipe Fitting, since its foundation in 1935, has been engaged in the production of high-quality fittings and prefabricated piping under its Ring brand as a specialized manufacturer of piping systems within the JFE Group. With the Japanese population now in decline, the domestic market for piping systems is expected to shrink over the long term. Under such circumstances, in order for JFE Pipe Fitting to achieve sustainable growth, strong measures are needed quickly, such as developing new products, optimizing its production systems and generating new demand.

Riken manufactures automotive and industrial machinery parts, such as piston rings, as well as piping products. Under the basic policy of its PLAN 2022 medium-term business plan, the company is working to expand its business in automotive fields not centered on internal combustion engines, focusing on expanding the portfolio in business areas with which the company has high affinity. The company expects to benefit from solid demand over the medium to long term in view of the important roles that many of its piping products play in supporting critical infrastructure. Given the underlying potential for strong growth through the development of new products, Riken aims to strengthen and expand its piping business as the company’s core field.

The Group has determined that the share transfer will create a wide range of synergistic opportunities for sustainable growth by allowing JFE Pipe Fitting to utilize the Riken Group’s resources in order to further enhance the competitiveness of its own pipe-fitting products and high-performance casting products as well as to develop new products, thereby enabling strategic business development.

(ii) Overview of the counterparty of the share purchase agreement

Company name:	Riken Corporation
Business:	Manufacture and sale of automotive parts and other industrial parts
Head office:	8-1 Sanbancho, Chiyoda-ku, Tokyo

Representative: Yasunori Maekawa
Consolidated net sales
(fiscal year ended March 31, 2022): 78,372 million yen
Capital: 8,573 million yen
Employees (consolidated)
(as of March 31, 2022): 4,332

(iii) Schedule of the share transfer

Conclusion date of the share purchase agreement: November 4, 2022
Date of executing the share transfer: May 9, 2023

(2) Integration of the domestic water engineering business between JFE Engineering Corporation and Tsukishima Kikai Co., Ltd.

JFE Engineering Corporation (hereinafter, “JFE Engineering”), a wholly-owned subsidiary of the Company, and the Company, at their respective board of directors meetings held on November 25, 2022 and December 2, 2022, resolved to integrate the domestic water engineering business between JFE Engineering and Tsukishima Kikai Co., Ltd. (hereinafter, “TSK”). Accordingly, JFE Engineering has concluded a joint-venture agreement dated December 5, 2022 with TSK. Upon the conclusion of this agreement, assets related to the domestic water engineering business and liabilities directly associated with these assets, which were included in the reportable segment of the engineering business, were classified as assets held for sale and liabilities directly associated with assets held for sale during the period until the completion of the business integration.

At the time of reclassification, they were measured at the lower of the carrying amount and fair value less costs to sell, and were reclassified at the carrying amount.

(i) Purpose of the business integration

The market of the domestic water engineering sector is currently remaining strong. However, with the market size shrinking and competition intensifying due to the declining population in Japan, the business environment is expected to be challenging. For that reason, the Group recognizes that it is an urgent task to enhance its competitiveness through the development of countermeasure technologies and service improvements. The Group has decided to integrate this business as it believes this integration will enable the permanent provision of water infrastructure, thereby making a greater contribution to society.

(ii) Overview of the counterparty of the joint-venture agreement

Company name: Tsukishima Kikai Co., Ltd.
Business: Design, construction, manufacture, sale, and maintenance of water purification plants, wastewater treatment plants and equipment; industrial and non-industrial waste treatment business; and design, construction, manufacture, sale of chemical, steel, food, and environment and energy-related plants and equipment
Head office: 3-5-1 Harumi, Chuo-ku, Tokyo
Representative: Yoshiyuki Fukuzawa
Consolidated net sales
(fiscal year ended March 31, 2022): 93,077 million yen
Capital: 6,646 million yen
Employees (consolidated)
(as of March 31, 2022): 2,765

(iii) Schedule of the business integration

Conclusion date of the joint-venture agreement: December 5, 2022
Conclusion of an absorption-type company
split agreement on this business integration: June 27, 2023
Date of executing the business integration: October 1, 2023 (plan)

13. 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, 2022

(million yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Other	Total
Balance at the beginning of the year	344,815	869,209	46,542	387,590	117,481	6,663	1,772,303
Acquisition	49,440	254,949	16,702	1,181	(40,928)	2,760	284,104
Acquisition through business combinations	29	10	24	–	(2)	–	62
Sale or disposal	(771)	(1,998)	(200)	(1,834)	(2,011)	(5)	(6,821)
Depreciation	(28,321)	(151,587)	(16,762)	(28)	–	(1,898)	(198,599)
Impairment losses	(4,150)	(1,789)	(119)	(920)	(2,289)	–	(9,269)
Exchange differences on translation of foreign operations	612	5,723	668	436	1,996	(437)	8,999
Balance at the end of the year	361,655	974,517	46,854	386,423	74,246	7,081	1,850,779

Fiscal year ended March 31, 2023

(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	361,655	974,517	46,854	386,423	74,246	7,081	1,850,779
Acquisition	29,216	193,273	19,458	1,061	10,858	3,013	256,882
Acquisition through business combinations	303	1,481	3	413	–	–	2,201
Sale or disposal	(1,202)	(2,199)	(194)	(4,392)	(1,059)	(29)	(9,077)
Depreciation	(29,473)	(164,216)	(17,793)	(25)	–	(1,932)	(213,441)
Impairment losses	(662)	(1,200)	(8)	(320)	(1,254)	–	(3,447)
Transfer to assets held for sale	(931)	(1,257)	(271)	(2,762)	(302)	–	(5,524)
Exchange differences on translation of foreign operations	2,352	5,443	504	3,747	467	164	12,680
Balance at the end of the year	361,258	1,005,843	48,553	384,144	82,955	8,298	1,891,053

- 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, 2022							
Cost	1,937,455	6,461,920	206,108	411,182	77,421	19,917	9,114,004
Accumulated depreciation and accumulated impairment losses	(1,575,799)	(5,487,402)	(159,253)	(24,759)	(3,174)	(12,835)	(7,263,224)
Carrying amount	361,655	974,517	46,854	386,423	74,246	7,081	1,850,779
As of March 31, 2023							
Cost	1,971,309	6,587,818	209,611	410,417	85,836	22,891	9,287,883
Accumulated depreciation and accumulated impairment losses	(1,610,051)	(5,581,974)	(161,057)	(26,272)	(2,881)	(14,593)	(7,396,830)
Carrying amount	361,258	1,005,843	48,553	384,144	82,955	8,298	1,891,053

14. 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, 2022

(million yen)

	Goodwill	Software	Other	Total
Balance at the beginning of the year	6,200	87,344	7,711	101,256
Acquisition	–	34,453	594	35,047
Acquisition through business combinations	2,439	136	3,169	5,744
Sale or disposal	–	(198)	(4)	(203)
Amortization	–	(24,232)	(324)	(24,556)
Impairment losses	(581)	(79)	(1,421)	(2,082)
Exchange differences on translation of foreign operations	116	1,121	278	1,517
Balance at the end of the year	8,174	98,545	10,002	116,721

Fiscal year ended March 31, 2023

(million yen)

	Goodwill	Software	Other	Total
Balance at the beginning of the year	8,174	98,545	10,002	116,721
Acquisition	100	35,288	1,035	36,424
Acquisition through business combinations	7,294	149	8,888	16,333
Sale or disposal	–	(426)	(4)	(430)
Amortization	–	(25,524)	(1,245)	(26,770)
Impairment losses	–	(94)	–	(94)
Transfer to assets held for sale	(756)	(131)	(893)	(1,781)
Exchange differences on translation of foreign operations	98	1,177	87	1,364
Balance at the end of the year	14,911	108,984	17,871	141,767

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, 2022				
Cost	12,799	419,400	27,715	459,916
Accumulated amortization and accumulated impairment losses	(4,625)	(320,855)	(17,713)	(343,194)
Carrying amount	8,174	98,545	10,002	116,721
As of March 31, 2023				
Cost	19,537	450,599	38,029	508,166
Accumulated amortization and accumulated impairment losses	(4,625)	(341,614)	(20,158)	(366,398)
Carrying amount	14,911	108,984	17,871	141,767

(2) Research and development expenses

Research and development expenses recorded in “Cost of sales” and “Selling, general and administrative expenses” for the fiscal years ended March 31, 2022 and 2023 amounted to 39,658 million yen and 43,018 million yen, respectively.

15. 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, 2022	Fiscal year ended March 31, 2023
Depreciation of right-of-use assets		
Buildings and structures	11,680	11,346
Machinery and vehicles	11,079	10,454
Tools, furniture and fixtures	3,169	3,855
Land	1,235	1,901
Other	981	947
Total	28,147	28,506
Interest on lease liabilities	550	502
Expense relating to short-term leases	3,699	3,886
Expense relating to leases of low-value assets	770	709
Income from subleasing right-of-use assets	1,631	1,474
Total cash outflow for leases	57,367	50,232

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

(million yen)

	As of March 31, 2022	As of March 31, 2023
Buildings and structures	39,852	34,664
Machinery and vehicles	42,765	44,468
Tools, furniture and fixtures	3,796	2,660
Land	9,485	14,259
Other	2,517	2,559
Total	98,417	98,611

Right-of-use assets for the fiscal years ended March 31, 2022 and 2023 increased by 21,478 million yen and 32,136 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, 2022	Fiscal year ended March 31, 2023
Lease income	11,281	9,976

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

(million yen)

	As of March 31, 2022	As of March 31, 2023
Within one year	1,408	1,523
Over one year and within two years	1,408	1,399
Over two years and within three years	1,342	1,144
Over three years and within four years	1,144	891
Over four years and within five years	891	808
Over five years	997	189
Total	7,193	5,957

(iii) Income from finance leases

(million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Finance income on the net investment in the lease	873	865

(iv) Maturity analysis of lease payments receivable

(million yen)

	As of March 31, 2022	As of March 31, 2023
Within one year	6,940	6,996
Over one year and within two years	6,227	7,890
Over two years and within three years	6,066	8,972
Over three years and within four years	8,247	6,119
Over four years and within five years	5,657	557
Over five years	4,737	4,387
Total	37,877	34,924
Unearned finance income	5,240	4,251
Net investment in the lease	32,637	30,672

16. 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, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	58,310	57,660
Acquisition	308	190
Reclassification from property, plant and equipment	270	487
Reclassification to property, plant and equipment	(245)	(2,588)
Depreciation	(979)	(882)
Sale or disposal	(3)	(1,307)
Balance at the end of the year	57,660	53,559
Cost (balance at the beginning of the year)	128,205	126,388
Accumulated depreciation and accumulated impairment losses (balance at the beginning of the year)	(69,894)	(68,728)
Cost (balance at the end of the year)	126,388	111,828
Accumulated depreciation and accumulated impairment losses (balance at the end of the year)	(68,728)	(58,268)

(2) Fair values

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

(million yen)

	As of March 31, 2022		As of March 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	57,660	136,369	53,559	124,251

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

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

Fair value hierarchy is described in Note "40. 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, 2022	Fiscal year ended March 31, 2023
Rental income	11,281	9,976
Direct sales expenses arising from investment properties which generated income	3,084	2,716
Direct sales expenses arising from investment properties which did not generate income	24	25

17. 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, 2022

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

Fiscal year ended March 31, 2023

The carrying amount was reduced to the recoverable amount mainly for idle assets, and the reduction was recorded as an impairment loss. Impairment losses in the consolidated statement of profit or loss totaled 3,542 million yen, consisting of 1,254 million yen of construction in progress and 2,287 million yen of machinery and vehicles. The recoverable amount of these assets was primarily determined at their expected disposal price.

18. Subsidiaries and Associates

Name	Address	Major business operations
(Consolidated subsidiaries) [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 & Engineering, Inc.	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
GECOSS Corporation	Chuo-ku, Tokyo	Rental and sale of temporary construction materials
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	Taito-ku, Tokyo	Contracting for civil engineering and construction works

Name	Address	Major business operations
JFE Mineral 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
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 Pipe Fitting Mfg. Co., Ltd.	Kishiwada, Osaka	Manufacture and sale of steel pipe joints
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 Precisions Co., Ltd.	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 Steel Australia Resources Pty. Ltd.	Brisbane, Australia	Investments in coal mines and the iron ore mining business in Australia
Philippine Sinter Corporation	Manila, The Philippines	Manufacture and sale of sintered ore
PT. JFE Steel Galvanizing Indonesia	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
Thai Coated Steel Sheet Co., Ltd.	Bangkok, Thailand	Manufacture and sale of electrogalvanized steel products
Nova Era Silicon S.A.	Belo Horizonte, Brazil	Manufacture and sale of ferroalloy
118 other companies		
[Engineering business]		
JFE Engineering Corporation	Chiyoda-ku, Tokyo	Engineering business
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

Name	Address	Major business operations
		maintenance of various environmental facilities
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
JFE Environmental Service Corporation	Tsurumi-ku, Yokohama	Operation, maintenance, and management of waste processing facilities, water treatment facilities, etc.
Urban Energy Corporation	Tsurumi-ku, Yokohama	Electricity retailing business
Standardkessel Baumgarte Holding GmbH	Mülheim, Germany	Construction and maintenance of waste power plants, biomass power plants, waste heat recovery power plants, etc.
72 other companies		
[Trading business]		
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, etc.
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, etc.
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
Zhejiang JFE Shoji Steel Products Co., Ltd.	Pinghu, China	Processing and sale of steel sheets
VEST Inc.	Los Angeles, United States	Sale and manufacture of welded steel pipes
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

Name	Address	Major business operations
Central Metals (Thailand) Ltd.	Samut Prakan, Thailand	Processing and sale of steel sheets
JFE Shoji (Vietnam) Ltd.	Ho Chi Minh, Vietnam	Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, various equipment and materials, etc.
JFE Shoji (Hong Kong) Ltd.	Hong Kong, China	Export/import and domestic trade of steel products, chemical products, etc.
JFE Shoji (Thailand) Ltd.	Bangkok, Thailand	Export/import and domestic trade of steel products, raw materials for ironmaking/steelmaking, various equipment and materials, etc.
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, etc.
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, etc. of subsidiaries in the United States
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
78 other companies		
(Equity method associates, etc.) [Steel business]		
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
Shinagawa Refractories Co., Ltd.*2	Chiyoda-ku, Tokyo	Manufacture and sale of various refractories, and contracting for furnace construction work
Nippon Chuzo K.K.*2	Kawasaki-ku, Kawasaki	Manufacture and sale of cast steel products, etc.
Nippon Chutetsukan K.K.*2	Kuki, Saitama	Manufacture and sale of cast-iron pipes, etc.
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
NKKTUBES K.K.	Kohoku-ku, Yokohama	Manufacture and sale of seamless steel pipes
K.K. JFE Sanso Center	Fukuyama, Hiroshima	Manufacture and sale of oxygen gas, nitrogen gas, argon gas, etc.
Guangzhou JFE Steel Sheet Co., Ltd.	Guangzhou, China	Manufacture and sale of cold-rolled and hot-dip zinc galvanized steel products

Name	Address	Major business operations
Nucor-JFE Steel Mexico, S. Der. L. Dec.V.	Silao, Mexico	Manufacture and sale of hot-dip zinc galvanized steel products
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
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
24 other companies		
[Engineering business]		
Iwate Geothermal Power Co., Ltd.	Hachimantai, Iwate	Geothermal power generation business
JP Steel Plantech Co.	Kohoku-ku, Yokohama	Design, manufacture, and installation of steelmaking machinery, etc.
21 other companies		
[Trading business]		
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
20 other companies ^{*1}		
[Other business]		
Japan Marine United Corporation	Nishi-ku, Yokohama	Design, manufacture, sale, installation, repair, and maintenance of ships, naval vessels, and marine structures, etc.

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

2. Changes in associates

- CEMCO LLC is listed as a significant subsidiary from the fiscal year ended March 31, 2023.
- Seikei Steel Pipe Corporation is listed as an important equity-method associate from the fiscal year ended March 31, 2023.
- JFE Mineral Company, Ltd. and Mizushima Ferroalloy Co., Ltd. and JFE Material Co., Ltd., which were listed in the table in the previous fiscal year, merged on April 1, 2022 with JFE Mineral Company, Ltd. as the surviving company.
- JFE Container Co., Ltd. became a wholly-owned subsidiary of JFE Steel Corporation on August 1, 2022 via share exchange.
- The liquidation of NKKTUBES K.K. was completed on April 28, 2023.
- JFE Steel Corporation transferred 76.6% of the issued shares in JFE Pipe Fitting Mfg. Co., Ltd. to Riken Corporation on May 9, 2023.

3. ^{*1} The other 20 equity-method associates of the trading business include three consolidated subsidiaries and one equity-method associate of the steel business.

19. Investments Accounted for Using Equity Method

(1) Material associates

There is no applicable item.

(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, 2022	As of March 31, 2023
Associates	279,372	287,332
Joint ventures	175,269	178,149

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, 2022	Fiscal year ended March 31, 2023
Associates		
Net profit	63,520	19,102
Other comprehensive income	(3,389)	3,531
Comprehensive income	60,131	22,633
Joint ventures		
Net profit	36,210	3,900
Other comprehensive income	(715)	(263)
Comprehensive income	35,494	3,637

20. 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, 2022	As of March 31, 2023
Deferred tax assets		
Retirement benefit liability	32,304	29,936
Impairment losses	31,472	28,956
Accrued bonuses	17,412	16,805
Accrued expenses	9,983	10,438
Cash flow hedges	4,959	6,466
Provisions	5,188	3,784
Excess depreciation	2,552	3,352
Other	26,347	39,305
Total deferred tax assets	130,217	139,048
Deferred tax liabilities		
Retained earnings of subsidiaries and associates	33,742	25,349
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	20,183	16,420
Cash flow hedges	5,007	6,744
Reserve for tax purpose reduction entry of non-current assets	6,747	6,695
Other	16,229	14,589
Total deferred tax liabilities	81,910	69,799
Net deferred tax assets	48,307	69,248

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

(million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	78,422	48,307
Deferred tax expense	(26,173)	22,212
Deferred taxes on items of other comprehensive income		
Effective portion of cash flow hedges	(2,257)	(1,202)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(446)	(41)
Remeasurements of defined benefit plans	(2,935)	(3,170)
Other	1,697	3,144
Balance at the end of the year	48,307	69,248

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, 2022	As of March 31, 2023
Deductible temporary differences	366,197	365,457
Unused tax loss carryforwards	342,079	295,301

Unrecognized deferred tax assets for the above deductible temporary differences were 112,450 million yen and 111,916 million yen as of March 31, 2022 and 2023, respectively. Unrecognized deferred tax assets for the above unused tax loss carryforwards were 25,934 million yen and 26,000 million yen as of March 31, 2022 and 2023, 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, 2022	As of March 31, 2023
Year one	5,977	41
Year two to year five	91,433	53,077
Over five years	227,649	212,328
No specified expiration date	17,018	29,855
Total	342,079	295,301

Taxable temporary differences arising from investments in subsidiaries and associates for which deferred tax liabilities were not recognized as of March 31, 2022 and 2023 amounted to 58,193 million yen and 42,378 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 108,191 million yen and 20,654 million yen were recognized as of March 31, 2022 and 2023, 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, 2022	Fiscal year ended March 31, 2023
Current tax expense	72,568	65,742
Deferred tax expense	26,173	(22,212)
Total	98,741	43,530

(3) Reconciliation of effective tax rate

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

	(%)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Effective statutory tax rate	30.0	30.0
(Reconciliation)		
Items permanently not tax-deductible, such as entertainment expenses	0.2	0.8
Items permanently not taxable, such as dividend income	(0.1)	(0.2)
Changes in valuation allowance	2.6	(0.2)
Share of profit (loss) of investments accounted for using equity method	(7.7)	(3.3)
Retained earnings of subsidiaries and associates	3.9	(4.0)
Other	(3.6)	(2.4)
Burden ratio of corporation tax after application of tax effect accounting	25.4	20.7

21. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	(million yen)	
	As of March 31, 2022	As of March 31, 2023
Notes and accounts payable—trade	615,923	636,527
Accounts payable—other	62,454	66,684
Total	678,377	703,212

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

22. 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, 2022	As of March 31, 2023
Short-term borrowings (Note 1)	149,834	161,433
Current portion of long-term borrowings (Note 1)	128,134	134,290
Current portion of bonds (Note 2)	19,990	39,981
Commercial papers (Note 1)	–	19,999
Bonds payable (Note 2)	274,197	264,224
Long-term borrowings (Note 1)	1,133,287	1,101,333
Lease liabilities	144,021	141,702
Total	1,849,466	1,862,966
Current liabilities	339,726	397,026
Non-current liabilities	1,509,739	1,465,939
Total	1,849,466	1,862,966

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, 2023 are as follows:

	(%)	Repayment date
Short-term borrowings	4.16	–
Current portion of long-term borrowings	1.12	–
Commercial papers	0.00	–
Long-term borrowings	1.11	April 22, 2024 to March 22, 2083

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

(million yen)

Company name	Issuers	Date of issuance	As of March 31, 2022	As of March 31, 2023	Interest rate (%)	Collateral	Redemption date
The Company	The 21st unsecured bond	March 13, 2014	9,989	9,994	0.804	None	March 13, 2024
The Company	The 22nd unsecured bond	September 19, 2014	19,975	19,985	0.703	None	September 19, 2024
The Company	The 23rd unsecured bond	May 23, 2017	9,998	–	0.090	None	May 23, 2022
The Company	The 24th unsecured bond	March 1, 2018	9,991	–	0.110	None	March 1, 2023
The Company	The 25th unsecured bond	May 21, 2018	20,010	19,973	0.260	None	May 21, 2025
The Company	The 26th unsecured bond	November 22, 2018	9,984	9,993	0.150	None	November 22, 2023
The Company	The 27th unsecured bond	May 27, 2019	29,947	29,971	0.170	None	May 27, 2024
The Company	The 28th unsecured bond	May 27, 2019	9,972	9,979	0.260	None	May 27, 2026
The Company	The 29th unsecured bond	May 27, 2019	19,929	19,939	0.365	None	May 25, 2029
The Company	The 30th unsecured bond	September 20, 2019	9,977	9,986	0.120	None	September 20, 2024
The Company	The 31st unsecured bond	September 20, 2019	29,921	29,939	0.250	None	September 18, 2026
The Company	The 32nd unsecured bond	September 20, 2019	19,926	19,936	0.320	None	September 20, 2029
The Company	The 33rd unsecured bond	July 14, 2020	19,968	19,992	0.050	None	July 14, 2023
The Company	The 34th unsecured bond	July 14, 2020	29,920	29,944	0.250	None	July 14, 2025
The Company	The 35th unsecured bond	July 14, 2020	9,955	9,961	0.470	None	July 12, 2030
The Company	The 1st unsecured bond with interest deferral and early redemption clauses (subordinated)	June 10, 2021	34,718	34,723	0.680 (*1)	None	June 10, 2081
The Company	The 36th unsecured bond	June 9, 2022	–	24,913	0.330	None	June 9, 2027
The Company	The 37th unsecured bond	June 9, 2022	–	4,971	0.579	None	June 9, 2032
Total	–	–	294,188	304,206	–	–	–

*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, 2022	As of March 31, 2023
Cash and cash equivalents	892	941
Trade and other receivables	11,860	9,475
Property, plant and equipment	9,703	8,808
Right-of-use assets	110	149
Investments accounted for using equity method	3,246	4,721
Other financial assets (non-current)	803	771
Total	26,618	24,869

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

(million yen)

	As of March 31, 2022	As of March 31, 2023
Property, plant and equipment	8,252	7,518

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

(million yen)

	As of March 31, 2022	As of March 31, 2023
Shares of consolidated subsidiaries (carrying amount posted on the non-consolidated financial statements of the consolidated subsidiaries)	649	649

Corresponding secured obligations

(million yen)

	As of March 31, 2022	As of March 31, 2023
Trade and other payables	430	201
Bonds payable, borrowings, and lease liabilities (current)	1,007	1,145
Bonds payable, borrowings, and lease liabilities (non-current)	11,302	12,464
Total	12,739	13,811

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

(million yen)

	As of March 31, 2022	As of March 31, 2023
Bonds payable, borrowings, and lease liabilities (current)	559	559
Bonds payable, borrowings, and lease liabilities (non-current)	4,455	3,895
Total	5,014	4,455

23. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

(million yen)

	As of March 31, 2022	As of March 31, 2023
Financial liabilities measured at amortized cost		
Deposits received	135,411	158,855
Other	48,055	61,251
Subtotal	183,467	220,107
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	3,915	2,265
Total	187,383	222,372
Current liabilities	143,406	181,046
Non-current liabilities	43,976	41,325
Total	187,383	222,372

24. Provisions

The breakdown and movement of provisions are as follows:

Fiscal year ended March 31, 2023

(million yen)

	Provision for loss on disposal of inventories	Other provisions	Total
Balance at the beginning of the year	6,189	28,819	35,009
Increase during the year	1,662	14,085	15,748
Interest expense incurred over the discount period	—	2	2
Decrease due to intended use	(541)	(18,251)	(18,792)
Decrease due to reversal	—	(2,730)	(2,730)
Increase due to business combination, etc.	—	674	674
Balance at the end of the year	7,310	22,600	29,910
Current liabilities	—	10,781	10,781
Non-current liabilities	7,310	11,818	19,128
Total	7,310	22,600	29,910

Provision for loss on disposal of inventories

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

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

25. 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, 2022	As of March 31, 2023
Funded defined benefit obligations	178,469	165,468
Plan assets	(133,491)	(121,800)
Subtotal	44,978	43,668
Unfunded defined benefit obligations	56,869	53,472
Total	101,847	97,141
Amounts recognized in the consolidated statement of financial position		
Retirement benefit liability	125,927	120,663
Retirement benefit asset	(24,079)	(23,521)
Net defined benefit liability (asset) recognized in the consolidated statement of financial position	101,847	97,141

(2) Reconciliation of defined benefit obligations

The movement of defined benefit obligations is as follows:

	(million yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	252,627	235,339
Current service cost	14,403	13,968
Interest expense	1,516	1,633
Remeasurements		
Actuarial losses arising from changes in demographic assumptions	112	(248)
Actuarial losses arising from changes in financial assumptions	(3,173)	(13,485)
Experience adjustments	(2,241)	2,581
Past service cost	(14,092)	(3,179)
Benefits paid	(14,975)	(14,864)
Effects of business combinations and disposals	1,161	(2,803)
Balance at the end of the year	235,339	218,941

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

	(years)	
	As of March 31, 2022	As of March 31, 2023
Weighted average duration	12.0	12.5

(3) Reconciliation of plan assets

The movement of plan assets is as follows:

(million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	133,600	133,491
Interest income	869	1,241
Remeasurements		
Return on plan assets (excluding interest income)	6,688	(1,403)
Contribution to the plan by employer	2,236	2,256
Benefits paid	(10,966)	(9,485)
Effects of business combinations and disposals	1,062	(4,299)
Balance at the end of the year	133,491	121,800

The Group expects to contribute 2,353 million yen to its defined benefit plans in the fiscal year ending March 31, 2024.

(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, 2022			As of March 31, 2023		
	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	44,598	403	45,001	34,410	323	34,733
Foreign stocks	8,312	1,031	9,344	7,662	660	8,323
Debt instruments						
Domestic bonds	16,405	3,730	20,135	12,917	3,973	16,890
Foreign bonds	3,125	2,433	5,558	2,184	2,841	5,025
Cash and deposits	15,539	–	15,539	19,015	–	19,015
Life insurance general accounts	–	35,708	35,708	–	35,483	35,483
Other	–	2,202	2,202	–	2,328	2,328
Total	87,980	45,510	133,491	76,189	45,610	121,800

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, 2022	As of March 31, 2023
Discount rate	Mainly 0.8	Mainly 1.3
Anticipated rate of salary increase	Mainly 0.9 to 3.0	Mainly 0.9 to 3.0

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

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

(million yen)

	Change in assumptions	As of March 31, 2022	As of March 31, 2023
Discount rate	Increase by 0.5%	(11,704)	(11,140)
	Decrease by 0.5%	12,623	11,901

(6) Defined contribution pension plans

Contributions to the defined contribution pension plans are as follows:

(million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Contributions to the defined contribution pension plans	36,761	37,049

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

26. Equity and Other Equity Items

(1) Share capital

(i) Authorized shares

The number of authorized shares as of April 1, 2021, March 31, 2022, and March 31, 2023 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, 2021	614,438
Increase (decrease)	—
As of March 31, 2022	614,438
Increase (decrease)	—
As of March 31, 2023	614,438

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

(2) Treasury shares

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

	Number of shares (thousand shares)
As of April 1, 2021	38,646
As of March 31, 2022	38,599
As of March 31, 2023	33,494

Note: Treasury shares as of March 31, 2022 and 2023 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.

27. Dividends

(1) Amounts of dividends paid

Fiscal year ended March 31, 2022

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

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

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

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

Fiscal year ended March 31, 2023

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 24, 2022	Common stock	46,118	80	March 31, 2022	June 27, 2022

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

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 4, 2022	Common stock	29,079	50	September 30, 2022	December 2, 2022

Note: The total amount of dividends of 29,079 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 26 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, 2022

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

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

Fiscal year ended March 31, 2023

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 27, 2023	Common stock	17,447	Retained earnings	30	March 31, 2023	June 28, 2023

Note: The total amount of dividends of 17,447 million yen includes dividends of the Company shares held in trust accounts for employee stock ownership plans of 15 million yen.

28. Revenue

(1) Disaggregation of revenue

Fiscal year ended March 31, 2022

(million yen)

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

Fiscal year ended March 31, 2023

(million yen)

	Steel Business	Engineering Business	Trading Business	Elimination of intersegment revenue	Total
Region					
Japan	2,404,246	456,345	751,619	(285,527)	3,326,684
Other	1,476,892	56,154	762,517	(353,455)	1,942,110
Total	3,881,139	512,500	1,514,137	(638,982)	5,268,794
Transfer of goods or services					
At a point in time	3,650,405	10,977	1,514,125	(612,405)	4,563,104
Over time	230,734	501,522	11	(26,577)	705,690
Total	3,881,139	512,500	1,514,137	(638,982)	5,268,794

(2) Contract balances

(million yen)

	As of April 1, 2021	As of March 31, 2022	As of March 31, 2023
Receivables from contracts with customers	716,893	742,836	713,074
Contract assets	101,282	123,888	116,293
Contract liabilities	43,038	32,580	48,543

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 70,394 million yen and 99,211 million yen as of March 31, 2022 and 2023, 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 36,465 million yen and 31,674 million yen as of March 31, 2022 and 2023, respectively.

For performance obligations satisfied or partially satisfied in previous periods, the amount recognized as revenue was 855 million yen and 1,554 million yen as of March 31, 2022 and 2023, respectively.

(3) Remaining performance obligations

(million yen)

	As of March 31, 2022	As of March 31, 2023
Transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the end of the fiscal year	1,059,781	1,113,306
Expected timing of revenue recognition		
Within one year	390,451	381,439
Over one year	669,329	731,867

These obligations are mainly related to the engineering business.

29. Selling, General and Administrative Expenses

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

(million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Employee benefit expenses	146,891	157,071
Product shipping-related expenses	87,652	90,786
Provision of allowance for doubtful accounts	336	92
Other	125,534	144,496
Total	360,415	392,446

30. Employee Benefit Expenses

Employee benefit expenses are as follows:

(million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Employee benefit expenses	506,610	538,491

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.”

31. Share-based Payment

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

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

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

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

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

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

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

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

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

	(million yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity-settled	173	158
Cash-settled	104	64
Total	277	223

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

	(million yen)	
	As of March 31, 2022	As of March 31, 2023
Other non-current liabilities	136	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, 2022	Fiscal year ended March 31, 2023
Number of points granted (points)	129,360	95,085
Weighted average fair value of points at the grant date (yen)	1,346	1,679

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.

32. Other Income

The breakdown of other income is as follows:

(million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	3,936	5,637
Foreign exchange gains	9,516	9,058
Rental income	6,524	5,904
Gain on sale of investments in subsidiaries	11	–
Other	17,535	17,460
Total	37,524	38,060

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, 2022	Fiscal year ended March 31, 2023
Financial assets derecognized during the year	573	413
Financial assets held as of the reporting date	3,363	5,223

33. Other Expenses

The breakdown of other expenses is as follows:

(million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Loss on retirement of fixed assets	16,089	16,287
Loss on disposal of inventories	–	8,477
Other	14,739	17,433
Total	30,828	42,198

34. Loss on Liquidation of Subsidiaries and Associates

Fiscal year ended March 31, 2022

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

Fiscal year ended March 31, 2023

Losses were recorded due to the transfer of shares in JFE Pipe Fitting Mfg. Co., Ltd., one of the consolidated subsidiaries of the steel business. The information is provided in Note "12. Assets Held for Sale."

35. Restructuring Expenses

Fiscal year ended March 31, 2023

Expenses were recorded due to the shutdown of the upstream processes and hot rolling equipment in the Keihin district of East Japan Works of JFE Steel Corporation, one of the consolidated subsidiaries of the steel business. They comprise mainly of compensation expenses paid to partner companies.

36. Finance Income and Finance Costs

(1) Finance income

The breakdown of finance income is as follows:

	(million yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Interest income		
Financial assets measured at amortized cost	1,480	3,677
Other	68	-
Total	1,549	3,677

(2) Finance costs

The breakdown of finance costs is as follows:

	(million yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Interest expenses		
Financial liabilities measured at amortized cost	12,611	16,757
Other	41	2
Other	553	1,721
Total	13,205	18,481

37. 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, 2022	Fiscal year ended March 31, 2023
Remeasurements of defined benefit plans		
Amount arising during the year	11,914	11,314
Before tax effects	11,914	11,314
Tax effects	(2,935)	(3,170)
Remeasurements of defined benefit plans	8,978	8,144
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income		
Amount arising during the year	6,430	(8,609)
Before tax effects	6,430	(8,609)
Tax effects	(446)	(41)
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	5,984	(8,651)
Exchange differences on translation of foreign operations		
Amount arising during the year	16,713	18,263
Reclassification adjustments	(5)	(23)
Before tax effects	16,707	18,239
Tax effects	—	—
Exchange differences on translation of foreign operations	16,707	18,239
Effective portion of cash flow hedges		
Amount arising during the year	18,257	14,808
Reclassification adjustments	(11,068)	(11,782)
Before tax effects	7,189	3,026
Tax effects	(2,257)	(1,202)
Effective portion of cash flow hedges	4,931	1,823
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the year	29,539	18,235
Reclassification adjustments	(686)	(729)
Share of other comprehensive income of investments accounted for using equity method	28,853	17,505
Total other comprehensive income	65,455	37,061

38. Earnings per Share

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Basic earnings per share (yen)	500.28	280.68
Diluted earnings per share (yen)	500.12	280.52

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

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit attributable to owners of parent (million yen)	288,058	162,621
Amount not attributable to common shareholders of parent (million yen)	—	—
Profit used in calculation of basic earnings per share (million yen)	288,058	162,621
Profit adjustments (million yen)	—	—
Profit used in calculation of diluted earnings per share (million yen)	288,058	162,621
Weighted average number of common shares used in calculation of basic earnings per share (thousand shares)	575,793	579,382
Impact of dilutive potential common shares		
Share-based payments (thousand shares)	187	337
Weighted average number of common shares used in calculation of diluted earnings per share (thousand shares)	575,980	579,719

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, 2022 and 2023 is 548 thousand and 534 thousand, respectively.

39. Supplemental Information on the Consolidated Statement of Cash Flow

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

Fiscal year ended March 31, 2022

(million yen)

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

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

Fiscal year ended March 31, 2023

(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	149,834	(4,576)	–	16,175	161,433
Current portion of long-term borrowings	128,134	(129,444)	–	135,601	134,290
Current portion of bonds	19,990	(20,000)	–	39,991	39,981
Commercial papers	–	19,999	–	–	19,999
Bonds payable	274,197	30,000	–	(39,973)	264,224
Long-term borrowings	1,133,287	104,376	–	(136,329)	1,101,333
Lease liabilities	144,021	(45,139)	42,326	494	141,702
Total	1,849,466	(44,784)	42,326	15,959	1,862,966

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.

40. 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, 2022	As of March 31, 2023
ROE* ¹	15.7%	7.9%
D/E ratio* ²	80.8%	67.8%
Debt / EBITDA multiple* ⁴	2.8x	3.7x

- Notes: 1 *1 ROE = Profit attributable to owners of parent / Equity attributable to owners of parent
2. *2 D/E ratio = Bonds payable, borrowings, and lease liabilities / Equity attributable to owners of parent
For debt with an equity component*³, a portion of its issue price is deemed to be equity attributable to owners of parent, as assessed by rating agencies.
- 3 *3 Debt with an equity component (subordinated loans 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, 2022	As of March 31, 2023
Loan commitments	4,994	4,736
Financial guarantee contracts	41,525	35,235

(iii) Movement of allowance for doubtful accounts

(million yen)

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

(million yen)

	Fiscal year ended March 31, 2023		
	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	184	795	1,656
Increase during the year	63	213	117
Decrease during the year (intended use)	–	(9)	(158)
Decrease during the year (reversal)	(58)	(165)	(122)
Other	32	24	197
Balance at the end of the year	221	858	1,691

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, 2022	As of March 31, 2023
Financial assets with allowance for doubtful accounts measured at an amount equal to 12-month expected credit losses	63,716	76,016
Trade receivables, contract assets, and lease receivables	897,919	858,706
Credit-impaired financial assets	2,223	1,718

(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, 2022	As of March 31, 2023
Not past due	884,890	843,924
Past due within 30 days	7,862	9,808
Past due between 30 days and 90 days	3,789	2,070
Past due over 90 days	1,376	2,902
Total	897,919	858,706

(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, 2023).

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

As of March 31, 2022

(million yen)

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

As of March 31, 2023

(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	703,212	703,212	703,212	–	–	–	–	–
Bonds payable and borrowings	1,721,263	1,797,464	375,522	227,884	172,677	277,936	218,887	524,555
Installment payables	48,216	48,958	18,398	4,465	19,559	2,362	3,598	573
Lease liabilities	141,702	143,740	41,537	35,608	26,775	15,569	7,241	17,008
Subtotal	2,614,395	2,693,376	1,138,671	267,957	219,012	295,868	229,727	542,137
Derivative liabilities	2,265	2,279	2,188	90	–	–	–	–
Total	2,616,661	2,695,655	1,140,860	268,048	219,012	295,868	229,727	542,137

(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, 2022	Fiscal year ended March 31, 2023
Impact on profit before tax	U.S. dollar	(432)	(665)

(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, 2022	Fiscal year ended March 31, 2023
Impact on profit before tax	(6,062)	(7,481)

(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, 2022	Fiscal year ended March 31, 2023
Impact on other comprehensive income (before tax)	(693)	(494)

(8) Carrying amounts and fair values of financial instruments

(million yen)

	As of March 31, 2022		As of March 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	1,133,287	1,133,063	1,101,333	1,099,373
Current portion of bonds	19,990	19,999	39,981	40,064
Bonds payable	274,197	274,681	264,224	263,173

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

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

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

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

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

(9) Fair value hierarchy of financial instruments

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

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

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

Level 3: Fair value measured using significant unobservable inputs.

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

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

There were no transfers between Level 1 and Level 2 for the fiscal years ended March 31, 2022 and 2023.

As of March 31, 2022

(million yen)

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

As of March 31, 2023

(million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	29,290	–	29,290
Other	–	4,116	–	4,116
Equity financial assets measured at fair value through other comprehensive income				
Equity securities	49,493	–	70,574	120,067
Investments in capital	–	–	7,090	7,090
Total	49,493	33,407	77,664	160,565
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	2,265	–	2,265
Total	–	2,265	–	2,265

• Equity securities and investments

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

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

- Derivative assets and derivative liabilities

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

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

The movement of financial instruments measured at fair value on a recurring basis that are categorized within Level 3 for the fiscal years ended March 31, 2022 and 2023 is as follows:

	(million yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Balance at the beginning of the year	69,220	77,055
Other comprehensive income (Note)	6,985	(718)
Acquisition	1,087	1,946
Sale	(116)	(569)
Other	(122)	(48)
Balance at the end of the year	77,055	77,664

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

(10) Derivative transactions and hedging activities

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

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

(i) Fair value hedges

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

The amount recognized in profit or loss for the hedge ineffectiveness portion and the portion excluded from the assessment of hedge effectiveness was immaterial for the fiscal years ended March 31, 2022 and 2023.

(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, 2022 and 2023.

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

(million yen)

	As of March 31, 2022		As of March 31, 2023	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges				
Interest rate swap transactions	49	–	–	–
Option contracts	7,139	–	–	–
Subtotal	7,189	–	–	–
Cash flow hedges			–	–
Forward exchange transactions	4,700	423	1,879	1,654
Interest rate swap transactions	1,062	354	1,849	99
Cross-currency interest rate swap transactions	16,734	42	22,481	–
Commodity futures transactions	3,418	1,335	2,258	–
Subtotal	25,916	2,155	28,469	1,754
Total	33,105	2,155	28,469	1,754

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, 2022		As of March 31, 2023	
	Within one year	Over one year	Within one year	Over one year
Fair value hedges				
Interest rate swap transactions	–	20,000	–	–
Option contracts	27,265	–	–	–
Cash flow hedges				
Forward exchange transactions	178,088	10,005	197,780	4,417
Interest rate swap transactions	60,986	56,744	9,450	17,038
Cross-currency interest rate swap transactions	8,939	72,960	15,608	57,351
Commodity futures transactions	41,441	–	22,291	–

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, 2022	As of March 31, 2023
Cash flow hedges		
Forward exchange transactions		
U.S. dollar	118.87 yen	133.03 yen
Euro	129.73 yen	133.65 yen
Interest rate swap transactions		
Receive floating / pay fixed	0.25%	0.67%
Cross-currency interest rate swap transactions		
U.S. dollar	102.06 yen	103.19 yen
Receive floating / pay fixed	0.37%	0.40%

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

As of March 31, 2022

(million yen)

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

As of March 31, 2023

There is no applicable item.

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

Fiscal year ended March 31, 2022

(million yen)

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

Fiscal year ended March 31, 2023

(million yen)

	Forward exchange transactions	Interest rate swap transactions	Cross-currency interest rate swap transactions	Commodity futures transactions	Total
Balance at the beginning of the year	1,945	(253)	262	2,162	4,116
Hedging gains or losses recognized in other comprehensive income	2,392	75	8,586	(982)	10,071
Reclassification adjustments to profit (Note)	(312)	196	(8,131)	–	(8,247)
Reclassification amount to cost of non-financial assets	(3,749)	–	–	(472)	(4,221)
Balance at the end of the year	275	18	718	707	1,719

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

Major line items for reclassification adjustments in the consolidated statement of profit or loss for the fiscal year ended March 31, 2023 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, 2022 and 2023, trade receivables transferred without satisfying conditions for derecognition of financial assets of 11,744 million yen and 5,652 million yen were recognized in “Trade and other receivables,” respectively, and the amounts received due to the transfer of 11,744 million yen and 5,652 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.

41. Related Parties

Compensation for key management personnel is as follows:

(million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Compensation and bonuses	1,840	1,738
Share-based payment	156	134
Post-employment benefits	8	–
Total	2,005	1,872

42. Commitments

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

(million yen)

	As of March 31, 2022	As of March 31, 2023
Acquisition of property, plant and equipment	165,130	215,711

43. 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, 2022	As of March 31, 2023
Joint ventures	22,725	21,718
Associates	464	3,310
Other	8,205	1,156
Total	31,395	26,185

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, 2022	As of March 31, 2023
Guarantee limit for associates	10,130	9,050

(2) Litigation, etc.

There is no applicable item.

44. Subsequent Events

There is no applicable item.

(Additional Information)

JFE Steel Corporation (hereinafter, “JFE Steel”), one of the subsidiaries of the steel business, and the Company, at their respective board of directors meetings held on February 22, 2023 and March 7, 2023, resolved to transfer a non-current asset held by JFE Steel and concluded a transfer agreement as of March 31, 2023.

(i) Reasons for the transfer

The asset to be transferred (the former plant building and land) was previously used as a warehouse facility. However, JFE Steel and the Company have decided to transfer the asset as part of the land use conversion plan in the Keihin district of East Japan Works of JFE Steel and also for the purpose of securing investment fund for promoting the land use conversion plan in the future.

(ii) Details of the asset to be transferred

Nature and location of the asset	Area	Gain on transfer	Current status
Land Ogimachi, Kawasaki-ku, Kawasaki, Kanagawa Prefecture	Land: 207,913m ²	45.0 billion yen (estimate)	Warehouse facility

Notes: 1. Pursuant to the agreement with the purchaser, the transfer price and the carrying amount will not be disclosed, but the transfer will be made at an appropriate price that reflects the market price.
2. The gain on transfer is an estimate obtained by deducting the carrying amount and estimated costs of transfer from the transfer price.

(iii) Overview of the purchaser

Company name: Nitori Co., Ltd.
Business: Planning and sale of furniture and interior merchandise (home furnishing products), etc.
Head office: 1-2-39 Shinkotoni 7-jo, Kita-ku, Sapporo, Hokkaido
Representative: Masanori Takeda
Capital: 1,000 million yen

There are no capital, personnel, business, or related party relationships to be disclosed between JFE Steel and Nitori Co., Ltd.

(iv) Schedule of the transfer

Conclusion date of the transfer agreement: March 31, 2023
Date of executing the transfer: Late December 2024 (plan)

Other

(Significant lawsuits, etc.)

There is no applicable item.

(Quarterly information for the fiscal year ended March 31, 2023)

(Cumulative period)	Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Fiscal year ended March 31, 2023
Revenue (million yen)	1,253,600	2,564,335	3,908,588	5,268,794
Profit before taxes (million yen)	113,404	181,246	213,802	210,282
Profit attributable to owners of parent (million yen)	83,844	123,256	143,940	162,621
Basic earnings per share (yen)	145.61	213.23	248.64	280.68

(Accounting period)	Three months ended June 30, 2022	Three months ended September 30, 2022	Three months ended December 31, 2022	Three months ended March 31, 2023
Basic earnings per share (yen)	145.61	67.99	35.60	32.16

Independent Auditor's Report

The Board of Directors
JFE Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of JFE Holdings, Inc. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Valuation of Non-financial Assets in the Steel Business	
Description of Key Audit Matter	Auditor's Response
<p>JFE Steel Corporation, a consolidated subsidiary in the steel business segment, recognized property, plant and equipment of 1,314,207 million yen.</p> <p>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 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.</p>	<p>We performed 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;</p> <p>In order to assess the effectiveness of the estimation process by the management, we compared business plans in the past years with actual results. In addition, we reviewed relevant documents and materials including analysis of actual results of executed capital investments.</p>

<p>In the steel business, the Company supplies various industries with steel products with sales volumes and selling prices highly affected by supply and demand conditions in domestic and overseas markets, especially the Asian steel market. The prices of key raw materials such as iron ore, coking coal and ferrous scrap, are highly volatile, due to global market dynamics, as well as possible natural disasters or accidents in sourcing countries. Furthermore, the prices of electricity and natural gas used in the steelmaking process have fluctuated greatly due to the strengthening of environmental regulations and international conflicts. The Company's projected cost reduction or sales promotion may not be achieved due to potential delay of a facility launch or unexpected changes in demand for steel products, while the Company executes significant capital investments.</p> <p>In order to identify indicators of impairment on non-financial assets, the Company needs to consider multiple factors to understand the current business environment and its own financial performance such as the effect of temporary large-scale renovations, steel production, shipment volume, selling prices of steel products, the price trends for iron ore, coking coal, ferrous scrap, electricity and natural gas.</p> <p>Given that these are subject to significant uncertainty and require management's judgment, we determined the valuation of non-financial assets in the steel business to be a key audit matter.</p>	<p>In order to understand the business environment and assess the effect of temporary large-scale renovations, we discussed with the management and examined the management response by reviewing relevant documents and materials.</p> <p>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.</p> <ul style="list-style-type: none"> • We discussed steel production and shipment volume with the management and examined the management response by reviewing relevant documents and materials, and by comparing it with available external data. • We inquired of the management regarding metal spreads (selling prices of steel products minus costs of raw materials) and compared the management response with historical market data in the past years. We 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. • We inquired of the management regarding analysis of expecting effects from planned or capital investments in progress. In addition, we examined the management response by reviewing relevant documents and materials.
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Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 26, 2023

Yusuke Nakamura

Yusuke Nakamura
Designated Engagement Partner
Certified Public Accountant

Tetsuya Yoshida

Tetsuya Yoshida
Designated Engagement Partner
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