

## **Matters Omitted from the Paper Copy of the Notice of the 21st Ordinary General Meeting of Shareholders**

**21st Fiscal Year**

**(From April 1, 2022 to March 31, 2023)**

- **“Systems to Ensure the Propriety of Business Operations and the Status of Operation of Such Systems” in the Business Report**
- **“Consolidated Statement of Changes in Equity” and “Notes to the Consolidated Financial Statements” in the Consolidated Financial Statements <International Financial Reporting Standards (IFRS)>**
- **“Non-consolidated Statement of Changes in Equity” and “Notes to the Non-consolidated Financial Statements” in the Non-consolidated Financial Statements <Japanese Standards>**

**JFE Holdings, Inc.**

<p><b>These Notes are omitted from the paper copy sent to shareholders who have requested a paper copy, in accordance with the applicable laws and regulations and the Articles of Incorporation.</b></p>
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(Translation for reference only)

## Systems to Ensure the Propriety of Business Operations and the Status of Operation of Such Systems

- (1) Substance of the resolution regarding the systems to ensure the propriety of business operations  
Regarding the above systems, the Company, by resolution at a meeting of its Board of Directors, resolved the following “Basic Policies to Establish the Internal Control Systems,” based on Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act.

### Basic Policies to Establish the Internal Control Systems

JFE Holdings, Inc. shall establish its internal control systems as described below to comply with laws, regulations and the Articles of Incorporation and maximize its corporate value toward the realization of the Corporate Vision—“The JFE Group—contributing to society with the world’s most innovative technology”—and the goal of establishing a highly sustainable business structure. JFE Holdings, Inc. shall endeavor to review and improve the basic policies and the internal control systems established in accordance therewith on an ongoing basis.

1. Systems necessary for ensuring the propriety of business operations conducted by the corporate group consisting of the Company and its subsidiaries
  - (1) Systems to ensure compliance of the execution of duties by Directors and employees with laws, regulations and the Articles of Incorporation
    - (a) The authority of Directors, Corporate Officers and employees shall be clarified in the in-house rules for authority and responsibilities and other internal policy guidelines. Their respective duties shall be executed in compliance with the relevant rules and regulations.
    - (b) A Compliance Council shall be established. It shall deliberate and make decisions on the basic policies and important matters regarding the compliance of ethics, laws and regulations. The Compliance Council shall also supervise the progress of the measures implemented.
    - (c) A “Corporate Ethics Hotline” to help ensure that important information regarding the compliance of ethics, laws and regulations is directly communicated from the front lines to top management shall be provided, streamlined and appropriately operated.
    - (d) The internal auditing department shall audit the compliance conditions of the relevant laws, regulations and the Articles of Incorporation.
  - (2) Systems to ensure the efficient execution of Directors’ duties
    - (a) The Directors shall encourage in-depth deliberations at the meetings of the Board of Directors, the JFE Group Management Strategy Committee, and the Management Committee. The Directors shall also sufficiently deliberate before drawing conclusions at appropriate organizational bodies, as required.
    - (b) The internal auditing department shall audit the effectiveness and efficiency of the business.
  - (3) Systems to keep and manage information pertaining to the execution of duties by Directors
    - (a) The minutes of the Board of Directors meetings shall be prepared with regard to information on matters to be resolved by and reported to the Board of Directors, in accordance with the relevant laws and regulations. The board minutes shall be appropriately kept and managed.
    - (b) Information regarding organizational bodies, such as the JFE Group Management Strategy Committee and the Management Committee, that addresses important management matters shall be appropriately recorded, stored and managed.
    - (c) Important corporate documents, such as kessaisho (documents for approval), which are related to the execution of Directors’ duties, shall be appropriately recorded, stored and managed.

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- (4) Rules and other systems regarding loss risk management
  - (a) As for risk management of risks involving business activities, compliance with ethics, laws and regulations, sustainability, financial reporting, and information disclosure, the Corporate Officers in charge shall endeavor to recognize their respective risks. The JFE Group Sustainability Council chaired by CEO shall check, identify, and evaluate the risk factors, as required, and deliberate and make decisions on how to cope therewith. The Board of Directors shall deliberate and make decisions or receive reports on important matters concerning risk management.
  - (b) With regard to disasters such as large-scale earthquakes and pandemics, the JFE Group Sustainability Council shall determine response processes in advance, and immediately deliberate and make decisions on how to cope therewith, in order to minimize losses in the event of occurrence thereof.
  - (c) Important management matters shall be deliberated and decided in accordance with the decision-making procedures set forth in the Rules of the Board of Directors, etc.
  
- (5) Systems to ensure the propriety of business operations conducted by the corporate group
  - (a) The respective Group companies of the JFE Group shall streamline their in-house systems with regard to the matters specified in the basic policies, as required, by taking into account their corporate size, business lines, organizational design of the in-house body, and corporate individuality and characteristics.
  - (b) JFE Holdings, Inc. shall determine its decision-making procedures, etc., for important group management matters, as well as important matters (including matters with regard to loss risk management.) of the operating companies (significant subsidiaries being operating companies of which JFE Holdings, Inc., directly holds shares thereof) and their affiliated Group companies in accordance with the regulations of the Board of Directors, etc., then deliberate and make decisions on such matters at the appropriate organizational bodies or receive reports therefrom. Each operating company shall determine its decision-making procedures, etc., for important matters for itself and its affiliated Group companies in accordance with its regulations of the Board of Directors, etc., then deliberate and make decisions on such matters at the appropriate organizational bodies or receive reports therefrom.
  - (c) JFE Holdings, Inc. shall, at the JFE Group Sustainability Council, deliberate and make decisions on the basic policies and important matters regarding risk management common to the Group, confirm and evaluate the Group's risk management, and supervise the progress of the measures implemented. The Board of Directors shall deliberate and make decisions or receive reports on important matters concerning the Group's risk management
  - (d) JFE Holdings, Inc. shall establish the JFE Group Compliance Council to deliberate and make decisions related to the Group's basic policy and important matters in regard to compliance with the code of ethics and laws and regulations, and supervise the status of the implementation of related measures. And, in order to promote its group management that is compliant with the code of ethics and laws and regulations, JFE Holdings, Inc. shall closely coordinate with the Compliance Councils of operating companies.

Each operating company shall establish a Compliance Council to deliberate and make decisions related to the basic policy and important matters in regard to compliance with the code of ethics and laws and regulations for itself and its affiliated Group companies, and supervise the status of the implementation of related measures. JFE Holdings, Inc. shall streamline and appropriately operate the Corporate Ethics Hotline as a system to help ensure that important information of the entire Group regarding the compliance with the code of ethics, laws and regulations is directly communicated from the front lines to top management.
  - (e) The internal auditing department of JFE Holdings, Inc. shall audit the effectiveness and efficiency of the business and the compliance status with regard to the relevant laws, regulations and the Articles of Incorporation at the operating companies, or

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receive reports from the respective internal auditing departments of such operating companies. The internal auditing department of each operating company shall audit the effectiveness and efficiency of the business and the compliance status with regard to the relevant laws, regulations and the Articles of Incorporation at its affiliated Group companies, or receive reports from the respective internal auditing departments of such Group companies.

- (f) The respective Group companies of the JFE Group shall streamline their required systems, which are necessary to ensure the reliability of their financial reporting, and disclose appropriate information at appropriate times.
2. Systems necessary for the Company's Audit & Supervisory Board Members to execute their duties
- (1) Matter regarding employees as assistants to support Audit & Supervisory Board Member's duties  
Employees who support any Audit & Supervisory Board Member in conducting his/her duties shall be staff of the Audit & Supervisory Board Member's Secretariat.
  - (2) Matter regarding the independence of employees as assistant to support Audit & Supervisory Board Member's duties from Directors  
The personnel affairs of the employees who serve as assistants to the Audit & Supervisory Board Members shall be consulted with the Audit & Supervisory Board Members.
  - (3) System for ensuring the effectiveness of the instructions given to employees as assistants to support Audit & Supervisory Board Member's duties  
The employees who serve as assistants to the Audit & Supervisory Board Members shall perform their operations of supporting an Audit & Supervisory Board Member's duties under the supervision of said Audit & Supervisory Board Member.
  - (4) System for reporting to the Audit & Supervisory Board Members
    - (a) The Audit & Supervisory Board Members shall attend the meetings of the Board of Directors, the JFE Group Management Strategy Committee, the Management Committee and other important meetings and receive reports thereat.
    - (b) The Directors, Corporate Officers and employees shall report the execution of their duties (including important matters regarding the operating companies and their affiliated Group companies) to the Audit & Supervisory Board and/or any Audit & Supervisory Board Member as required or if so requested by the Audit & Supervisory Board or any Audit & Supervisory Board Member. The Directors, Corporate Officers and employees of the operating companies or their affiliated Group companies shall report the execution of their duties to the Audit & Supervisory Board and/or any Audit & Supervisory Board Member as required or if so requested by the Audit & Supervisory Board or any Audit & Supervisory Board Member.
    - (c) JFE Holdings, Inc. shall streamline the Corporate Ethics Hotline as a system that allows anyone to directly report to or consult with an Audit & Supervisory Board Member. The details of any violations that have been reported or discussed over the Corporate Ethics Hotline are handled by the department in charge thereof and shall then be reported to the Audit & Supervisory Board and/or the Audit & Supervisory Board Members, as they occur.
  - (5) System to ensure that anyone who has reported to an Audit & Supervisory Board Member does not suffer detrimental treatment for the reason of having made said report  
JFE Holdings, Inc. shall stipulate in the relevant regulations that anyone who has reported any violations through the Corporate Ethics Hotline and that anyone who has reported or discussed any violations with the Audit & Supervisory Board and/or the Audit & Supervisory Board Members shall not be unfavorably treated, and shall appropriately operate said regulations.

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- (6) Policies with regard to expense prepayment and/or reimbursement procedures related to the execution of duties by the Audit & Supervisory Member, and the handling of any other expenses or obligations that derive from the execution of the relevant duties JFE Holdings, Inc., shall respond to the request as soon as possible if a request is made with regard to the prepayment or reimbursement of expenses that are required for the execution of duties of Audit & Supervisory Board Members.
- (7) Other systems to ensure effective audits by the Audit & Supervisory Board Members
  - (a) The Directors, Corporate Officers and employees shall cooperate with the Audit & Supervisory Board Members in improving the auditing environment so that various Audit & Supervisory Board Members' activities can be smoothly executed, including access to important documents, site examinations, exchanges of opinion with Directors and others, examination of subsidiaries and collaboration with the Audit & Supervisory Board Members of any subsidiaries, all of which are considered necessary for the audits executed by the Audit & Supervisory Board Members.
  - (b) The Audit & Supervisory Board Members shall receive reports from the Accounting Auditor and the internal auditing department on their audit results (including important matters regarding the operating companies and their affiliated Group companies) in an appropriate and timely manner and maintain a close working arrangement with the Accounting Auditor and the internal auditing department.

Note: In April 2023, the Company changed the name of the JFE Group CSR Council to the JFE Group Sustainability Council. The relevant sections of “(4) Rules and other systems regarding loss risk management” and “(5) Systems to ensure the propriety of business operations conducted by the corporate group” in “1. Systems necessary for ensuring the propriety of business operations conducted by the corporate group consisting of the Company and its subsidiaries” have been revised to reflect this change, and the “Basic Policies to Establish the Internal Control Systems” presented above include these revisions.

- (2) Outline of the status of operation of the systems to ensure the propriety of business operations  
The Company has been improving and operating the systems to ensure the propriety of business operations as follows in accordance with the Basic Policies to Establish the Internal Control Systems.
  1. Systems concerning the execution of duties by Directors, etc., and the internal audit of the Company and the Group
    - (1) With regard to important matters concerning the management of the Group and important matters of the Company, its operating companies and their affiliated group companies, the Company clearly set forth the decision-making procedures in the Rules of the Board of Directors, the Rules of the JFE Group Management Strategy Committee, and the Rules of the Management Committee. In accordance with such decision-making procedures, such important matters shall be fully deliberated at respective meetings and decisions shall be made and reported. The standards for agenda items for meetings of the Board of Directors have been revised in the 21st term for the purposes of enhancing discussion and reinforcing the supervisory function of the Board of Directors, as well as facilitating swifter decision-making.
    - (2) The authority of Directors, Corporate Officers and employees has been clarified in the in-house rules, which have been observed.
    - (3) The internal auditing department shall conduct appropriate audits on the effectiveness and efficiency of the business and the compliance conditions of the relevant laws, regulations and the Articles of Incorporation. The results of the internal audits conducted by each operating company's internal auditing department shall be reported regularly to

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the Company and verified.

2. Systems concerning risk management and compliance of the Company and the Group
  - (1) The Company established the JFE Group CSR Council to deliberate on risk management including the JFE Group's CSR policies and sustainability issues, for its measures to address a broad range of areas including compliance, the environment, personnel and labor, safety and disaster prevention; supervise the implementation of such policies; and exchange related information. At the committees which are operated within the JFE Group CSR Council, specific issues are discussed. The following activities were carried out during the 21st term. The Board of Directors received reports on significant matters. The Company determined to change the name of the council from the JFE Group CSR Council to the JFE Group Sustainability Council beginning from the 22nd term.
    - (a) During the 21st term, the JFE Group Compliance Council held five meetings to discuss measures concerning taxation, quality assurance, and compliance with the Antimonopoly Act, and shared information on issues in the Company and operating companies and confirmed the implementation of related measures. In addition, the Council made reports on the status of operation of the Corporate Ethics Hotline.
    - (b) During the 21st term, the JFE Group Environmental Committee held three meetings to discuss and decide editorial policies and contents of the JFE Group's Integrated Report and CSR Report, and confirm initiatives on ESG issues and the implementation of measures that were taken by operating companies in relation to environmental issues.
    - (c) During the 21st term, the JFE Group Internal Control Committee held one meeting to check and verify the evaluation concerning the effectiveness of the internal controls relative to financial reporting by the Company and the Group.
    - (d) During the 21st term, the Public Disclosure Committee held six meetings and made necessary confirmations on the lawfulness and appropriateness of the contents of the statutory disclosure documents prior to disclosure.
    - (e) During the 21st term, the JFE Group Information Security Committee held four meetings to make decisions and report on key issues concerning information security of the JFE Group, while formulating common measures for the group companies. Meanwhile, activities at "JFE-SIRT (information security and incident response team)" tasked to formulate and implement group-wide information security-related measures are reported at meetings of the JFE Group CSR Council as appropriate.
    - (f) During the 21st term, the Corporate Value Enhancement Committee held two meetings to check the progress in the dialogue with institutional investors and other matters, with a view to improving governance.

In addition to the above, reports were made on the results of human rights due diligence and future response measures, the policy on implementing Corporate Ethics Awareness Surveys, the status of work-related injuries within the Group and FY2023 Policy for Safe Activities, as well as the status of working hours management. Amendments to the JFE Group Basic Policy on Human Rights were also discussed.
  - (2) The Company shall improve the "Corporate Ethics Hotline," an internal reporting system that officers and employees of the Company and the Group can use (including retired persons as well as employees of business partners), through which they can report to external lawyers. This system has been operated appropriately, including thorough prohibition of detrimental treatment of anyone who has reported and/or consulted on any violations. The details of any violations that have been reported to or consulted are reported regularly to full-time Audit & Supervisory Board Members. The status of operation of this system has been checked and verified by the JFE Group Compliance Council and the Board of Directors. In the 21st term, a review was implemented of the operation of the hotline in view of amendments to the Whistleblower Protection Act.
  - (3) With regard to COVID-19, the Company and operating companies remain committed to countermeasures in line with the response policies confirmed at the Board of Directors.

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3. Systems to keep and manage information
  - (1) The documents for deliberation and the minutes of meetings of the Board of Directors, the JFE Group Management Strategy Committee and the Management Committee shall be appropriately prepared, kept and managed in accordance with the relevant laws and regulations as well as internal rules.
  - (2) Kessaisho (documents for approval), which are prepared in-house, and other important documents pertaining to the execution of duties shall be appropriately prepared, kept and managed in accordance with the internal rules of the Company.
  
4. System regarding the Audit & Supervisory Board Members
  - (1) The Company shall have employees as assistants to support Audit & Supervisory Board Members' duties under the direction of the Audit & Supervisory Board Members, ensuring the independence of such employees from the Directors.
  - (2) To ensure effective audits by the Audit & Supervisory Board Members, the Audit & Supervisory Board Members shall attend the Board of Directors meetings. Full-time Audit & Supervisory Board Members shall also attend meetings of the JFE Group Management Strategy Committee, the Management Committee and the JFE Group CSR Council, etc., so that they can verify the status of execution of duties. Furthermore, the status of execution of duties at each department shall be reported to the full-time Audit & Supervisory Board Members regularly.
  - (3) To cover the costs for the execution of duties of Audit & Supervisory Board Members, the Company shall provide the related budget to compensate for the necessary expenses.
  - (4) The Audit & Supervisory Board Members shall maintain a close working arrangement with both the internal auditing department and the Accounting Auditor. Specifically, the Audit & Supervisory Board Members shall receive reports regularly from the internal auditing department on its audit results and hear reports from and exchange opinions with the Accounting Auditor regularly and when necessary.

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### **Consolidated Statement of Changes in Equity**

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Equity attributable to owners of parent					
	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
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	—	—	(75,198)	—	—	—
Share-based payment transactions	—	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	—	—	—	—	—	—
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

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	Equity attributable to owners of parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total			
Balance as of April 1, 2022	16,086	2,949	74,596	1,988,268	82,470	2,070,739
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	—	—	—	(75,198)	(1,815)	(77,014)
Share-based payment transactions	—	—	—	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	—	(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

Note: Amounts are rounded down to the nearest million yen.

(Translation for reference only)

## Notes to the Consolidated Financial Statements

### Significant Matters on the Basis of the Preparation of the Consolidated Financial Statements, etc.

1. Standards for preparing the consolidated financial statements  
The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (“IFRS”) pursuant to the provisions under Article 120, Paragraph 1 of the Regulations on Corporate Accounting. Pursuant to the provisions of the latter part of the said Paragraph, certain disclosure items required under IFRS are omitted.
2. Matters of scope of consolidation and equity method  
The number of consolidated subsidiaries is 326 and the number of equity method affiliates (affiliates, joint operations and joint ventures) is 85.  
The names of significant consolidated subsidiaries and equity method affiliates, etc., are as stated in “Significant subsidiaries” of the Business Report. Accordingly, listing of these companies is omitted.
3. Accounting policies
  - (1) Financial assets
    - 1) Initial recognition and measurement  
Financial assets are classified either as financial assets measured at amortized cost at the time of initial recognition or as financial assets measured at fair value. The Company and its subsidiaries (the Group) recognizes a financial asset on the transaction date on which it becomes a party to the contractual provisions of the financial asset.  
Financial assets that meet the following conditions are classified as financial assets measured at amortized cost:
      - The asset is held in a business model of which the objective is to hold the asset in order to collect its contractual cash flows
      - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstandingFinancial 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.
    - 2) 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

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financial assets are recognized as profit or loss.

3) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows have expired 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.

4) Impairment

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

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

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

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

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

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

(2) Derivative and hedge accounting

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

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

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

1) 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.

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2) Cash flow hedges

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

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

3) Derivatives not designated as hedges

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

(3) Foreign currency translation

1) Translation of foreign currency transactions

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

2) 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) 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.

(5) Property, plant and equipment

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

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

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

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

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

(6) Goodwill and intangible assets

1) Goodwill

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

Goodwill is carried at book value less accumulated impairment losses.

2) Intangible assets

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

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

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

(7) 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.

1) 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 the acquisition price, less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless it is reasonably certain that the Group will acquire ownership of the leased assets at the end of the lease term. The lease term is determined as the non-cancellable period of leased assets, together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

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

However, we use 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.

(Translation for reference only)

2) 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, we record the leased assets on the consolidated statement of financial position and recognize lease payments as income on a straight-line basis over the lease term.

(8) Investment property

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

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

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

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

(9) Impairment of non-financial assets

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

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

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

(10) Post-employment benefits

1) Defined benefit plans

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

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

The Group recognizes changes in net defined benefit liability (asset) due to

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remeasurement in other comprehensive income and immediately transfers the amounts to retained earnings.

2) Defined contribution plans

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

(11) 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 recorded at a discounted amount calculated using a discount rate that reflects the risks specific to the liability.

(12) Revenue

With the exception of interest, dividend income, etc., under IFRS 9 Financial Instruments, the Group uses the following five-step approach in recognizing revenue that reflects the amount of consideration to which the Company expects to be entitled in exchange for the transfer of goods and services to customers:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to a distinct performance obligation of the contract

Step 5: Recognize revenue when the performance obligation is fulfilled (or as it is fulfilled).

With respect to sales of steel products, etc. in the steel business, revenues mainly are 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 these transactions is received primarily within one year after the fulfillment of performance obligations, and does not involve any material financing component.

With regard to construction contracts, etc. in the engineering business, we mainly estimate the progress of fulfilling performance obligations, and revenue is recognized over a fixed period based on the degree of progress. Part of consideration for these transactions is primarily received on a step-by-step basis independent of the fulfillment of performance obligations, while the rest is received within a certain period of time after the fulfillment of all performance obligations. Consideration for some transactions involve some material financing component. For performance obligations fulfilled over a period of time, cost-to-cost input method is applied for the purpose of revenue recognition. Cost-to-cost input method excludes the impact of the inputs that do not reflect the Group's fulfillment of performance obligations in the transfer of control of goods or services to customers. By adjusting the input method to recognize revenue commensurate with the cost incurred, the application of this method faithfully reflects the progress in the fulfillment of performance obligations, in a situation where cost incurred is not commensurate with the progress in the fulfillment of performance obligations.

With respect to the sale of steel products, etc. in the trading business, revenues are recognized at the point of physical transferring ownership rights and physical ownership of the product to the customer, and the significant risk and economic value associated with ownership, and the right to receive payment is confirmed. In addition, for certain transactions in the trading business, the company has the responsibility to carry out work as an agent. Consideration for these transactions is received primarily one year after the fulfillment of performance obligations, and does not involve material financing component.

When the Group is engaged in a transaction as a party to the transaction, revenue is

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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.

(13) Business profit

Business profit is profit before income taxes excluding financial income and one-time items of materially significant value. It is a benchmark indicator of the Company's consolidated earnings.

(14) Non-current assets held for sale

Non-current assets and disposal groups held not for continuing use but mainly for recovery through sales transactions are classified as assets held for sale. The classification of assets as held for sale is conditional on an extremely high probability of sale and the possibility of immediate sale under present conditions, and is limited to cases where the JFE Group's management has committed to the implementation of sales plans for the relevant asset and where it is expected that the sale will be completed within one year.

After classification as held for sale, assets are measured at the lower of the carrying amount and fair value after deducting selling costs, and depreciation and amortization are suspended.

(15) Other significant matters for the preparation of the consolidated financial statements

- Application of the group tax sharing system  
The group tax sharing system is applied.

### Notes to Accounting Estimates

Items whose amount is recorded on the consolidated financial statements for the fiscal year ended March 31, 2023 based on accounting estimates that may have significant impacts on the consolidated financial statements for the fiscal year ending March 31, 2023 are shown as follows.

1. Valuation of inventories

Inventories are measured at cost. When their net realizable value is lower than cost at the end of the fiscal year, they are measured at such net realizable value, whose difference with cost is, in principle, recognized as cost of sales. With regard to slow-moving inventories that fall outside the normal operating cycle, net realizable value, etc. is calculated reflecting future demand and market trends. When net realizable value declines significantly due to the market environment deteriorated more than estimated, losses may arise.

The amount of inventories recorded for the fiscal year ended March 31, 2023 is as stated in the consolidated statement of financial position.

2. Impairment of non-financial assets

The Group tests property, plant and equipment, goodwill and intangible assets for impairment pursuant to Note "3. Accounting policies." In calculating the recoverable amounts in impairment tests, assumptions are made for future cash flows and discount rates, etc. These assumptions are determined based on the best estimates and judgements made by the management. However, assumptions may be affected as a result of changes in future uncertain economic conditions, etc., and if their review becomes necessary, there may be a significant impact on the consolidated financial statements.

The amount of property, plant and equipment, goodwill, and intangible assets recorded for the fiscal year ended March 31, 2023 is as stated in the consolidated statement of financial position.

3. Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that taxable profit against which deductible temporary differences, etc. can be used is highly likely to be generated. For judgements about the likelihood that taxable profit will be generated, the timing and amount of generation of taxable

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profits are estimated based on the business plan. Such estimates, based on the best estimates made by the management, may differ from actual results as a result of changes in future uncertain economic conditions, etc.

The amount of deferred tax assets recorded for the fiscal year ended March 31, 2023 is as stated in the consolidated statement of financial position.

4. Accounting treatment and valuation of provisions

Provisions are measured based on the best estimate of future expenditures expected to be required to settle the obligations at the end of the fiscal year. The amount of future expenditures expected to be required to settle the obligations is calculated taking into comprehensive consideration the future potential results. The assumptions used to measure these provisions may be affected as a result of changes in future uncertain economic conditions, etc., and there are risks that may cause a significant adjustment to the amount of measurement of provisions in the future.

The amount of provisions recorded for the fiscal year ended March 31, 2023 is as stated in the consolidated statement of financial position.

5. Measurement of defined benefit obligation

With regard to defined benefit plans, the net amount of the defined benefit obligation and the fair value of the plan assets is recognized as liability or asset. The defined benefit obligation is calculated based on actuarial assumptions, which include estimates of discount rate, retirement rate, mortality rate, salary increase rate and others. These assumptions are determined based on a comprehensive judgement of all available information such as market trends of interest rate fluctuations. These actuarial assumptions may be affected by changes in future uncertain economic environment or social conditions, etc., and there are risks that may cause a significant adjustment to the amount of measurement of the defined benefit obligation in the future.

The amounts recorded for the fiscal year ended March 31, 2023 are as stated in the consolidated statement of financial position as retirement benefit asset and retirement benefit liability.

6. Matters related to financial instruments

The Group, when evaluating the fair value of specified financial instruments, uses significant unobservable inputs for the measurement. The unobservable inputs may be affected as a result of changes in future uncertain economic conditions, etc., and if their review becomes necessary, there may be a significant impact on the consolidated financial statements.

The fair value that is measured using significant unobservable inputs and recorded for the fiscal year ended March 31, 2023 are as stated in “Notes to Financial Instruments.”

7. Contingencies

With regard to contingencies, taking into account all evidence available at the end of the fiscal year, and in consideration of the likelihood of occurrence and monetary impacts, items that may have a significant impact on future businesses are regarded as contingencies.

Contingent liability is as stated in “Notes to the Consolidated Statement of Financial Position.”

(Translation for reference only)

### Notes to the Consolidated Statement of Financial Position

#### 1. Assets pledged as collateral and corresponding secured obligations

##### (1) Assets pledged as collateral

Cash and cash equivalents	¥941 million
Trade and other receivables	¥9,475 million
Property, plant and equipment	¥8,808 million
Right-of-use asset	¥149 million
Investments accounted for using equity method	¥4,721 million
Other financial assets (non-current)	¥771 million
(Note) Industrial foundation's assets of property, plant and equipment as mortgage	¥7,518 million

In addition, shares of consolidated subsidiaries (649 million yen book value posted on the consolidated subsidiaries' consolidated financial statements) have been pledged as collateral.

##### (2) Corresponding secured obligations

Trade and other payables	¥201 million
Bonds payable, borrowings, and lease obligations (current)	¥1,145 million
Bonds payable, borrowings, and lease obligations (non-current)	¥12,464 million
(Note) Those of above corresponding to the industrial foundation's assets	
Bonds payable, borrowings, and lease obligations (current)	¥559 million
Bonds payable, borrowings, and lease obligations (non-current)	¥3,895 million

#### 2. Allowance for doubtful accounts deducted directly from assets

Trade and other receivables	¥2,400 million
Other financial assets (non-current)	¥370 million

#### 3. Accumulated depreciation for property, plant and equipment, right-of-use asset and investment property

Accumulated depreciation for property, plant and equipment and right-of-use asset	¥7,373,884 million
Accumulated depreciation for investment property	¥41,415 million

#### 4. Contingent liability

Guarantees for loans to companies other than subsidiaries which are provided from financial institutes are as follows.

Joint ventures	¥21,718 million
Affiliates	¥3,310 million
Other	¥1,156 million
Total	¥26,185 million

In addition to the above, the Company offers guarantees for obligations that may arise in the future in relation to its affiliates.

Guarantee limit for the fiscal year under review	¥9,050 million
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## Notes to the Consolidated Statement of Changes in Equity

1. Type and total number of issued shares as of the end of the fiscal year under review  
Common stock 614,438,399

2. Dividends

(1) Amounts of dividends paid

Date of proposal for resolution	Type of share	Total amount of dividends (Millions of 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 common stock 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.

Date of proposal for resolution	Type of share	Total amount of dividends (Millions of 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 common stock 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 under review, those dividends for which the effective date will be after the end of the fiscal year under review

Date of proposal for resolution	Type of share	Total amount of dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 27, 2023	Common stock	17,447	Retained earnings	30	March 31, 2023	June 28, 2023

Note: The common stock 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.

## Notes to Financial Instruments

1. Status of financial instruments

(1) Policy on treatment of financial instruments

The Group raises the necessary funds mainly through bank loans, commercial papers and bond issuance, taking into consideration the stability and cost of funds. Temporary surplus funds are being managed with short-term financial instruments. The Group uses derivatives as a hedge against risks described below and not for speculative transactions.

(2) Content and risks of financial instruments, and the risk management systems relating to financial instruments

Notes and accounts receivable - trade, which are trade claims, are exposed to the credit risks of customers. To manage such risks, each company of the JFE Group conducts regular reassessments of the financial standing of business partners. In addition, some of the claims were sold before due dates.

For notes and accounts payable - trade, which are trade obligations, payment due dates are

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usually within one year.

Trade claims and obligations in foreign currencies are exposed to risks of currency fluctuations. Hedge transactions, including forward exchange contracts, are conducted as necessary for the parts that were not balanced out by the offsets between receipts of foreign currencies through transactions denominated in the relevant foreign currencies (exports of products, etc.), and payments of foreign currencies through transactions denominated in the relevant foreign currencies (imports of raw materials, etc.).

Equity instruments are exposed to risks of market price fluctuations. Equity instruments denominated in foreign currencies are exposed to risks of currency fluctuations. 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 determined.

Taking into consideration the liquidity risk of loans and bonds payable, due dates of these obligations are set not to fall on the same day. Loans payable with floating interest rates are exposed to risks of interest-rate fluctuations. Some loans payable are hedged through interest rate swaps, etc., to cope with risks of interest-rate fluctuations and to reduce interest payments.

Derivative transactions used by the JFE Group carry risks of market price fluctuations in the future, including that of currencies, interest-rates, etc. The JFE Group uses derivatives that are only based on actual demand, such as export and import transactions, loans and bonds payable. Accordingly, these risks are limited within the scope of loss of opportunity gains.

Furthermore, as the JFE Group only conducts derivative transactions primarily with financial institutions with high credit ratings, the credit 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, fair values 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.

- (3) Supplemental explanation for matters relating to fair values, etc., of financial instruments  
Fair values of financial instruments include values based on market prices and values reasonably calculated if they have no market prices. Since calculations of the relevant values adopt certain assumptions, etc., the relevant values may vary depending on the assumptions applied.

2. Fair values, etc., of financial instruments

- (1) Book values and fair values of financial instruments

Amounts on the consolidated statement of financial position and fair values as of March 31, 2023 are shown as follows.

	(Millions of yen)	
	Amounts on the consolidated statement of financial position	Fair value
Current portion of bonds payable	39,981	40,064
Bonds payable	264,224	263,173
Long-term borrowings	1,101,333	1,099,373

Fair values of financial assets and financial liabilities measured at amortized cost excluding the current portion of bonds payable, bonds payable, and long-term borrowings are not included as they are close to their book values.

Financial instruments measured ordinarily at fair value are also not included as the fair values and book values are equal.

The fair value of long-term borrowings payable is determined by discounting the total of

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principal and interest by the estimated interest rate on similar new loans payable.  
The fair value of the current portion of bonds payable and bonds payable is based on market values.

Fair value of current portion of bonds payable, bonds payable and long-term borrowings is classified into Level 2 within the fair value hierarchy.

(2) Fair value hierarchy of financial instruments

Fair value of financial instruments subject to recurring fair value measurement after the initial recognition is classified into one of the following three levels within the fair value hierarchy, depending on the observability and materiality of the inputs used for measurement.

Level 1: Fair values measured by the market price of identical asset or liability in an active market

Level 2: Fair values measured by using directly or indirectly observable inputs other than those classified into Level 1

Level 3: Fair values measured by using significant but unobservable inputs

Where multiple inputs are used for measuring fair value of a financial instrument, its fair value shall be classified based on the lowest level of input that is significant in the overall measurement of fair value.

Transfer between levels within the fair value hierarchy is evaluated at each year-end.

There was no transfer between Level 1 and Level 2 in the fiscal year under review.

(Millions of yen)

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
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				
Securities	49,493	—	70,574	120,067
Capital contributions	—	—	7,090	7,090
<b>Total</b>	<b>49,493</b>	<b>33,407</b>	<b>77,664</b>	<b>160,565</b>
<b>Derivative liabilities</b>				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	2,265	—	2,265
<b>Total</b>	<b>—</b>	<b>2,265</b>	<b>—</b>	<b>2,265</b>

· Securities and capital contributions

Fair value of listed securities is calculated based on market price, and thus classified into Level 1.

Fair value of unlisted shares and capital contributions is calculated by using evaluation techniques as appropriate, such as the comparable industry method, based on one or more significant inputs not supported by observable market data, and thus classified into Level 3. Significant but unobservable inputs that are used by the Company are largely illiquidity

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discount, whereby fair value decreases when illiquidity discount rate increases. The Company uses a 30% illiquidity discount.

· Derivative assets and derivative liabilities

Fair value of derivatives such as forward exchange contracts and interest rate swaps is calculated based on the price indicated by correspondent financial institutions, and thus classified into Level 2.

Fair value of the financial instruments classified into Level 3 is calculated at each group company directly holding such financial instruments including shares, etc., pursuant to the policies and procedures for evaluating fair value measurement set out by the Group. The results of fair value measurement are subject to approval by managers with appropriate authority.

Increase or decrease in fair value of Level 3 financial instruments subject to recurring fair value measurement during the fiscal year under review is as follows:

(Millions of yen)	
Balance at April 1, 2022	77,055
Other comprehensive income	(718)
Acquisition	1,946
Sale	(569)
Other	(48)
Balance at March 31, 2023	77,664

(Translation for reference only)

### Notes to Investment properties

1. Status of investment properties

The Group owns rental warehouses and other properties in Chiba and other regions.

2. Fair value of investment properties

Amounts on the consolidated statement of financial position and fair values as of March 31, 2023 are shown as follows.

(Millions of yen)

	Amounts on the consolidated statement of financial position	Fair value
Investment property	53,559	124,251

Notes: 1. Amounts on the consolidated statement of financial position are acquisition costs less any accumulated depreciation and any accumulated impairment losses.

2. Fair value is principally based on the real estate appraisal values provided by independent licensed real estate appraisers.

### Notes to Per-share Information

1. Equity attributable to owners of parent per share

¥3,649.79

2. Basic profit per share

¥280.68

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 number of outstanding shares at the end of the term and the weighted average number of shares used in the calculation of equity attributable to owners of parent and basic profit per share. The number of treasury shares at the end of the term excluded from the calculation of equity attributable to owners of parent per share for the current consolidated fiscal year is 531,000 and the weighted average number of treasury shares excluded from the calculation of basic profit per share for the consolidated fiscal year under review is 534,000.

### Notes on Revenue Recognition

1. Disaggregation of revenue

(1) Disaggregation of sales revenue

(Millions of yen)

	Steel	Engineering	Trading	Elimination of intersegment revenue	Total
By 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
Timing of transfer of goods or services					
Single point in time	3,650,405	10,977	1,514,125	(612,405)	4,563,104
Over a period of time	230,734	501,522	11	(26,577)	705,690
Total	3,881,139	512,500	1,514,137	(638,982)	5,268,794

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(2) Contract balance

	(Millions of yen)	
	Balance at April 1, 2022	Balance at March 31, 2023
Receivables arising from contracts with customers	742,836	713,074
Contract assets	123,888	116,293
Contract liabilities	32,580	48,543

Contract assets mainly comprise the amount of consideration receivable in exchange for the portion of construction contracts in the engineering business for which performance obligations have been satisfied, measured based on progress as of the end of the fiscal year, after deducting obligations. Contract assets are transferred to receivables at the time when all performance obligations are satisfied.

Of contract assets at the beginning of the fiscal year, the amount recognized as receivables was ¥99,211 million.

Contract liabilities mainly comprise the portion of consideration received under construction contracts in the engineering business, progressively during the contract term and independently of the satisfaction of performance obligations, that exceeds the amount recognized as revenue. Contract liabilities are transferred to revenue as performance obligations are satisfied.

Of outstanding contract liabilities at the beginning of the fiscal year, the amount recognized as revenue was ¥31,674 million.

The amount of performance obligations satisfied or partially satisfied in previous periods and recognized as revenue in the fiscal year ended March 31, 2023, was ¥1,554 million.

(3) Remaining performance obligations

	(Millions of yen)
	Balance at March 31, 2023
Transaction price allocated to unfulfilled or partially unfulfilled performance obligations at year-end	1,113,306
Expected timing of revenue recognition	
Within one year	381,439
Over one year or more	731,867

These are mainly for the engineering business.

**Material Subsequent Events**

Not applicable

**Additional Information**

JFE Steel Corporation, a wholly owned subsidiary of the Company, and the Company resolved, at meetings of their respective Boards of Directors, held on February 22, 2023 and March 7, 2023, that a property owned by JFE Steel Corporation would be sold. The sale contract was concluded on March 31, 2023.

1) Reason for the sale

The property sold was a former factory building currently used as a warehouse. It was sold for the purpose of securing funds for investment in promoting future land repurposing, as part of the land repurposing of the Keihin district of JFE Steel Corporation's East Japan Works.

(Translation for reference only)

2) Details of property sold

Details and location of property	Size	Gain on sale	Current status
Land Ogimachi, Kawasaki-ku, Kawasaki, Kanagawa Prefecture	207,913m <sup>2</sup>	Around 45 billion yen	Warehousing facility

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

3) Overview of purchaser

Name: Nitori Co., Ltd.

Main business: Development and sale of furniture and home accessories (home furnishings)

Head office: 1-2-39 Shinkotoni 7-jo, Kita-ku, Sapporo, Hokkaido Prefecture, Japan

Representative: Masanori Takeda

Capital: 1 billion yen

JFE Holdings and Nitori Co., Ltd. do not currently share any capital, personnel, business or third-party relationship requiring disclosure.

4) Schedule

Conclusion of sale contract: March 31, 2023

Closing date of sale of the property: Late December 2024 (planned)

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### **Non-consolidated Statement of Changes in Equity**

From April 1, 2022 to March 31, 2023

(Millions of yen)

	Shareholders' equity						Valuation and translation adjustments		Total net assets
	Capital stock	Capital surplus		Retained earnings	Treasury shares	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Legal capital surplus	Total capital surplus	Other retained earnings					
				Retained earnings brought forward					
Balance at April 1, 2022	147,143	772,574	772,574	198,243	(85,139)	1,032,821	(103)	(103)	1,032,718
Changes of items during period									
Dividends of surplus				(75,198)		(75,198)			(75,198)
Profit				52,115		52,115			52,115
Purchase of treasury shares					(60)	(60)			(60)
Disposal of treasury shares				(3,423)	11,331	7,908			7,908
Share-based payment transactions					27	27			27
Net changes of items other than shareholders' equity							191	191	191
Total changes of items during period	—	—	—	(26,506)	11,299	(15,207)	191	191	(15,015)
Balance at March 31, 2023	147,143	772,574	772,574	171,737	(73,840)	1,017,613	88	88	1,017,702

Note: Amounts are rounded down to the nearest million yen.



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Common stock 33,393,163

Note: Company shares held in trust accounts for employee stock ownership plans of 531,000 shares are included in treasury stock above.

6. Note to tax-effect accounting

Loss on valuation of shares of subsidiaries and associates constitutes a primary factor of deferred tax assets, less valuation allowance.

7. Notes to per-share information

Net assets per share ¥1,751.50

Profit per share ¥89.93

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 number of outstanding shares at the end of the term and the average number of shares during the term used in the calculation of net assets per share and profit per share. The number of treasury shares at the end of the term excluded from the calculation of net assets per share for the fiscal year under review is 531,000. The average number of shares during the term excluded from the calculation of profit per share for the fiscal year under review is 534,000.

*(English Translation of the Japanese original)*

*This translation has been prepared for reference only. The Japanese language version will control if any discrepancy arises.*