

# Consolidated Financial Statements

Years ended March 31, 2023 and 2022



# Consolidated Statement of Financial Position

March 31, 2023 and 2022

	Note	Millions of yen	
		March 31, 2023	March 31, 2022
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	8	¥ 305,844	¥ 365,429
Trade and other receivables	9	603,161	720,422
Other financial assets	10	31,237	23,991
Inventories	11	744,474	651,358
Other current assets	12	70,670	51,442
Subtotal		1,755,386	1,812,642
Assets held for sale	13	7,498	—
Total current assets		1,762,884	1,812,642
<b>Non-current assets:</b>			
Property, plant and equipment	14	829,355	823,022
Goodwill	15	266,868	244,517
Intangible assets	15	403,996	471,109
Investments accounted for using the equity method	17	402,980	289,968
Other financial assets	10	313,115	474,899
Retirement benefit assets	24	99,253	89,538
Deferred tax assets	18	39,492	49,121
Other non-current assets	12	47,560	53,335
Total non-current assets		2,402,619	2,495,509
<b>Total assets</b>		<b>¥ 4,165,503</b>	<b>¥ 4,308,151</b>

See accompanying notes.

	Note	Millions of yen	
		March 31, 2023	March 31, 2022
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Bonds and borrowings	19, 21	¥ 396,903	¥ 261,280
Trade and other payables	23	515,865	551,583
Other financial liabilities	20, 21, 22	74,931	84,137
Income taxes payable		31,772	24,515
Provisions	25	129,030	129,709
Other current liabilities	26	128,060	122,267
Subtotal		1,276,561	1,173,491
Liabilities directly associated with assets held for sale	13	1,806	—
Total current liabilities		1,278,367	1,173,491
<b>Non-current liabilities:</b>			
Bonds and borrowings	19, 21	1,064,463	1,089,190
Other financial liabilities	20, 21, 22	98,594	101,718
Retirement benefit liabilities	24	26,427	33,091
Provisions	25	38,443	36,502
Deferred tax liabilities	18	101,164	101,299
Other non-current liabilities	26	68,856	70,883
Total non-current liabilities		1,397,947	1,432,683
<b>Total liabilities</b>		<b>2,676,314</b>	<b>2,606,174</b>
<b>Equity</b>			
Share capital	27	89,810	89,699
Capital surplus	27	—	27,089
Retained earnings	27	891,552	974,382
Treasury shares	27	(8,349)	(8,343)
Other components of equity	27	197,830	135,274
Other comprehensive income associated with assets held for sale		349	—
Equity attributable to owners of the parent		1,171,192	1,218,101
Non-controlling interests		317,997	483,876
<b>Total equity</b>		<b>1,489,189</b>	<b>1,701,977</b>
<b>Total liabilities and equity</b>		<b>¥ 4,165,503</b>	<b>¥ 4,308,151</b>

See accompanying notes.

## Consolidated Statement of Income

Years ended March 31, 2023 and 2022

		Millions of yen	
	Note	FY2022	FY2021
<b>Sales revenue</b>	6, 29	¥ 2,895,283	¥ 2,765,321
<b>Cost of sales</b>		(2,074,357)	(1,891,458)
<b>Gross profit</b>		820,926	873,863
Selling, general and administrative expenses	30	(878,261)	(690,860)
Other operating income	31	69,227	10,533
Other operating expenses	31	(36,079)	(20,713)
Share of profit or loss of investments accounted for using the equity method	17	(6,797)	42,180
Operating income (loss)		(30,984)	215,003
Finance income	32	70,836	59,194
Finance expenses	32	(39,621)	(23,061)
Income before taxes		231	251,136
Income tax expenses	18	(47,096)	(64,699)
<b>Net income (loss)</b>		(46,865)	186,437
<b>Net income (loss) attributable to:</b>			
Owners of the parent		6,987	162,130
Non-controlling interests		(53,852)	24,307
Net income (loss)		¥ (46,865)	¥ 186,437

		Yen	
		FY2022	FY2021
<b>Earnings per share:</b>	34		
Basic earnings per share		4.27	99.16
Diluted earnings per share		4.27	—

See accompanying notes.

## Consolidated Statement of Comprehensive Income

Years ended March 31, 2023 and 2022

		Millions of yen	
	Note	FY2022	FY2021
<b>Net income (loss)</b>		¥ (46,865)	¥ 186,437
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss			
Remeasurements of financial assets measured at fair value through other comprehensive income	33	14,958	(51,797)
Remeasurements of defined benefit plans	24, 33	8,670	7,549
Share of other comprehensive income of investments accounted for using the equity method	17, 33	1,126	(881)
Total items that will not be reclassified to profit or loss		24,754	(45,129)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedge	33, 36	8,163	(5,904)
Exchange differences on conversion of foreign operations	33	62,572	103,499
Share of other comprehensive income of investments accounted for using the equity method	17, 33	17,003	15,964
Total items that may be subsequently reclassified to profit or loss		87,738	113,559
Other comprehensive income, net of taxes		112,492	68,430
Total comprehensive income		65,627	254,867
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		84,077	229,765
Non-controlling interests		(18,450)	25,102
Total comprehensive income		¥ 65,627	¥ 254,867

See accompanying notes.

# Consolidated Statement of Changes in Equity

Year ended March 31, 2023

Millions of yen

	Note	Equity attributable to owners of the parent					Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	
<b>Balance as of April 1, 2022</b>		¥ 89,699	¥ 27,089	¥ 974,382	¥ (8,343)	¥ 82,682	¥ —	
Net income (loss)		—	—	6,987	—	—	—	
Other comprehensive income	33	—	—	—	—	4,550	9,163	
<b>Total comprehensive income</b>		—	—	6,987	—	4,550	9,163	
Issuance of new shares	27	111	111	—	—	—	—	
Purchase of treasury shares	27	—	—	—	(6)	—	—	
Disposal of treasury shares	27	—	0	—	0	—	—	
Dividends	28	—	—	(42,514)	—	—	—	
Changes resulting from additions to consolidation		—	—	—	—	—	—	
Changes resulting from loss of control of subsidiaries		—	—	513	—	(505)	—	
Change in interest due to transactions with non-controlling interests	37	—	(88,037)	—	—	—	—	
Transfer from other components of equity to retained earnings		—	—	13,672	—	(4,509)	(9,163)	
Others, net		—	(603)	(48)	—	—	—	
Transfers to other comprehensive income associated with assets held for sale		—	—	—	—	(349)	—	
Transfer of negative balance of other capital surplus		—	61,440	(61,440)	—	—	—	
<b>Total transactions with owners</b>		111	(27,089)	(89,817)	(6)	(5,363)	(9,163)	
<b>Balance as of March 31, 2023</b>		¥ 89,810	¥ —	¥ 891,552	¥ (8,349)	¥ 81,869	¥ —	

	Note	Equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other components of equity			Other comprehensive income associated with assets held for sale	Equity attributable to owners of the parent		
		Cash flow hedges	Exchange differences on conversion of foreign operations	Total				
<b>Balance as of April 1, 2022</b>		¥ (8,735)	¥ 61,327	¥ 135,274	¥ —	¥ 1,218,101	¥ 483,876	¥ 1,701,977
Net income (loss)		—	—	—	—	6,987	(53,852)	(46,865)
Other comprehensive income	33	8,204	55,173	77,090	—	77,090	35,402	112,492
<b>Total comprehensive income</b>		8,204	55,173	77,090	—	84,077	(18,450)	65,627
Issuance of new shares	27	—	—	—	—	222	—	222
Purchase of treasury shares	27	—	—	—	—	(6)	—	(6)
Disposal of treasury shares	27	—	—	—	—	0	—	0
Dividends	28	—	—	—	—	(42,514)	(13,962)	(56,476)
Changes resulting from additions to consolidation		—	—	—	—	—	—	—
Changes resulting from loss of control of subsidiaries		(8)	—	(513)	—	—	—	—
Change in interest due to transactions with non-controlling interests	37	—	—	—	—	(88,037)	(133,467)	(221,504)
Transfer from other components of equity to retained earnings		—	—	(13,672)	—	—	—	—
Others, net		—	—	—	—	(651)	—	(651)
Transfers to other comprehensive income associated with assets held for sale		—	—	(349)	349	—	—	—
Transfer of negative balance of other capital surplus		—	—	—	—	—	—	—
<b>Total transactions with owners</b>		(8)	—	(14,534)	349	(130,986)	(147,429)	(278,415)
<b>Balance as of March 31, 2023</b>		¥ (539)	¥ 116,500	¥ 197,830	¥ 349	¥ 1,171,192	¥ 317,997	¥ 1,489,189

See accompanying notes.

**Year ended March 31, 2022**

Millions of yen

	Note	Equity attributable to owners of the parent					Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	
		¥	¥	¥	¥	¥	¥	
<b>Balance as of April 1, 2021</b>		<b>89,699</b>	<b>26,882</b>	<b>854,538</b>	<b>(8,334)</b>	<b>90,590</b>	<b>—</b>	
Net income		—	—	162,130	—	—	—	
Other comprehensive income	33	—	—	—	—	(26,231)	7,129	
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>162,130</b>	<b>—</b>	<b>(26,231)</b>	<b>7,129</b>	
Issuance of new shares		—	—	—	—	—	—	
Purchase of treasury shares	27	—	—	—	(9)	—	—	
Disposal of treasury shares	27	—	0	—	0	—	—	
Dividends	28	—	—	(31,065)	—	—	—	
Changes resulting from additions to consolidation		—	—	(22)	—	(5)	—	
Changes resulting from loss of control of subsidiaries		—	—	—	—	—	—	
Change in interest due to transactions with non-controlling interests		—	207	—	—	—	—	
Transfer from other components of equity to retained earnings		—	—	(11,199)	—	18,328	(7,129)	
Others, net		—	—	—	—	—	—	
Transfers to other comprehensive income associated with assets held for sale		—	—	—	—	—	—	
Transfer of negative balance of other capital surplus		—	—	—	—	—	—	
<b>Total transactions with owners</b>		<b>—</b>	<b>207</b>	<b>(42,286)</b>	<b>(9)</b>	<b>18,323</b>	<b>(7,129)</b>	
<b>Balance as of March 31, 2022</b>		<b>89,699</b>	<b>27,089</b>	<b>974,382</b>	<b>(8,343)</b>	<b>82,682</b>	<b>—</b>	

	Note	Equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other components of equity			Other comprehensive income associated with assets held for sale	Equity attributable to owners of the parent		
		Cash flow hedges	Exchange differences on conversion of foreign operations	Total				
<b>Balance as of April 1, 2021</b>		<b>(2,866)</b>	<b>(31,279)</b>	<b>56,445</b>	<b>—</b>	<b>1,019,230</b>	<b>462,889</b>	<b>1,482,119</b>
Net income		—	—	—	—	162,130	24,307	186,437
Other comprehensive income	33	(5,869)	92,606	67,635	—	67,635	795	68,430
<b>Total comprehensive income</b>		<b>(5,869)</b>	<b>92,606</b>	<b>67,635</b>	<b>—</b>	<b>229,765</b>	<b>25,102</b>	<b>254,867</b>
Issuance of new shares		—	—	—	—	—	—	—
Purchase of treasury shares	27	—	—	—	—	(9)	—	(9)
Disposal of treasury shares	27	—	—	—	—	0	—	0
Dividends	28	—	—	—	—	(31,065)	(11,192)	(42,257)
Changes resulting from additions to consolidation		—	—	(5)	—	(27)	(25)	(52)
Changes resulting from loss of control of subsidiaries		—	—	—	—	—	—	—
Change in interest due to transactions with non-controlling interests		—	—	—	—	207	7,102	7,309
Transfer from other components of equity to retained earnings		—	—	11,199	—	—	—	—
Others, net		—	—	—	—	—	—	—
Transfers to other comprehensive income associated with assets held for sale		—	—	—	—	—	—	—
Transfer of negative balance of other capital surplus		—	—	—	—	—	—	—
<b>Total transactions with owners</b>		<b>—</b>	<b>—</b>	<b>11,194</b>	<b>—</b>	<b>(30,894)</b>	<b>(4,115)</b>	<b>(35,009)</b>
<b>Balance as of March 31, 2022</b>		<b>(8,735)</b>	<b>61,327</b>	<b>135,274</b>	<b>—</b>	<b>1,218,101</b>	<b>483,876</b>	<b>1,701,977</b>

See accompanying notes.

# Consolidated Statement of Cash Flows

Years ended March 31, 2023 and 2022

Millions of yen

	Note	FY2022	FY2021
<b>Cash flows from operating activities:</b>			
Income before taxes		¥ 231	¥ 251,136
Depreciation and amortization		167,957	156,667
Impairment losses	16	109,417	8,111
Share of (profit) loss of investments accounted for using the equity method		6,797	(42,180)
Interest and dividend income		(18,730)	(9,976)
Interest expenses		22,468	16,111
Restructuring costs		22,021	10,572
Changes in fair value of contingent consideration		(3,388)	(3,282)
(Gain) loss on sale of property, plant and equipment		(5,226)	(718)
(Increase) decrease in trade receivables		134,499	(19,465)
(Increase) decrease in inventories		(79,887)	(98,247)
Increase (decrease) in trade payables		(63,628)	(39,188)
Increase (decrease) in unearned revenue		(13,717)	565
Increase (decrease) in provisions		(13,373)	15,559
Others, net		(88,340)	(9,620)
Subtotal		177,101	236,045
Interest and dividends received		25,265	22,258
Interest paid		(21,768)	(15,404)
Income taxes paid		(65,529)	(68,323)
Restructuring costs paid		(3,448)	(2,861)
Net cash provided by operating activities		111,621	171,715
<b>Cash flows from investing activities:</b>			
Net (increase) decrease in securities		6,546	(7,529)
Purchase of property, plant and equipment, and intangible assets		(143,581)	(107,467)
Proceeds from sale of property, plant and equipment, and intangible assets		18,231	2,537
Purchase of investments in subsidiaries		(17,174)	—
Purchase of other financial assets		(7,692)	(15,768)
Proceeds from sales and redemption of other financial assets		42,974	16,540
Proceeds from collection of loan receivables	38	63,199	1,296
Proceeds from sale of subsidiaries		30,092	153
Others, net		(12,006)	(5,183)
Net cash used in investing activities		(19,411)	(115,421)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	21	100,959	(3,158)
Net increase (decrease) in commercial paper	21	35,000	10,000
Proceeds from long-term borrowings	21	66,141	46,154
Repayments of long-term borrowings	21	(109,130)	(77,132)
Proceeds from issuance of bonds	21	—	34,808
Redemption of bonds	21	—	(34,259)
Repayments of finance lease liabilities	21, 22	(16,668)	(15,984)
Cash dividends paid	28	(42,484)	(31,068)
Cash dividends paid to non-controlling interests		(13,982)	(11,195)
Payments for acquisition of subsidiaries' interests from non-controlling interests		(199,073)	(3,999)
Others, net		735	4,439
Net cash provided by (used in) financing activities		(178,502)	(81,394)
Effect of exchange rate changes on cash and cash equivalents		27,842	29,611
Net increase (decrease) in cash and cash equivalents		(58,450)	4,511
Cash and cash equivalents at the beginning of the year	8	365,429	360,918
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale		(1,135)	—
Cash and cash equivalents at the end of the year	8	¥ 305,844	¥ 365,429

See accompanying notes.



# Notes to Consolidated Financial Statements

## Sumitomo Chemical Company, Limited and Consolidated Subsidiaries

For the Years ended March 31, 2023 and 2022 (Fiscal 2022 and Fiscal 2021)

### 1. Reporting Entity

Sumitomo Chemical Company, Limited (hereinafter, the “Company”) is a company domiciled in Japan. The address of the Company’s registered head office and main places of business are presented on the Company’s website (URL <https://www.sumitomo-chem.co.jp/english/>).

The consolidated financial statements of the Company and its subsidiaries (hereinafter, the “Group”) have a closing date as of March 31 and comprise the financial statements of the Group and the interests in associates and jointly controlled entities of the Group.

The Group is primarily involved in the manufacturing and sale of “Essential Chemicals & Plastics,” “Energy & Functional Materials,” “IT-related Chemicals,” “Health & Crop Sciences” and “Pharmaceuticals.” Details of these businesses are presented in Note 6 Segment Information.

### 2. Basis of Preparation

#### (1) Compliance with IFRS

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter, “IFRS”) issued by the International Accounting Standards Board. The provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements applies, as the Company meets the requirements for a “Specified Company Applying Designated International Financial Reporting Standards” prescribed in Article 1-2 of said ordinance.

The Group’s consolidated financial statements were approved on June 21, 2023 by Keiichi Iwata, Representative Director & President.

#### (2) Basis of measurement

The Group’s consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value presented in Note 3 Significant Accounting Policies.

#### (3) Functional currency and presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, rounded to the nearest million yen.

### **3. Significant Accounting Policies**

#### **(1) Basis of consolidation**

##### **① Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group has control over an entity if it has exposure or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Accordingly, even in cases where the Group does not own the majority of voting rights of an entity, if the Group is deemed to effectively control its decision-making body, the entity is treated as a subsidiary.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which it is lost.

Subsidiaries' financial statements are adjusted, if necessary, when their accounting policies differ from those of the Group. All intergroup balances, transactions and unrealized gains and losses arising from intergroup transactions are eliminated in preparing the consolidated financial statements.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Differences between adjusted non-controlling interest amounts and fair value of the considerations are recognized directly as equity attributed to owners of the parent. In the event of a loss of control, any gain or loss arising from a loss of control is recognized in profit or loss.

In the case when the closing date of a subsidiary is different from that of the Group, financial statements that are prepared provisionally as of the consolidated closing date are used for such subsidiaries.

##### **② Associates and joint control arrangements**

Associates are those entities in which the Group has significant influence over the financial and operating policies but does not have control or joint control. The Group is presumed to have significant influence over another when it holds at least 20% of the voting rights of that entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint control arrangements are classified as joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and equity interests in joint ventures are initially recognized at acquisition cost, and subsequently accounted for using the equity method. Investments in associates and joint ventures include goodwill identified on acquisition.

If the Group holds an interest in a joint operation, the Group recognizes its share of the assets, liabilities, income and expenses generated from the joint operation.

Financial statements of associates, joint ventures and joint operations are adjusted, if necessary, when their accounting policies differ from those of the Group.

When it is impracticable to unify the closing date of associates, joint ventures and joint operations due to certain reasons, such as relationships with other shareholders, significant transactions or events between the closing date of the Group and that of the said entities' financial statements are reflected in the consolidated financial statements.

#### **(2) Business combinations**

The Group uses the acquisition method to account for business combinations. The consideration of acquisition is measured as the aggregate of the acquisition-date fair value of the assets transferred, liabilities assumed and equity securities issued by the Group in exchange for control of the acquiree.

Identifiable assets and liabilities of the acquiree, excluding the following items, are measured at their acquisition-date fair values.

- Deferred tax assets/liabilities, and assets/liabilities related to employee benefits;
- Share-based payment contracts of the acquiree; and
- Non-current assets and disposal groups classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree; over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. Conversely, any shortfall is immediately recognized as gain in profit or loss.

Non-controlling interests are initially measured either at fair value or at a proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Acquisition-related costs associated with business combinations, such as advisory fees, attorney fees and due diligence costs, are expensed as incurred.

If the initial accounting for business combination has not been completed by the reporting date in which the business combination occurs, the Company reports provisional amounts for the incomplete items. Those provisional amounts recognized at the acquisition date are retrospectively adjusted if new information obtained within one year from the acquisition date (hereinafter, "measurement period") would have affected the measurement of the amounts recognized on the acquisition date.

If a business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss or other comprehensive income.

Some changes in the fair value of contingent consideration after the acquisition are adjusted against the recognized consideration if it is regarded as the above-mentioned measurement period adjustment; otherwise, it is recognized as a change in fair value in profit or loss.

Additional acquisition of non-controlling interests is accounted for as an equity transaction, and therefore goodwill is not recognized with respect to such a transaction.

### **(3) Foreign currency conversions**

#### **① Foreign currency transactions**

Foreign currency transactions are converted into the respective functional currencies at the spot exchange rate at the date of transaction.

Foreign currency monetary assets and liabilities at the reporting date are converted into the functional currency using the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are converted into the functional currency using the spot exchange rate at the date of transaction.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are converted into the functional currency using the exchange rate at the date when the fair value is determined.

Exchange differences arising from conversions and settlements are recognized in profit or loss. However, exchange differences arising from equity instruments measured at fair value through other comprehensive income and cash flow hedges to the extent that the hedge is effective are recognized in other comprehensive income.

#### **② Financial statements of foreign operations**

Assets and liabilities of foreign operations are converted into Japanese yen at the spot exchange rate at the reporting date. Income and expenses are converted into Japanese yen at the average exchange rate, except when the exchange rate fluctuates significantly.

Exchange differences arising from conversion of financial statements of the foreign operations are recognized in other comprehensive income.

In the case of disposal of foreign operations, the cumulative amount of the exchange differences related to that foreign operation, which is recognized in other comprehensive income and accumulated in equity, is reclassified from equity to profit or loss when the gains or losses on disposal are recognized.

#### **(4) Financial instruments**

##### **① Non-derivative financial assets**

###### **(i) Initial recognition and measurement**

The Group initially recognizes trade receivables and other receivables at the date of occurrence. All other financial assets are recognized initially on the transaction date on which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets as follows upon initial recognition:

###### **(a) Financial assets measured at amortized cost**

A financial asset is classified as a financial asset measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- 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.

###### **(b) Financial assets measured at fair value through other comprehensive income (financial assets measured at FVTOCI)**

- Debt instruments measured at fair value through other comprehensive income

A debt instrument meeting both of the following conditions is classified as a financial asset measured at fair value through other comprehensive income.

- a. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
  - b. 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.
- Equity instruments measured at fair value through other comprehensive income
- For certain equity instruments held primarily for the purpose of maintaining or strengthening the business relationships with investees, the Group elects these instruments as fair value through other comprehensive income at initial recognition.

###### **(c) Financial assets measured at fair value through profit or loss (financial assets measured at FVTPL)**

Financial assets designated as measured at fair value through profit or loss and other than financial assets mentioned in (a) and (b), are classified as financial assets measured at fair value through profit or loss.

Except for financial assets measured at fair value through profit or loss, financial assets are initially measured at fair value plus transaction costs.

###### **(ii) Subsequent measurement**

After initial recognition, financial assets are measured based on the following classifications:

###### **(a) Financial assets measured at amortized cost**

These financial assets are measured at amortized cost using the effective interest method. Interest income from these financial assets measured at amortized cost is included in finance income in the consolidated statement of income.

###### **(b) Financial assets measured at fair value through other comprehensive income**

Financial assets measured at fair value through other comprehensive income are measured at fair value, and subsequent changes in fair value are recognized in other comprehensive income.

However, dividends from the equity instruments that are designated as measured at fair value through other comprehensive income are recognized in finance income when the Group's right to receive payment of the dividends is established. Also, accumulated other comprehensive income in 'Other components of equity' is transferred to retained earnings when the fair value of financial assets declines significantly or when financial assets are derecognized.

Interests accrued on debt instruments are recognized in finance income in the consolidated statement of income. Also, accumulated other comprehensive income in 'Other components of equity' is transferred to profit or loss as reclassification adjustments when such instruments are derecognized.

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

Financial assets measured at fair value through profit or loss are measured at fair value, and subsequent changes in fair value are recognized in profit or loss.

**(iii) Derecognition of financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

**(iv) Impairment**

At each reporting date, the Group assesses whether the credit risk on a financial asset measured at amortized cost, a debt instrument measured at fair value through other comprehensive income or a financial guarantee contract has increased significantly since the initial recognition.

The Group measures an allowance for doubtful accounts for financial assets at an amount equal to the lifetime expected credit losses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk on the financial assets has not significantly increased since the initial recognition, the Group measures an allowance for doubtful accounts for financial assets at an amount equal to 12-month expected credit losses. However, the Group always measures an allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade and other receivables without a significant financial component. When determining whether the credit risk of the financial asset has significantly increased since initial recognition, the Group evaluates by comparing the risk of a default occurring on the financial assets at each reporting date with the risk of a default occurring on the financial assets at the date of initial recognition. The Group considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions as far as it is available without excessive cost or effort. The following is this information.

(a) Internal credit rating

(b) External credit rating (if available)

(c) Actual or expected significant change in the results of the borrower's performance

(d) Actual or expected significant adverse change in the regulatory environment, economic environment or technological environment that causes a significant change in the borrower's ability to fulfill its obligation

(e) Significant increase in credit risk of the other financial instruments of the same borrower

(f) Significant change in the value of collateral underlying debt, third-party guarantee or credit enhancement

The Group measures a credit loss using the difference between the discounted present value of the contractual amount receivable and the estimated amount receivable, and recognizes it in profit or loss.

**② Non-derivative financial liabilities**

**(i) Initial recognition and measurement**

The Group initially recognizes financial liabilities when the Group becomes a contractual party. Financial liabilities, excluding the following items, are classified as financial liabilities measured at amortized cost at the initial recognition.

(a) Financial liabilities measured at fair value through profit or loss (financial liabilities measured at FVTPL)

(b) Financial guarantee contracts

(c) Contingent consideration associated with business combination

All financial liabilities are initially measured at fair value. Financial liabilities measured at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the financial liabilities.

## **(ii) Subsequent measurement**

After initial recognition, financial liabilities are measured based on the following classifications:

### **(a) Financial liabilities measured at fair value through profit or loss**

These financial liabilities are measured at fair value and its changes are recognized in profit or loss.

### **(b) Financial guarantee contracts**

Financial guarantee contracts are measured at the higher of the following.

- The amount of allowance for doubtful accounts calculated based on the above (iv) Impairment
- The amount initially recognized less accumulated amortization

### **(c) Contingent consideration associated with business combination**

Contingent consideration associated with business combination is measured at fair value and its changes are recognized in profit or loss.

### **(d) Financial liabilities measured at amortized cost**

These financial liabilities are measured at amortized cost using the effective interest method. Interest expenses from these financial liabilities measured at amortized cost are included in finance expenses in the consolidated statement of income.

## **(iii) Derecognition**

The Group derecognizes financial liabilities when they are extinguished; i.e. when the obligation specified in the contract is discharged, canceled, or expires.

## **③ Derivative financial instruments and hedge accounting**

The Group uses derivatives such as foreign exchange forward contracts, interest rate swaps contracts and commodity futures contracts to hedge foreign exchange fluctuation risk, interest rate fluctuation risk and commodity price fluctuation risk, respectively. For certain forward sales transactions, the Group makes an irrevocable designation as financial instruments to be measured at fair value through profit or loss at the inception of contracts only when it removes or significantly reduces accounting mismatch; they are included in financial instruments as derivatives. These derivatives are initially measured at fair value when contracts are entered into and are subsequently remeasured at fair value.

Changes in fair value of derivatives are recognized in profit or loss. However, gains or losses on cash flow hedges to the extent that the hedges are effective are recognized in other comprehensive income.

At the inception of the hedge, the Group formally designates and documents hedging relationships to which hedge accounting applies and the risk management objectives and strategies for undertaking the hedges. The documentation includes identifying hedging instruments, the hedged items or transaction, the nature of the risk being hedged, and how the effectiveness of hedging instruments is assessed in offsetting the exposures to the changes in fair value or cash flows of hedged items attributable to hedged risks. The Group evaluates whether a derivative used to hedge a transaction is effective to offset the change in fair value or cash flows of a hedged item at the inception of the hedge and on an ongoing basis.

### **(i) Fair value hedges**

Changes in fair value of hedging instruments are recognized in profit or loss. Changes in fair value of hedged items attributable to the hedged risks adjust carrying amounts of hedged items and are recognized in profit or loss.

### **(ii) Cash flow hedges**

The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income as cash flow hedges and the ineffective portion is recognized in profit or loss.

After that, accumulated gains and losses recognized in other comprehensive income are reclassified to profit or loss as reclassification adjustments in the same period when cash flows arising from the hedged items affect profit or loss. When the hedged items result in recognition of a non-financial asset, the accumulated gains and losses through other comprehensive income are reclassified and included directly in the initial cost of the non-financial asset.

Hedge accounting is discontinued when a forecast transaction is not highly probable to occur. Furthermore, if a forecast transaction is no longer expected to occur, the accumulated amount recognized in other comprehensive income is transferred immediately to profit or loss.

#### **(5) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term investments that are readily convertible to cash and are subjected to insignificant risks of changes in value, and whose maturities are three months or less from the date of acquisition.

#### **(6) Inventories**

Inventories are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated cost necessary to make a sale. Acquisition cost is mainly calculated by the periodic average method and comprises purchase costs, processing costs, and all other costs incurred in bringing the inventories to their present location and condition.

#### **(7) Property, plant and equipment (except for right-of-use assets)**

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and accumulated impairment losses.

The acquisition cost includes direct costs of acquisition, estimated costs of dismantlement, land removal and restoration, and borrowing costs to be capitalized.

Depreciation of assets other than land and construction in progress is calculated on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of major categories of assets are as follows:

- Buildings and structures                      5-60 years
- Machinery, equipment and vehicles      4-12 years

Estimated useful lives, residual values and depreciation method are reviewed at each fiscal year-end, and any revisions are applied prospectively as changes in accounting estimate.

#### **(8) Goodwill and intangible assets**

##### **① Goodwill**

Goodwill arising on the acquisition of business is recognized and initially measured as stated in (2) Business combinations. Goodwill is not amortized and is tested for impairment at every reporting period and whenever there is an indication that it may be impaired.

An impairment loss on goodwill is recognized in the consolidated statement of income and is not reversed in subsequent periods.

Goodwill is presented in the consolidated statement of financial position at the amount calculated by deducting accumulated impairment losses from acquisition cost.

As for investee accounted for by using the equity method, goodwill is included in the carrying amount of the investment.

## ② Intangible assets

Intangible assets are measured at acquisition cost less accumulated amortization and accumulated impairment losses.

Individually acquired intangible assets are initially recognized at acquisition cost. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Research expenses of an internal project are recognized as cost when they are incurred. Development expenses of an internal project are recognized as intangible assets only when they satisfy all the recognition criteria.

Intangible assets are amortized on a straight-line basis over their useful lives. Intangible assets recorded as in-process research and development that are not yet available for use are not amortized, and are tested for impairment at every reporting period or whenever there is an indication of impairment. They are reclassified to patent, marketing rights, or other related accounts when marketing approval from regulatory authorities is obtained and are amortized when they become available for use. Estimated useful lives of major categories of assets are as follows;

- Patents 3-20 years
- Software 3-10 years

Estimated useful lives, residual values and amortization method are reviewed at each fiscal year-end, and any revisions are applied prospectively as changes in accounting estimate.

## (9) Leases

The Group determines whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognizes a right-of-use asset and a corresponding lease liability at the commencement date of the lease, when it has determined whether a contract is, or contains, a lease.

## ① Right-of-use assets

Right-of-use assets are measured at acquisition cost, less accumulated depreciation and accumulated impairment losses. The acquisition cost comprises the amount of the initial measurement of the lease liabilities adjusted for initial direct costs, plus any costs including restoration obligations of the underlying assets. Right-of-use assets are depreciated over the shorter of their useful lives and lease terms. Right-of-use assets are included in "Property, plant and equipment" in the consolidated statement of financial position.

## ② Lease liabilities

Lease liabilities are measured at the present value of the lease payments that are not paid as of the lease commencement date. The lease payments are discounted using the interest rate implicit in the lease. If interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate is used. After the commencement date, lease liabilities are measured by increasing the carrying amounts to reflect interests on the lease liabilities and by reducing the carrying amounts to reflect lease payment made. The lease liabilities are included in "Other financial liabilities" in the consolidated statement of financial position.

In addition, the Group has applied IFRS 16 paragraph 6 for short-term leases and leases of low-value assets, and recognized these lease payments as expenses using the straight-line basis over the lease terms.

## (10) Impairment of non-financial assets

The Group assesses whether there is any indication that a non-financial asset may be impaired at the end of each reporting date. If there is an indication of impairment, the recoverable amount of the asset is estimated. For goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated annually at a consistent time in each year, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset or its cash-generating unit (hereinafter, "CGU") is the higher of its value in use or its fair value less disposal costs. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. If it is not possible



to estimate the recoverable amount of each asset individually for the impairment test, such assets are integrated into the smallest CGU that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets. For the purposes of goodwill impairment testing, CGUs to which goodwill would be allocated are aggregated when necessary so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored. Goodwill acquired in a business combination is allocated to the (group of) CGU(s) that is expected to benefit from the synergies of the business combination.

Group corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, the recoverable amount of the (group of) CGU(s) to which the corporate assets belong is measured.

If the carrying amount of assets or the (group of) CGU(s) exceeds the recoverable amount, an impairment loss is recognized in profit or loss for the period. The impairment loss recognized for the (group of) CGU(s) is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and subsequently to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill cannot be reversed. In respect of assets other than goodwill, impairment losses recognized in prior periods are assessed at the end of each reporting date as to whether there is any indication that the losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or the (group of) CGU(s) is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or the (group of) CGU(s), the impairment loss is reversed up to the carrying amount less depreciation or amortization that would have been determined if no impairment losses had been recognized in prior periods.

## **(11) Employee benefits**

### **① Post-retirement benefits**

The Group sponsors defined benefit plans and defined contribution plans as post-retirement benefits.

The Group uses the projected unit credit method to determine the present value of its defined benefit obligation and the related current and past service costs.

The discount rates are determined by referring to the market yield at the fiscal year-end on high-quality corporate bonds for the corresponding periods in which the retirement benefits are to be paid.

The amount of the net defined benefit liability/ asset is calculated by deducting the fair value of plan assets from the present value of defined benefit obligation.

Remeasurements of defined benefit plans are recognized in other comprehensive income and immediately reclassified to retained earnings in the periods in which they occur.

Past service costs are recognized in profit or loss for the periods in which they are incurred.

Payments to defined contribution plans are recognized as expenses in the periods that employees render services.

### **② Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis, and are recognized as expenses when the related service is rendered.

For bonuses and paid absence expenses, when there is a legal or constructive obligation to make payments of these, and a reliable estimate of the obligation can be made, the estimated amount to be paid based on these plans is accounted for as a liability.

### **③ Other long-term employee benefits**

Long-term benefit obligations other than post-retirement benefit plans include special paid leaves and bonuses granted conditional on a certain period of employment. Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future benefits that are expected to be paid by the Group in exchange for the services rendered by employees up to the reporting date.

## **(12) Provisions**

Provisions are recognized when the Group has a present legal obligation or constructive obligation arising as a result of a past event; it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made. Provisions are stated at the present value of the estimated future cash flows that are discounted using a pre-tax discount rate reflecting the time value of money and the specific risks of the liability. Where discounting is used, the increase in the provision to reflect the passage of time is recognized as finance expenses.

### **① Provisions for sales rebates**

Provisions for sales rebates mainly related to public programs and contracts with wholesalers are provided based on the amounts expected to be paid subsequent to the year-end date.

### **② Provisions for asset retirement obligations**

Provisions for asset retirement obligations are provided based on estimated future expenditures when the Group has a legal, contractual or similar obligation associated with the retirement of property, plant and equipment.

### **③ Provisions for sales returns**

Provisions for sales returns are provided based on estimated amounts of sales returns of merchandise and finished goods.

### **④ Provisions for removal cost of property, plant and equipment**

Provisions for removal cost of property, plant and equipment for which removal policy has been determined are provided based on the estimated amount of removal expenditures.

## **(13) Revenue**

### **① Revenue from contracts with customers**

The Group recognizes revenue when the Group transfers promised goods or services to a customer and the customer obtains control of those goods or services based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group mainly engages in manufacturing and sales of Essential Chemicals & Plastics, Energy & Functional Materials, IT-related Chemicals, Health & Crop Sciences, and Pharmaceuticals. For sales of such products, the performance obligation is judged to have been satisfied and revenue is recognized upon delivery of the products, because the customer obtains control over the products upon delivery. Revenue is measured at the consideration promised in a contract with a customer, less product returns, discounts, rebates and other items to the extent that it is highly probable that a significant reversal will not occur.

As for certain parts of the performance obligation related to providing services for the design, engineering, and construction management of chemical plants, the Group transfers control of products and services over time, and therefore recognizes revenue over time according to the percentage of completion of the performance obligation. The Group measures the percentage of completion based on the percentage of actual cost to the total amount of estimated cost (input method).

### **② Interest income**

Interest income is recognized using the effective interest method.

### **③ Dividends**

Dividends are recognized when a right to receive dividend payments is established.

### **(14) Income taxes**

Income taxes consist of current taxes and deferred taxes. They are recognized as income or expenses and included in profit or loss, except for those related to business combinations and items that are recognized directly in equity or in other comprehensive income.

Current taxes are measured in the amount of the expected tax payable to or receivable from the tax authorities. Calculation of the tax amount is based on the tax rates and tax laws enacted or substantively enacted by the reporting date in countries where the Group conducts business and earns taxable income.

Deferred taxes are recognized for temporary differences between the carrying amount of assets or liabilities and their tax bases, tax loss carryforwards and tax credits at the reporting date.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary differences arising from initial recognition of goodwill.
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income nor taxable income.
- Taxable temporary differences on investments in subsidiaries and associates, and interests in joint control arrangements, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are recognized, in principle, for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, the carryforwards of unused net operating losses and the carryforwards of unused tax credits to the extent that it is probable that they will be utilized against future taxable income.

The carrying amount of deferred tax assets is reviewed each period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to realize benefits from all or part of the assets. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply to the period when the assets are realized or the liabilities are settled based on the statutory tax rates and tax laws enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority and on the same taxable entity.

The Company and certain consolidated subsidiaries have adopted the group tax sharing system.

### **(15) Earnings per share**

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share are calculated by adjusting the effects of all dilutive potential shares. When there are potential shares that have an antidilutive effect, such potential shares are not included in the calculation of diluted earnings per share.

### **(16) Capital**

Ordinary shares are classified as capital.

Treasury shares are recognized at acquisition cost and deducted from equity. No gains or losses are recognized on the purchase, sale or retirement of the Company's treasury shares. Any differences between the carrying amount and consideration received on the sale of treasury shares are recognized in capital surplus.

### **(17) Share-based payment**

The Company has introduced a restricted stock compensation plan as a system of incentives for the Company's Board of Directors (excluding Outside Directors) and executive officers not concurrently serving as members of the Board of Directors (excluding non-residents of Japan). Compensation under the restricted stock compensation plan is measured with reference to the fair value of the Company's common shares granted as of the grant date, and is expensed from the day when the shares are granted through the vesting period, with the same amount recognized as an increase in equity.

In addition, a part of the Group subsidiaries has adopted a stock option scheme as equity-settled share-based payment plans. In the plans, services received and the corresponding increase in equity are measured at fair value of the equity instruments at the grant date, and are recognized as expenses over the vesting periods with corresponding increases to equity.

### **(18) Assets held for sale**

The Group classifies a non-current asset or disposal group that will be recovered principally through a sales transaction rather than through continuing use as assets held for sale only when it is highly probable that the sale will occur and the asset or asset group is available for immediate sale in its present condition.

Non-current assets or asset group classified as assets held for sale are measured at the lower of its carrying amount and the fair value less costs to sell.

Fixed assets and intangible assets classified assets held for sale are not depreciated or amortized. Assets and liabilities held for sale are presented separately from other assets and liabilities as current items in the consolidated statement of financial position.

### **(19) Change in significant accounting policies**

"International Tax Reform-Pillar Two Model Rules (amendments to IAS12)" announced on May 23rd, 2023 (hereinafter, amended IAS12) has been retrospectively applied to the Group in this fiscal year.

As the Group is estimated to be affected by the Pillar Two legislation, the temporary relief, which the amended IAS 12 has introduced and wherein companies are exempt from recognizing and disclosing information about deferred tax related to Pillar Two model rules, has been retrospectively applied to the Group.

Consequently, the Group does not recognize deferred tax related to Pillar Two model rules and "note 18. Income Taxes" does not include the effect by Pillar Two model rules in this fiscal year.

### **(20) Change in presentation**

(Consolidated statement of cash flows)

"Proceeds from collection of loan receivables" and "Proceeds from sale of subsidiaries," which were included in "Others, net" under "Cash flows from investing activities" in the previous fiscal year, are presented separately in this fiscal year due to increased quantitative materiality. "Increase in loan receivables," which was presented separately in the previous fiscal year, is included in "Others, net" in this fiscal year due to decreased quantitative materiality.

As a result, "Increase in loan receivables" of ¥(1,259) million and "Others, net" of ¥(2,475) million have been reclassified as "Proceeds from collection of loan receivables" of ¥1,296 million, "Proceeds from sale of subsidiaries" of ¥153 million, and "Others, net" of ¥(5,183) million.

(Finance income and finance expenses)

"Derivative gain", which was included in "Others" under finance income, and "Derivative loss", which was included in "Others" under finance loss in the previous fiscal year, are presented separately in this fiscal year due to increased quantitative materiality.

As a result, "Others" under finance income of ¥3,616 million has been reclassified as "Derivative gain" of ¥443 million and "Others" of ¥3,173 million. Also "Others" under finance expenses of ¥6,950 million has been reclassified as "Derivative loss" of ¥6,349 million and "Others" of ¥601 million.

#### **4. Significant Accounting Estimates and Judgments**

Management has made a number of judgments, estimates and assumptions relating to the application of accounting policies, and reporting of income, expenses, assets and liabilities in the preparation of these consolidated financial statements in accordance with IFRS. Actual results may materially affect the Company's consolidated financial statements for the next fiscal year due to the uncertainties in these estimates and judgments.

Estimates and underlying assumptions are continually evaluated. The effect of changes to accounting estimates is recognized in the reporting period in which the changes are made and in future periods.

Judgments, estimates and assumptions made by the management that could materially affect the Company's consolidated financial statements are included in the following notes:

- Impairment of non-financial assets (Note 16 Impairment of Non-financial Assets);
- Recoverability of deferred tax assets (Note 18 Income Taxes);
- Measurement of provisions (Note 25 Provisions); and
- Fair value of financial instruments (Note 36 Financial Instruments).

#### **5. New Standards and Interpretations Not Yet Applied**

There were no new and revised IFRSs the Group had not yet applied, which were publicly announced by the approval date of the consolidated financial statements and give material impacts on the financial statements of the Group.

## 6. Segment Information

### (1) Summary (or outline / overview) of reportable segments

The reportable segments of the Group refer to business units for which separate financial information is available and that are reviewed regularly at the Board of Directors meeting in order to determine allocation of management resources and evaluate business performances by each business unit.

The Group divides its operations into business sectors identified by products and services, which manage manufacturing, sales, and research in an integrated manner. Each business sector is responsible for developing comprehensive domestic and overseas strategies with respect to its products and services, and operates its business activities.

Accordingly, the Group has five reportable segments based on its products and services in accordance with its business sectors, including "Essential Chemicals & Plastics," "Energy & Functional Materials," "IT-related Chemicals," "Health & Crop Sciences," and "Pharmaceuticals."

The major products and services of each reportable segment are as follows:

Reportable Segment	Major Products and Services
Essential Chemicals & Plastics	Synthetic resins, raw materials for synthetic fibers, various industrial chemicals, methyl methacrylate products, synthetic resin processed products, etc.
Energy & Functional Materials	Alumina, aluminum, specialty chemicals, additives, synthetic rubber, engineering plastics, battery materials, etc.
IT-related Chemicals	Optical products, semiconductor processing materials, compound semiconductor materials, touch screen sensor panels, etc.
Health & Crop Sciences	Crop protection chemicals, fertilizers, agricultural materials, household insecticides, products for control of infectious diseases, feed additives, active pharmaceutical ingredients and intermediates, etc.
Pharmaceuticals	Pharmaceuticals for medical treatment, radiopharmaceuticals, etc.

Note: The Group changed the name of its Petrochemicals & Plastics Sector to "Essential Chemicals & Plastics" Sector" as of April 1, 2022. The new name of the sector is also used for the previous fiscal year.

### (2) Reportable segments information

The accounting methods for each reportable segment are, in principle, identical to those set forth in Note 3 Significant Accounting Policies. The segment profit is core operating income, which is calculated from operating income after excluding effects from non-recurring factors.

Inter-segment sales revenue is based on market prices.

**Fiscal year ended March 31, 2023**

	Millions of yen								
	Reportable segments				Pharmaceuticals	Total	Others (Note 1)	Adjustments (Note 2)	Consolidated
	Essential Chemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences					
Sales revenue:									
Sales revenues from external customers	¥ 852,916	¥ 342,460	¥ 431,219	¥ 598,390	¥ 584,873	¥ 2,809,858	¥ 85,425	¥ -	¥ 2,895,283
Inter-segment sales revenues	5,694	17,473	465	5,654	15	29,301	87,323	(116,624)	-
<b>Total sales revenue</b>	<b>858,610</b>	<b>359,933</b>	<b>431,684</b>	<b>604,044</b>	<b>584,888</b>	<b>2,839,159</b>	<b>172,748</b>	<b>(116,624)</b>	<b>2,895,283</b>
Segment profit (loss) : core operating income (loss)	(34,197)	15,239	47,601	57,277	16,168	102,088	10,405	(19,741)	92,752
<b>Segment assets</b>	<b>872,612</b>	<b>380,186</b>	<b>464,615</b>	<b>874,037</b>	<b>1,189,289</b>	<b>3,780,739</b>	<b>371,749</b>	<b>13,015</b>	<b>4,165,503</b>
Other items:									
Depreciation and amortization	30,075	19,324	26,578	28,724	43,989	148,690	8,219	11,048	167,957
Share of profit (loss) of investments accounted for using the equity method	(18,384)	151	4	213	39	(17,977)	10,890	290	(6,797)
Impairment losses	1,805	261	1,728	19,610	86,013	109,417	-	-	109,417
Reversal of impairment losses	-	-	-	-	-	-	-	-	-
Investments accounted for using the equity method	257,219	424	501	8,579	383	267,106	138,175	(2,301)	402,980
<b>Capital expenditures</b>	<b>¥ 30,179</b>	<b>¥ 26,600</b>	<b>¥ 32,799</b>	<b>¥ 24,321</b>	<b>¥ 14,135</b>	<b>¥ 128,034</b>	<b>¥ 6,622</b>	<b>¥ 6,425</b>	<b>¥ 141,081</b>

Note 1: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which are not included in reportable segments.

Note 2: Amounts in "Adjustments" are as follows:

- (1) ¥ (19,741) million for segment profit (loss) in "Adjustments" includes inter-segment elimination of ¥ (231) million and corporate expenses of ¥ (19,510) million unallocated to each reportable segment. Corporate expenses are mainly research & development expenses for company-wide research, which are not attributed to reportable segments.
- (2) Segment assets in "Adjustments" are ¥13,015 million, which includes ¥ (149,681) million in eliminations of inter-segment receivables and other assets, and ¥162,696 million of corporate assets unallocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents, investment securities, and the assets related to research & development activities for company-wide research.
- (3) Depreciation and amortization in "Adjustments" is ¥11,048 million, mainly related to the assets arising from research & development activities for company-wide research unallocated to each reportable segment.
- (4) Investments accounted for using the equity method in "Adjustments" is ¥ (2,301) million, which is eliminations of inter-segment transactions.
- (5) Capital expenditures in "Adjustments" amounting to ¥6,425 million is mainly contributed by company-wide research activities that are not allocated to each reportable segment.

Fiscal year ended March 31, 2022

	Millions of yen									
	Reportable segments					Pharmaceuticals	Total	Others (Note 1)	Adjustments (Note 2)	Consolidated
	Essential Chemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences						
Sales revenue:										
Sales revenues from external customers	¥ 842,511	¥ 316,386	¥ 473,742	¥ 473,778	¥ 591,709	¥ 2,698,126	¥ 67,195	¥ -	¥ 2,765,321	
Inter-segment sales revenues	5,421	12,359	447	7,060	15	25,302	62,409	(87,711)	-	
<b>Total sales revenue</b>	<b>847,932</b>	<b>328,745</b>	<b>474,189</b>	<b>480,838</b>	<b>591,724</b>	<b>2,723,428</b>	<b>129,604</b>	<b>(87,711)</b>	<b>2,765,321</b>	
Segment profit : core operating income	53,515	20,058	57,827	42,253	61,712	235,365	15,784	(16,370)	234,779	
Segment assets	908,536	356,926	501,405	841,677	1,367,378	3,975,922	335,478	(3,249)	4,308,151	
Other items:										
Depreciation and amortization	26,282	19,127	26,671	26,942	41,164	140,186	7,782	8,699	156,667	
Share of profit of investments accounted for using the equity method	31,044	142	64	210	9	31,469	10,437	274	42,180	
Impairment losses	1,386	2,604	3,088	14	910	8,002	-	109	8,111	
Reversal of impairment losses	-	-	4	-	-	4	-	-	4	
Investments accounted for using the equity method	153,473	273	498	8,327	1,085	163,656	128,904	(2,592)	289,968	
Capital expenditures	¥ 25,300	¥ 26,764	¥ 16,608	¥ 16,818	¥ 19,638	¥ 105,128	¥ 6,503	¥ 7,892	¥ 119,523	

Note 1: "Others" represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis, which are not included in reportable segments.

Note 2: Amounts in "Adjustments" are as follows:

- (1) ¥ (16,370) million for segment profit in "Adjustments" includes inter-segment elimination of ¥207 million and corporate expenses of ¥ (16,577) million unallocated to each reportable segment. Corporate expenses are mainly research & development expenses for company-wide research, which are not attributed to reportable segments.
- (2) Segment assets in "Adjustments" are ¥ (3,249) million, which includes ¥ (179,330) million in eliminations of inter-segment receivables and other assets, and ¥176,081 million of corporate assets unallocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents, investment securities, and the assets related to research & development activities for company-wide research.
- (3) Depreciation and amortization in "Adjustments" is ¥8,699 million, mainly related to the assets arising from research & development activities for company-wide research unallocated to each reportable segment.
- (4) Investments accounted for using the equity method in "Adjustments" is ¥ (2,592) million, which is eliminations of inter-segment transactions.
- (5) Capital expenditures in "Adjustments" amounting to ¥7,892 million is mainly contributed by company-wide research activities that are not allocated to each reportable segment.



Adjustments from segment profit to income before taxes are as follows:

	Millions of yen	
	FY2022	FY2021
Segment profit	¥ 92,752	¥ 234,779
Impairment losses	(109,417)	(8,111)
Restructuring costs	(22,021)	(10,572)
Gains on sales of property, plant and equipment, and intangible assets	5,226	718
Changes in fair value of contingent consideration	3,388	3,282
Others, net	(912)	(5,093)
Operating income (loss)	(30,984)	215,003
Finance income	70,836	59,194
Finance expenses	(39,621)	(23,061)
Income before taxes	¥ 231	¥ 251,136

### (3) Geographic information

The breakdown of sales revenues and non-current assets is as follows:

Sales revenues from external customers

#### Fiscal year ended March 31, 2023

Millions of yen				
Japan	North America Of which: the U.S.	China	Others	Total
¥ 928,344	¥ 491,757 475,301	¥ 454,480	¥ 1,020,702	¥ 2,895,283

Note: Sales revenues are classified by country and region based on the location of customers.

Fiscal year ended March 31, 2022

Millions of yen				
Japan	North America Of which: the U.S.	China	Others	Total
¥ 893,854	¥ 433,653 419,437	¥ 521,308	¥ 916,506	¥ 2,765,321

Note: Sales revenues are classified by country and region based on the location of customers.

Non-current assets

#### As of March 31, 2023

Millions of yen			
Japan	North America Of which: the U.S.	Others	Total
¥ 624,954	¥ 616,638 614,913	¥ 306,187	¥ 1,547,779

Note: Classification of non-current assets is based on the location of the assets. Financial instruments, deferred tax assets and retirement benefit assets are not included in non-current assets.

As of March 31, 2022

Millions of yen			
Japan	North America Of which: the U.S.	Others	Total
¥ 632,358	¥ 656,017 654,400	¥ 303,608	¥ 1,591,983

Note: Classification of non-current assets is based on the location of the assets. Financial instruments, deferred tax assets and retirement benefit assets are not included in non-current assets.

### (4) Information about major customers

No information is shown because no customer accounts for over 10% of the amount of consolidated sales revenues from external customers.

## 7. Business Combinations

### (1) Significant business combinations

Fiscal year ended March 31, 2023

There are no significant business combinations in the fiscal year ended March 31, 2023.

Fiscal year ended March 31, 2022

There are no significant business combinations in the fiscal year ended March 31, 2022.

### (2) Contingent consideration

As for the acquisitions of Elevation Pharmaceuticals, Inc. (currently: Sunovion Pharmaceuticals Inc.) (hereinafter, "Elevation"), and Tolero Pharmaceuticals, Inc. (currently: Sumitomo Pharma Oncology, Inc.) (hereinafter, "Tolero"), contingent considerations are to be additionally paid to former shareholders upon the achievement of predetermined milestones.

As for the acquisition of Elevation, consideration for the acquisition amounting to \$189 million (¥17,800 million) has been paid through the fiscal year ended March 31, 2023. In addition, a maximum amount of \$210 million (¥28,043 million) may possibly be paid, before considering time value of money, upon the achievement of commercial milestones determined based on sales revenue earned after commencement of sales.

As for the acquisition of Tolero, consideration for the acquisition amounting to \$205 million (¥23,289 million) has been paid through the fiscal year ended March 31, 2023, and a maximum amount of \$210 million (¥28,043 million) may possibly be paid before considering the time value of the money upon the achievement of the development milestones for chemical compounds under development by Tolero. In addition, a maximum amount of \$150 million (¥20,031 million) may possibly be paid, before considering time value of money, upon the achievement of commercial milestones determined based on sales revenue earned after commencement of sales.

The Group recognizes these contingent considerations in other financial liabilities in the consolidated statement of financial position after considering the time value of the money.

The fair value hierarchy of contingent consideration and its sensitivity analysis are disclosed in Note 36 Financial Instruments.

The total amounts of future payments that the Group may be required to make are ¥76,118 million (undiscounted) and ¥95,480 million (undiscounted) as of March 31, 2023 and 2022, respectively. The amounts payable by the due dates of the contingent consideration are not presented because of the uncertainty.

## 8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Cash and deposits	¥ 258,778	¥ 303,011
Short-term investments	47,066	62,418
Total	¥ 305,844	¥ 365,429

## 9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Trade notes and accounts receivable	¥ 534,987	¥ 652,829
Other receivables	64,300	58,601
Others	3,874	8,992
Total	¥ 603,161	¥ 720,422

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

Also, contract assets are included in "Others."

## 10. Other Financial Assets

The breakdown of other financial assets is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Financial assets measured at fair value through OCI:		
Shares and investments	¥ 269,690	¥ 283,094
Others	3,040	3,364
Financial assets measured at fair value through profit or loss:		
Loan receivables	39,501	167,401
Long-term accrued interests	803	23,077
Derivative assets	1,965	1,700
Others	7,812	11,767
Financial assets measured at amortized cost:		
Loan receivables	1,756	1,905
Others	19,785	6,582
<b>Total</b>	<b>¥ 344,352</b>	<b>¥ 498,890</b>
Current assets	31,237	23,991
Non-current assets	313,115	474,899
<b>Total</b>	<b>¥ 344,352</b>	<b>¥ 498,890</b>

The fair value of the investment in equity instruments measured at fair value through other comprehensive income is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Marketable	¥ 191,625	¥ 204,986
Non-marketable	81,105	81,472
<b>Total</b>	<b>¥ 272,730</b>	<b>¥ 286,458</b>

The fair value of the major issues included in the above are as follows:

Issue	Millions of yen	
	March 31, 2023	March 31, 2022
Roivant Sciences Ltd.	¥ 85,117	¥ 52,227
Nippon Shokubai Co., Ltd.	14,403	14,539
Sumitomo Forestry Co., Ltd.	6,870	5,685

Investments held for the purpose of expanding its revenue base by maintaining and strengthening business relationships with the investees are designated as financial assets measured at fair value through other comprehensive income.

The Group disposed and derecognized some investments in equity instruments measured at fair value through other comprehensive income to improve the efficiency of assets and reassess the business relationships.

Their fair value and accumulated gains or losses (before tax) at the time of disposal in the fiscal years ended March 31, 2023 and 2022 were as follows:

Millions of yen			
FY2022		FY2021	
Fair Value	Cumulative gains (losses)	Fair Value	Cumulative gains (losses)
¥ 39,082	¥ 13,266	¥ 16,301	¥ 12,178

Accumulated gains or losses recorded as other components of equity are reclassified to retained earnings when the fair value is significantly declined or derecognized. Accumulated gains or losses (after tax) reclassified to retained earnings are ¥4,509 million and ¥ (18,328) million for the fiscal years ended March 31, 2023 and 2022, respectively.

## 11. Inventories

The breakdown of Inventories is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Merchandise and finished goods	¥ 465,772	¥ 418,228
Raw materials and supplies	252,387	210,592
Work in process	26,315	22,538
Total	¥ 744,474	¥ 651,358

For the fiscal years ended March 31, 2023 and 2022, write-downs of inventories recognized as expenses are ¥35,727 million and ¥24,252 million, respectively.

## 12. Other Assets

The breakdown of other assets is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Prepaid expenses	¥ 36,888	¥ 34,824
Income taxes receivable	19,129	7,034
Advance payment	6,820	4,170
Others	55,393	58,749
Total	¥ 118,230	¥ 104,777
Current assets	70,670	51,442
Non-current assets	47,560	53,335
Total	¥ 118,230	¥ 104,777

## 13. Assets Held for Sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Assets held for sale:		
Trade and other receivables	¥ 2,043	¥ -
Other financial assets	1,195	-
Inventories	2,736	-
Others	1,524	-
Total	¥ 7,498	¥ -
Liabilities directly associated with assets held for sale:		
Trade and other payables	¥ 622	¥ -
Other current liabilities	412	-
Retirement benefit liabilities	407	-
Others	365	-
Total	¥ 1,806	¥ -

On December 26, 2022, Sumitomo Pharma Co., Ltd. (hereinafter, "Sumitomo Pharma"), a subsidiary of the Company, concluded a contract to transfer its entire shareholding in Sumitomo Pharma Animal Health Co., Ltd. to Mitsui & Co., Ltd. It is planned to complete the transfer of shares during the first quarter of the fiscal year ending March 31, 2024.

It is extremely likely that Sumitomo Pharma Animal Health Co., Ltd. will cease to be a subsidiary of the Company as a result of this transfer. Therefore, the assets associated with Sumitomo Pharma Animal Health Co., Ltd. and the liabilities directly associated with these assets have been classified as a disposal group held for sale as of March 31, 2023. The disposal group held for sale belongs to the Pharmaceuticals segment.

## 14. Property, Plant and Equipment

### (1) Changes in property, plant and equipment

Changes in the carrying amounts, balances of acquisition cost, accumulated depreciation and impairment losses of property, plant and equipment are as follows:

#### Carrying amount

	Millions of yen						Total
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	
April 1, 2021	¥ 87,408	¥ 247,417	¥ 281,119	¥ 28,193	¥ 82,310	¥ 67,053	¥ 793,500
Additions	-	-	-	-	31,312	111,811	143,123
Acquisitions through business combinations	-	-	-	-	-	-	-
Sales and disposals	(133)	(537)	(2,084)	(223)	(458)	(954)	(4,389)
Transfer to assets held for sale	-	-	-	-	-	-	-
Reclassification	1,241	18,481	49,813	9,861	-	(79,396)	-
Depreciation	-	(18,600)	(72,178)	(10,896)	(16,702)	-	(118,376)
Impairment losses	(109)	(238)	(6,219)	(116)	(54)	(420)	(7,156)
Exchange differences on conversion of foreign operations	980	8,131	7,372	771	5,169	1,303	23,726
Others	2	2,156	4,296	1,380	56	(15,296)	(7,406)
March 31, 2022	¥ 89,389	¥ 256,810	¥ 262,119	¥ 28,970	¥ 101,633	¥ 84,101	¥ 823,022
Additions	-	-	-	-	28,100	138,780	166,880
Acquisitions through business combinations	36	17	-	-	25	-	78
Sales and disposals	(367)	(502)	(925)	(215)	(1,111)	(366)	(3,486)
Transfer to assets held for sale	-	(105)	(4)	(53)	(104)	-	(266)
Changes resulting from loss of control of subsidiaries	(145)	(892)	(428)	(201)	(194)	(1)	(1,861)
Reclassification	2,320	17,354	86,832	10,144	-	(116,650)	-
Depreciation	-	(20,402)	(75,542)	(11,323)	(17,976)	-	(125,243)
Impairment losses	(78)	(2,121)	(18,705)	(137)	(235)	(245)	(21,521)
Exchange differences on conversion of foreign operations	366	3,989	4,266	388	3,998	409	13,416
Others	2	1,936	308	1,650	(8,485)	(17,075)	(21,664)
March 31, 2023	¥ 91,523	¥ 256,084	¥ 257,921	¥ 29,223	¥ 105,651	¥ 88,953	¥ 829,355

Note: The depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

#### Acquisition Cost

	Millions of yen						Total
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	
April 1, 2021	¥ 88,244	¥ 704,983	¥ 1,829,545	¥ 195,674	¥ 117,283	¥ 73,768	¥ 3,009,497
March 31, 2022	90,334	731,760	1,893,214	203,045	149,403	90,953	3,158,709
March 31, 2023	¥ 92,546	¥ 748,996	¥ 1,976,772	¥ 206,617	¥ 158,898	¥ 95,290	¥ 3,279,119

#### Accumulated Depreciation and impairment losses

	Millions of yen						Total
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	
April 1, 2021	¥ 836	¥ 457,566	¥ 1,548,426	¥ 167,481	¥ 34,973	¥ 6,715	¥ 2,215,997
March 31, 2022	945	474,950	1,631,095	174,075	47,770	6,852	2,335,687
March 31, 2023	¥ 1,023	¥ 492,912	¥ 1,718,851	¥ 177,394	¥ 53,247	¥ 6,337	¥ 2,449,764

### (2) Right-of-use Assets

The carrying amounts of right-of-use assets included in property, plant and equipment are as follows:

	Millions of yen				Total
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	
April 1, 2021	¥ 31,400	¥ 39,230	¥ 11,149	¥ 531	¥ 82,310
March 31, 2022	33,975	54,330	12,514	814	101,633
March 31, 2023	¥ 30,627	¥ 62,051	¥ 12,863	¥ 110	¥ 105,651

## 15. Goodwill and Intangible Assets

### (1) Changes in goodwill and intangible assets

Changes in the carrying amounts, balances of acquisition cost, accumulated amortization and impairment losses of goodwill and intangible assets are as follows:

#### Carrying amount

	Millions of yen					
	Goodwill	Intangible assets				Total
Research and development costs		Patents	Software	Others		
April 1, 2021	¥ 220,295	¥ 166,925	¥ 210,025	¥ 26,727	¥ 46,495	¥ 450,172
Additions	51	1,035	3,371	7,237	2,029	13,672
Acquisitions through business combinations	-	-	-	-	-	-
Sales and disposals	-	(98)	(26)	(134)	(176)	(434)
Reclassification	-	(140,614)	140,614	-	-	-
Amortization	-	-	(24,713)	(7,084)	(4,690)	(36,487)
Impairment losses	-	(899)	-	(18)	(28)	(945)
Exchange differences on conversion of foreign operations	24,171	4,862	32,186	522	7,380	44,950
Others	-	(22)	2	9	192	181
March 31, 2022	¥ 244,517	¥ 31,189	¥ 361,459	¥ 27,259	¥ 51,202	¥ 471,109
Additions	-	737	2,320	7,430	1,336	11,823
Acquisitions through business combinations	8,258	-	-	-	6,369	6,369
Sales and disposals	-	-	(61)	(22)	(164)	(247)
Transfer to assets held for sale	-	-	(15)	(47)	-	(62)
Changes resulting from loss of control of subsidiaries	-	-	-	(136)	(5)	(141)
Reclassification	-	-	-	-	-	-
Amortization	-	(31)	(27,933)	(7,666)	(5,334)	(40,964)
Impairment losses	(4,323)	(21,140)	(58,885)	(143)	(1,394)	(81,562)
Exchange differences on conversion of foreign operations	18,416	2,602	33,458	365	1,236	37,661
Others	-	169	(170)	62	(51)	10
March 31, 2023	¥ 266,868	¥ 13,526	¥ 310,173	¥ 27,102	¥ 53,195	¥ 403,996

Note 1: The amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

Note 2: The assets that are at the research and development stage and have yet to obtain marketing approval from regulatory authorities are not able to be used and the period in which they could deliver economic benefit is unforeseeable, therefore, the assets are classified as intangible assets with indefinite useful lives. The carrying amounts of the intangible assets with indefinite useful lives are ¥11,743 million and ¥31,189 million as of March 31, 2023 and 2022, respectively.

Note 3: "Others" includes customer-related assets for Health & Crop Sciences, marketing rights for Pharmaceuticals and others.

#### Acquisition cost

	Millions of yen					
	Goodwill	Intangible assets				Total
Research and development costs		Patents	Software	Others		
April 1, 2021	¥ 232,038	¥ 228,194	¥ 290,415	¥ 89,024	¥ 104,755	¥ 712,388
March 31, 2022	256,308	100,434	474,648	96,444	116,850	788,376
March 31, 2023	¥ 280,628	¥ 100,096	¥ 508,648	¥ 100,073	¥ 127,510	¥ 836,327

#### Accumulated amortization and impairment losses

	Millions of yen					
	Goodwill	Intangible assets				Total
Research and development costs		Patents	Software	Others		
April 1, 2021	¥ 11,743	¥ 61,269	¥ 80,390	¥ 62,297	¥ 58,260	¥ 262,216
March 31, 2022	11,791	69,245	113,189	69,185	65,648	317,267
March 31, 2023	¥ 13,760	¥ 86,570	¥ 198,475	¥ 72,971	¥ 74,315	¥ 432,331

## (2) Significant intangible assets

Significant intangible assets recorded in the consolidated statement of financial position are in-process research and development and patents. They are acquired through the acquisition of Myovant Sciences Ltd., Urovant Sciences Ltd. (currently: Sumitovant Biopharma Ltd.), Cynapsus Therapeutics Inc. (currently: Sunovion CNS Development Canada ULC) and Tolero etc., by Sumitomo Pharma and its subsidiaries.

The carrying amounts and remaining periods of amortization of significant intangible assets are as follows:

		Millions of yen		Year
		Carrying amount		Remaining period of amortization
		March 31, 2023	March 31, 2022	March 31, 2023
Myovant Sciences Ltd.	Patents	¥ 208,546	¥ 204,349	15
Urovant Sciences Ltd.	Patents	94,691	93,894	13
Cynapsus Therapeutics Inc.	Patents	-	51,481	-
Tolero Pharmaceuticals, Inc.	In-process research and development	-	18,606	-

Due to the uncertainties in the research and development processes, in-process research and development assets are particularly at risk of impairment if the projects are not expected to result in commercialized products.

## (3) Research and development costs

Research and development costs recognized in the consolidated statement of income are ¥195,635 million and ¥174,928 million for the fiscal years ended March 31, 2023 and 2022, respectively.

## 16. Impairment of Non-financial Assets

### (1) Impairment losses

#### Fiscal year ended March 31, 2023

Impairment losses recognized for the fiscal year ended March 31, 2023 are ¥109,417 million. Impairment losses are recognized in “Cost of sales”, “Selling, general and administrative expenses” and “Other operating expenses” in the consolidated statement of income. Details of the impairment losses by reportable segments are presented in Note 6 Segment Information.

The major CGUs for which impairment losses are recognized are as follows:

Location	Usage	Class of assets	Reportable segment	Millions of yen
				Impairment losses
U.S.	Patents of pharmaceuticals (KYNMOBI®)	Patents, etc.	Pharmaceuticals	¥ 56,538
U.S.	Results of research and development with respect to compounds under development (dubermatinib)	In-process research and development	Pharmaceuticals	20,598
Ehime, Japan	Methionine production facilities	Machinery and vehicles, etc.	Health & Crop Sciences	15,763
U.S.	Patents of pharmaceuticals (LONHALA® MAGNAIR®)	Patents, etc.	Pharmaceuticals	4,781
U.S.	Goodwill of pharmaceuticals (oncology area)	Goodwill	Pharmaceuticals	3,523
U.S.	Property, plant and equipment and intangible assets of postharvest business	Other intangible assets, etc.	Health & Crop Sciences	3,218

#### Details of the impairment losses

- Patents of pharmaceuticals (KYNMOBI®) ¥56,538 million  
(Patents ¥55,369 million; Others ¥1,169 million)
- Results of research and development with respect to compounds under development (dubermatinib) ¥20,598 million  
(In-process research and development ¥20,598 million)
- Methionine production facilities ¥15,763 million  
(Buildings and structures ¥1,595 million; Machinery and vehicles ¥14,077 million; Others ¥92 million)
- Patents of pharmaceuticals (LONHALA® MAGNAIR®) ¥4,781 million  
(Patents ¥3,494 million; Others ¥1,287 million)
- Goodwill of pharmaceuticals (oncology area) ¥3,523 million  
(Goodwill ¥3,523 million)
- Property, plant and equipment and intangible assets of postharvest business (U.S.) ¥3,218 million  
(Other intangible assets ¥2,177 million; Others ¥1,041 million)

In the Pharmaceuticals segment, as the profitability of patent rights associated with KYNMOBI® and LONHALA® MAGNAIR® are no longer expected, and in-process research and development (dubermatinib) has been discontinued and its profitability is no longer expected as well, the carrying amount of these assets has been reduced to zero. In addition, an impairment loss was recorded on goodwill of the oncology area in North America of the pharmaceutical business because the recoverable amount of the CGU was less than the carrying amount of the CGU including goodwill.

The methionine business, which has recognized recurring operating losses for some consecutive years mainly due to the stagnant methionine market, recognized another operating loss for the year ended March 31, 2023, owing to the increase in manufacturing costs as a result of the rise in the price of raw materials and fuel and the decline of sales prices caused by the deterioration in the supply-demand balance. Since there was an indication of impairment, an impairment test was performed. As a result of reviewing the forecast of its earnings, the carrying amount of methionine production facilities was written down to its value in use of ¥17,083 million. The recoverable amount of the assets was measured at value in use, and for the estimates of value in use, the Company made some assumptions, such as about the sales price of methionine, after mainly considering future supply and demand trends, and the purchase price of naphtha, which could have a significant effect on manufacturing costs. The value in use was calculated by discounting future cash flows at a discount rate of 11.2% (before taxes). In addition, regarding the postharvest business of a U.S. subsidiary whose profitability has declined because of a deterioration in the business environment, the subsidiary's property, plant and equipment and intangible assets have been written down to a recoverable amount of ¥407 million.



## Fiscal year ended March 31, 2022

Impairment losses recognized for the fiscal year ended March 31, 2022 are ¥8,111 million. Impairment losses are recognized in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income. Details of the impairment losses by reportable segments are presented in Note 6 Segment Information.

The major CGUs for which impairment losses are recognized are as follows:

Location	Usage	Class of assets	Reportable segment	Millions of yen Impairment losses
Korea	Film touch sensor production facilities	Machinery and vehicles, etc.	IT-related Chemicals	¥ 1,848
Chiba, Japan	Synthetic rubber production facilities	Machinery and vehicles, etc.	Energy & Functional Materials	1,713
Ehime, Japan	Raw materials for synthetic fibers production facilities	Machinery and vehicles, etc.	Essential Chemicals & Plastics	1,021

### Details of the impairment losses

- Film touch sensor production facilities ¥1,848 million  
(Machinery and vehicles ¥1,793 million, Tools, furniture and fixtures ¥37 million, Others ¥19 million)
- Synthetic rubber production facilities ¥1,713 million  
(Buildings and structures ¥111 million, Machinery and vehicles ¥1,524 million, Others ¥78 million)
- Raw materials for synthetic fibers production facilities ¥1,021 million  
(Buildings and structures ¥9 million, Machinery and vehicles ¥842 million, Tools, furniture and fixtures ¥4million,  
Others ¥167 million)

The Group reduced the carrying amounts to recoverable amounts of ¥3,550 million related to film touch sensor production facilities of which the profit is no longer expected to improve due to sluggish demand. The recoverable amounts of these assets were measured at the fair value less disposal costs. The fair value less disposal costs was calculated by estimated selling price. Also, the Group wrote down all the carrying amount related to synthetic rubber production facilities and raw materials for synthetic fibers production facilities of which the profitability decreased due to serious deterioration in the business environment.

The Company's methionine business in the Health & Crop Sciences Segment recorded operating losses over the past years due mainly to the stagnant methionine market. An operating loss was recorded in the fiscal year ended March 31, 2022 as well, owing to a surge in the naphtha price which has a significant effect on manufacturing costs. Since there was an indication of impairment, an impairment test was performed on property, plant and equipment and intangible assets of ¥40,262 million in the methionine business. The recoverable amount of the assets was measured at value in use. In the calculation of value in use, with some assumptions such as future sales prices of methionine, which were estimated after considering mainly the future supply and demand trends, or expectation of raw material prices pass-through susceptible to market conditions, pre-tax discount rate of 12.6% was used for future cash flows. As a result, the recoverable amount was estimated higher than carrying amount, and therefore an impairment loss of the assets was not recognized. However, it may be affected by uncertain future economic conditions.

## (2) Reversal of impairment losses

### Fiscal year ended March 31, 2023

There is no reversal of impairment losses in the fiscal year ended March 31, 2023.

### Fiscal year ended March 31, 2022

There is no significant reversal of impairment losses in the fiscal year ended March 31, 2022.

Details of reversal of impairment losses by reportable segments are presented in Note 6 Segment information.

### (3) Impairment test of goodwill

Goodwill arising from business combination is allocated at the acquisition to CGUs benefitting from the business combination, and the carrying amounts are ¥266,868 million and ¥244,517 million as of March 31, 2023 and 2022, respectively.

The material items of goodwill associated with the pharmaceutical business and the carrying amounts are as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
North America (excluding oncology area)	¥ 183,653	¥ 168,346
North America (oncology area)	25,763	26,798
Total	¥ 209,415	¥ 195,144

An impairment loss of goodwill is recognized when the recoverable amount is less than its carrying amount. The carrying amount of goodwill is reduced to its recoverable amount, which is calculated based on the fair value less costs of disposal measured based on the business plan approved by the corporate strategic meeting. The fair value less costs of disposal is calculated using estimates of the future cash flows, based on historical experience and external information, discounted to present value. Certain assumptions are used in this calculation, such as planned launch schedules of the products under development related to the relevant intangible assets, the probability of success of research and development activities, and profit forecast of the products and products under development including forecasted sales prices, fixed costs, etc. For impairment tests of goodwill for North America (excluding oncology area), fair value less costs of disposal is calculated by discounting estimates of the future cash flows, based on forecasts for the next 15 years considering a perpetual growth rate, to present value, then deducting estimated disposal costs. For impairment tests of goodwill for North America (oncology area), fair value less costs of disposal is calculated by discounting estimates of the future cash flows, based on forecasts for the next 18 years, to present value, then deducting estimated disposal costs.

Because this valuation method uses inputs apart from observable market data, the fair value less costs of disposal thereby calculated is classed as Level 3 in the fair value hierarchy.

Impairment tests for goodwill use a discount rate based on factors such as the weighted average cost of capital established separately for each CGU. The discount rates used for impairment tests were 12.1% ~ 18.0% and 14.8% ~ 20.5% for the fiscal years ended March 31, 2022 and 2023, respectively.

As a result of impairment tests as of March 31, 2022, an impairment loss was not recorded since the recoverable amounts of CGUs were more than their carrying amounts. As a result of impairment tests as of March 31, 2023, an impairment loss was recognized for goodwill in the North America (oncology area) CGU as the fair value less costs of disposal had fallen below the carrying amount of this CGU, including goodwill.

For the North America (excluding oncology area) CGU, fair value less costs of disposal substantially exceeds the carrying amount, and management considers it unlikely that an impairment loss would be recognized even if the key assumptions used in the calculation of fair value less costs of disposal fluctuated within a reasonable range.

## 17. Investments Accounted for Using the Equity Method

### (1) Investments in associates

Carrying amounts of individually immaterial investments in associates accounted for using the equity method are as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Total carrying amount	¥ 150,982	¥ 146,145

The aggregate amounts of the Group's share of comprehensive income of individually immaterial investment in associates accounted for using the equity method are as follows:

	Millions of yen	
	FY2022	FY2021
The Group's share of net income	¥ 10,997	¥ 11,054
The Group's share of other comprehensive income	1,963	2,832
The Group's share of comprehensive income	¥ 12,960	¥ 13,886

### (2) Investments in joint ventures

#### ① Material joint venture

The joint venture that is material to the Group is as follows:

Company name	Core business	Location	Proportion of ownership interest	
			March 31, 2023	March 31, 2022
Rabigh Refining and Petrochemical Company	Manufacturing and sales of refined petroleum products and petrochemicals	Rabigh, Saudi Arabia	37.50%	37.50%

Summarized financial information of Rabigh Refining and Petrochemical Company (hereinafter "Petro Rabigh") is as follows.

The Company applies the equity method to financial statements of Petro Rabigh on a three-month time lag, as it is impracticable to unify the reporting period of Petro Rabigh. The summarized financial information of Petro Rabigh for the period ended three months before the Group's reporting date is disclosed in this Note.

	Millions of yen	
	March 31, 2023	March 31, 2022
Current assets	¥ 433,665	¥ 549,391
Non-current assets	1,885,855	1,702,823
Total assets	¥ 2,319,520	¥ 2,252,214
Current liabilities	952,559	1,037,693
Non-current liabilities	827,396	959,529
Total liabilities	¥ 1,779,955	¥ 1,997,223
Equity	539,564	254,991
Total equity attributable to Group's share of equity	202,337	95,622
Consolidation adjustment	(11,573)	(15,420)
Carrying amount of investments	190,764	80,202
Fair value of investments (Note)	225,053	303,182
The material items included in the above:		
Cash and cash equivalents	¥ 72,324	¥ 121,939
Current financial liabilities (except for trade and other payables, and provisions)	496,512	598,247
Non-current financial liabilities (except for trade and other payables, and provisions)	801,939	935,594

Note: The fair value is based on the market price of the investment and is categorized as Level 1 in the fair value hierarchy.

	Millions of yen	
	FY2022	FY2021
Sales revenue:	¥ 1,964,492	¥ 1,339,021
Net income (loss)	(39,143)	59,756
Other comprehensive income	5,015	1,170
Total comprehensive income	¥ (34,129)	¥ 60,926
Interests of the Group:		
Net income (loss)	(10,595)	22,401
Other comprehensive income	12,050	8,816
Total comprehensive income	¥ 1,455	¥ 31,217
The material items included in the above:		
Depreciation and amortization	¥ 106,703	¥ 93,447
Income tax expenses	1,684	7,702

Interest income of Petro Rabigh for the fiscal years ended March 31, 2023 and 2022 is ¥9,841 million and ¥5,160 million, respectively. Interest expenses of Petro Rabigh for the fiscal years ended March 31, 2023 and 2022 are ¥41,255 million and ¥28,455 million, respectively.

No dividends were received from Petro Rabigh for the fiscal years ended March 31, 2023 and 2022.

The repayment of loans provided to Petro Rabigh by the Company, payment of interest associated with the loans, and dividends by Petro Rabigh can be carried out within the terms and conditions stipulated in the project finance contracts.

The Company has agreed to provide Petro Rabigh with the amount equivalent to the Company's interest (37.50%) of capital needs associated with Rabigh Phase II Project that is not funded by borrowings under project finance contracts or other funding method through a capital increase or other methods.

## ② Individually immaterial joint ventures

Carrying amounts of individually immaterial investments in joint ventures accounted for using the equity method are as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Total carrying amount	¥ 61,234	¥ 63,621

The aggregate amount of the Group's share of comprehensive income of individually immaterial investments in joint ventures accounted for using the equity method are as follows:

	Millions of yen	
	FY2022	FY2021
The Group's share of net income (loss)	¥ (7,199)	¥ 8,725
The Group's share of other comprehensive income	4,116	3,435
The Group's share of comprehensive income	¥ (3,083)	¥ 12,160

## 18. Income Taxes

### (1) Deferred tax assets and liabilities

#### ① Details and changes in deferred tax assets and liabilities

The details of originations of deferred tax assets and liabilities by major reasons and changes are as follows:

#### Fiscal year ended March 31, 2023

	Millions of yen				March 31, 2023
	April 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	
Deferred tax assets:					
Property, plant and equipment and intangible assets	¥ 32,951	¥ 3,507	¥ -	¥ 1,945	¥ 38,403
Inventories	36,108	(6,881)	-	29	29,256
Retirement benefit liabilities	13,213	(1,966)	(1,859)	(245)	9,143
Accrued expenses and provisions	19,787	(1,250)	-	87	18,624
Net operating loss carryforwards	18,850	13,731	-	1,301	33,882
Prepaid research and development expenses	7,427	2,892	-	(52)	10,267
Others	12,298	277	(3,157)	15	9,433
<b>Total</b>	<b>¥ 140,634</b>	<b>¥ 10,310</b>	<b>¥ (5,016)</b>	<b>¥ 3,080</b>	<b>¥ 149,008</b>
Deferred tax liabilities:					
Property, plant and equipment and intangible assets	77,986	(4,577)	-	6,864	80,273
Financial assets measured at fair value through other comprehensive income	40,641	30	6,638	(674)	46,635
Retirement benefit assets	30,646	(529)	2,180	(29)	32,268
Investments in subsidiaries and affiliates	32,614	2,035	3,834	-	38,483
Others	10,925	2,252	79	(235)	13,021
<b>Total</b>	<b>¥ 192,812</b>	<b>¥ (789)</b>	<b>¥ 12,731</b>	<b>¥ 5,926</b>	<b>¥ 210,680</b>

Note: The amounts are mainly exchange differences on conversion of foreign operations and include changes resulting from loss of control of subsidiaries and changes resulting from transfer to asset groups held for sale.

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that they will be utilized against future taxable income. The judgment of the recoverability of deferred tax assets is based on the estimated future taxable income of each fiscal year under the business plan of the Group. The estimates of the future taxable income may be affected by changes in uncertain future economic conditions.

#### Fiscal year ended March 31, 2022

	Millions of yen				March 31, 2022
	April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	
Deferred tax assets:					
Property, plant and equipment and intangible assets	¥ 27,528	¥ 3,116	¥ -	¥ 2,307	¥ 32,951
Inventories	32,405	3,613	-	90	36,108
Retirement benefit liabilities	14,798	(657)	(1,328)	400	13,213
Accrued expenses and provisions	14,516	4,465	-	806	19,787
Net operating loss carryforwards	21,353	(4,058)	-	1,555	18,850
Prepaid research and development expenses	7,727	(305)	-	5	7,427
Others	7,065	2,489	2,998	(254)	12,298
<b>Total</b>	<b>¥ 125,392</b>	<b>¥ 8,663</b>	<b>¥ 1,670</b>	<b>¥ 4,909</b>	<b>¥ 140,634</b>
Deferred tax liabilities:					
Property, plant and equipment and intangible assets	74,518	(2,887)	-	6,355	77,986
Financial assets measured at fair value through other comprehensive income	46,160	14	(5,548)	15	40,641
Retirement benefit assets	28,531	(536)	2,496	155	30,646
Investments in subsidiaries and affiliates	26,555	3,691	2,368	-	32,614
Others	10,076	608	5	236	10,925
<b>Total</b>	<b>¥ 185,840</b>	<b>¥ 890</b>	<b>¥ (679)</b>	<b>¥ 6,761</b>	<b>¥ 192,812</b>

Note: The amounts are mainly exchange differences on conversion of foreign operations.

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that they will be utilized against future taxable income. The judgment of the recoverability of deferred tax assets is based on the estimated future taxable income of each fiscal year under the business plan of the Group. The estimates of the future taxable income may be affected by changes in uncertain future economic conditions.

## ② Unrecognized deferred tax assets

Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards for which no deferred tax assets are recognized are as follows (tax amount basis):

	Millions of yen	
	March 31, 2023	March 31, 2022
Deductible temporary differences	¥ 84,060	¥ 51,704
Net operating loss carryforwards	103,625	82,090
Tax credit carryforwards	22,631	20,685

## ③ Unrecognized deferred tax assets and expiry schedule

Net operating loss carryforwards and tax credit carryforwards for which no deferred tax assets are recognized will expire as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Net operating loss carryforwards:		
Not later than 1 year	¥ 1,375	¥ 1,664
Later than 1 year and not later than 2 years	1,388	1,529
Later than 2 years and not later than 3 years	1,644	1,725
Later than 3 years and not later than 4 years	1,806	4,801
Later than 4 years	97,412	72,371
Total	¥ 103,625	¥ 82,090

	Millions of yen	
	March 31, 2023	March 31, 2022
Tax credit carryforwards:		
Not later than 1 year	¥ -	¥ -
Later than 1 year and not later than 2 years	-	923
Later than 2 years and not later than 3 years	-	72
Later than 3 years and not later than 4 years	-	-
Later than 4 years	22,631	19,690
Total	¥ 22,631	¥ 20,685

## ④ Unrecognized deferred tax liabilities (income basis)

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities are not recognized as of March 31, 2023 and 2022 are ¥591,174 million and ¥598,684 million, respectively. The Group does not recognize deferred tax liabilities for these temporary differences because the Group is able to control the timing of the reversal of these temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future.

## (2) Income tax expenses

### ① Income tax expenses

Income tax expenses are as follows:

	Millions of yen	
	FY2022	FY2021
Current tax expenses	¥ 58,195	¥ 72,472
Deferred tax expenses:		
Recognition and reversal of temporary differences	900	(2,262)
Evaluation of recoverability of deferred tax assets	(11,999)	(5,511)
Total of deferred tax expenses	(11,099)	(7,773)
Total	¥ 47,096	¥ 64,699

Income taxes recognized on sale or a significant decline in the fair value of the financial assets measured at fair value through other comprehensive income are ¥2,719 million (loss) and ¥ (16,559) million (gain) for the fiscal year ended March 31, 2023 and 2022, respectively.

## ② Reconciliation of income tax rate

The details of difference between the statutory income tax rate and the average actual tax rate are as follows.

The Group is mainly subject to income taxes, inhabitant tax, and enterprise tax. The effective statutory income tax rate calculated based on these taxes is 30.6% for the fiscal years ended March 31, 2023 and 2022. However, overseas subsidiaries are subject to income taxes in their respective countries of domicile.

	FY2022	FY2021
Effective statutory income tax rate	30.6%	30.6%
(Reconciliation)		
Permanently non-deductible expenses	738.1	0.1
Permanently non-taxable income	(150.6)	0.2
Share of profit of investments accounted for using the equity method	900.9	(5.1)
Affiliates' undistributed earnings	881.0	1.5
Changes in unrecognized deferred tax assets	4,625.6	(0.3)
Tax credit for research and development expenses	(2,922.4)	(1.7)
Difference of subsidiaries' applicable income tax rates	15,508.2	1.7
Effect of change in fair value of contingent consideration	(335.9)	(0.3)
Others	1,112.4	(0.9)
Average actual tax rate	20,387.9%	25.8%

## 19. Bonds and Borrowings

### (1) Breakdown of bonds and borrowings

Bonds and borrowings consist of the following:

	Millions of yen		Average interest rate	Repayment due date
	March 31, 2023	March 31, 2022		
Short-term borrowings	¥ 283,781	¥ 169,311	2.224%	-
Commercial paper	45,000	10,000	0.009	-
Long-term borrowings	525,317	564,439	0.465	2023~2034
Bonds	607,268	606,720	0.951	2023~2079
Total	¥ 1,461,366	¥ 1,350,470	-%	-
Current liabilities	396,903	261,280	-	-
Non-current liabilities	1,064,463	1,089,190	-	-
Total	¥ 1,461,366	¥ 1,350,470	-%	-

Bonds and borrowings are classified as financial liabilities measured at amortized cost. The average interest rate and repayment due date in the above table are as of March 31, 2023.

## (2) Bonds

A summary of the issuance condition of bonds is as follows:

Issuer	Bond Name	Issue date	Millions of yen		Interest rate (%)	Collateral	Maturity date
			March 31, 2023	March 31, 2022			
Sumitomo Chemical Co., Ltd.	49th unsecured bonds	Apr 25, 2014	10,000	10,000	0.944	No	Apr 25, 2024
	52nd unsecured bonds	Sep 01, 2016	10,000	10,000	0.850	No	Sep 01, 2036
	53rd unsecured bonds	Sep 01, 2016	10,000	10,000	0.300	No	Sep 01, 2026
	54th unsecured bonds	Sep 01, 2016	10,000 (10,000)	10,000	0.200	No	Sep 01, 2023
	55th unsecured bonds	Sep 13, 2017	10,000	10,000	0.880	No	Sep 11, 2037
	56th unsecured bonds	Sep 13, 2017	20,000	20,000	0.380	No	Sep 13, 2027
	57th unsecured bonds	Sep 13, 2017	10,000	10,000	0.240	No	Sep 13, 2024
	58th unsecured bonds	Apr 17, 2018	30,000	30,000	0.900	No	Apr 16, 2038
	59th unsecured bonds	Apr 17, 2018	20,000	20,000	0.355	No	Apr 17, 2028
	60th unsecured bonds	Apr 16, 2019	15,000	15,000	0.900	No	Apr 15, 2039
	61st unsecured bonds	Apr 16, 2019	20,000	20,000	0.400	No	Apr 16, 2029
	1st unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Dec 13, 2019	150,000	150,000	1.300 (Note2)	No	Dec 13, 2079 (Note4)
	2nd unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Dec 13, 2019	100,000	100,000	0.840 (Note3)	No	Dec 13, 2079 (Note5)
	62nd unsecured bonds	Oct 22, 2020	10,000	10,000	0.780	No	Oct 22, 2040
	63rd unsecured bonds	Oct 22, 2020	10,000	10,000	0.360	No	Oct 22, 2030
	64th unsecured bonds	Oct 22, 2020	20,000 (20,000)	20,000	0.001	No	Oct 20, 2023
65th unsecured bonds	Oct 13, 2021	15,000	15,000	0.680	No	Oct 11, 2041	
66th unsecured bonds	Oct 13, 2021	20,000	20,000	0.280	No	Oct 10, 2031	
Sumitomo Pharma Co., Ltd.	1st unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Sep 10, 2020	60,000	60,000	1.390 (Note6)	No	Sep 09, 2050 (Note8)
	2nd unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Sep 10, 2020	60,000	60,000	1.550 (Note7)	No	Sep 09, 2050 (Note9)
Total	-	-	610,000 (30,000)	610,000 (-)	-	-	-

Note1: Bonds to be redeemed within 1 year are stated in parentheses.

Note2: The fixed interest rate has been applied since December 13, 2019 and will have been applied until December 13, 2029, and a variable interest rate from the day after December 13, 2029 ("Step-up interest rates" will be applied from the day after December 13, 2029, and the day after December 13, 2049).



Note3: The fixed interest rate has been applied since December 13, 2019 and will have been applied until December 13, 2024, and a variable interest rate from the day after December 13, 2024 (“Step-up interest rates” will be applied from the day after December 13, 2029, and the day after December 13, 2044).

Note4: The Company may redeem the hybrid bonds at its discretion on each interest payment date from and including December 13, 2029, or in case a tax event or an equity credit change event occurs.

Note5: The Company may redeem the hybrid bonds at its discretion on each interest payment date from and including December 13, 2024, or in case a tax event or an equity credit change event occurs.

Note6: The fixed interest rate has been applied since September 10, 2020 and will have been applied until September 10, 2027, and a variable interest rate from the day after September 10, 2027 (“Step-up interest rates” will be applied from the day after September 10, 2027).

Note7: The fixed interest rate has been applied since September 10, 2020 and will have been applied until September 10, 2030, and a variable interest rate from the day after September 10, 2030 (“Step-up interest rates” will be applied from the day after September 10, 2030).

Note8: Sumitomo Pharma may redeem the hybrid bonds at its discretion on each interest payment date from and including September 10, 2027, or in case a tax event or an equity credit change event occurs.

Note9: Sumitomo Pharma may redeem the hybrid bonds at its discretion on each interest payment date from and including September 10, 2030, or in case a tax event or an equity credit change event occurs.

### (3) Pledged assets

Assets pledged as collateral and collateralized obligations are as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
<b>Pledged Assets :</b>		
Investments in joint ventures	¥ 190,764	¥ 80,202
Trade notes and accounts receivable	6,053	5,360
Property, plant and equipment	4,802	5,357
Others	128	262
<b>Total</b>	<b>¥ 201,747</b>	<b>¥ 91,181</b>
<b>Collateralized obligations :</b>		
Borrowings	6,946	6,731
Others	-	50
<b>Total</b>	<b>¥ 6,946</b>	<b>¥ 6,781</b>

Investments in joint ventures pledged as collateral for joint venture’s debt amounted to ¥193,619 million and ¥195,328 million are subjected to real guarantee as of March 31, 2023 and 2022, respectively.

### 20. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
<b>Financial liabilities measured at fair value through profit or loss :</b>		
Derivative liabilities	¥ 3,752	¥ 25,298
Contingent considerations	1,482	4,419
Others	16,757	16,691
<b>Financial liabilities measured at amortized cost:</b>		
Deposits received	41,159	35,596
Others	406	286
Lease liabilities	109,969	103,565
<b>Total</b>	<b>¥ 173,525</b>	<b>¥ 185,855</b>
<b>Current liabilities</b>	<b>74,931</b>	<b>84,137</b>
<b>Non-current liabilities</b>	<b>98,594</b>	<b>101,718</b>
<b>Total</b>	<b>¥ 173,525</b>	<b>¥ 185,855</b>

## 21. Reconciliation of Liabilities for Financing Activities

The reconciliation of liabilities for financing activities is as follows:

### Fiscal year ended March 31, 2023

	Millions of yen					
	Carrying amount as of April 1, 2022	Cash flows	Non-cash transactions			Carrying amount as of March 31, 2023
			Business Combination	Foreign currency conversions	Others	
Bonds	¥ 606,720	¥ -	¥ -	¥ -	¥ 548	¥ 607,268
Commercial paper	10,000	35,000	-	-	-	45,000
Short-term borrowings	169,311	100,959	-	13,002	509	283,781
Long-term borrowings	564,439	(42,989)	-	4,013	(146)	525,317
Lease liabilities	103,565	(16,668)	27	4,341	18,704	109,969
<b>Total</b>	<b>¥ 1,454,035</b>	<b>¥ 76,302</b>	<b>¥ 27</b>	<b>¥ 21,356</b>	<b>¥ 19,615</b>	<b>¥ 1,571,335</b>

Note: "Others" of non-cash transactions of lease liabilities includes increase of right-of-use assets by new acquisition.

### Fiscal year ended March 31, 2022

	Millions of yen					
	Carrying amount as of April 1, 2021	Cash flows	Non-cash transactions			Carrying amount as of March 31, 2022
			Business Combination	Foreign currency conversions	Others	
Bonds	¥ 605,243	¥ 549	¥ -	¥ 390	¥ 538	¥ 606,720
Commercial paper	-	10,000	-	-	-	10,000
Short-term borrowings	155,666	(3,158)	-	16,123	680	169,311
Long-term borrowings	590,157	(30,978)	-	5,080	180	564,439
Lease liabilities	83,387	(15,984)	-	4,881	31,281	103,565
<b>Total</b>	<b>¥ 1,434,453</b>	<b>¥ (39,571)</b>	<b>¥ -</b>	<b>¥ 26,474</b>	<b>¥ 32,679</b>	<b>¥ 1,454,035</b>

Note: "Others" of non-cash transactions of lease liabilities includes increase of right-of-use assets by new acquisition.

## 22. Leases

### (1) Income and expenses items and cash flow related to right-of-use assets

As a lessee, the Group leases assets such as buildings and machinery.

The breakdown of Income and expenses items and cash flow related to right-of-use assets is as follows:

	Millions of yen	
	FY2022	FY2021
Depreciation charge for right-of-use assets:		
Buildings and structures	¥ 12,524	¥ 12,014
Machinery and vehicles	3,852	3,005
Tools, furniture and fixtures	31	357
Land	1,516	1,326
<b>Total of depreciation</b>	<b>¥ 17,923</b>	<b>¥ 16,702</b>
Impairment losses for right-of-use assets:		
Buildings and structures	-	1
Machinery and vehicles	97	53
Tools, furniture and fixtures	-	-
Land	138	-
<b>Total of impairment losses</b>	<b>¥ 235</b>	<b>¥ 54</b>
Interest expenses on lease liabilities	1,740	1,441
The expenses relating to short-term leases	1,245	1,510
The expenses relating to leases of low-value assets	2,493	2,414
The expenses relating to variable lease payments not included in the measurement of lease liabilities	392	328
(Income) from subleasing right-of-use assets	(706)	(705)
<b>Total amount recognized in profit or loss</b>	<b>5,164</b>	<b>4,988</b>
Repayments of lease liabilities	16,668	15,984
<b>Total cash outflow related to right-of-use assets</b>	<b>¥ 21,832</b>	<b>¥ 20,972</b>

## (2) Extension options and termination options (Lessee)

The Company and each Group subsidiary assume responsibility for lease management. Accordingly, the lease terms and conditions are negotiated on a case-by-case basis, and the resultant leases contain widely differing contractual terms.

Extension options and termination options are included mainly in real estate leases pertaining to offices, warehouses and factory sites. These options are used by lessees as needed in utilizing real estate in their businesses.

## (3) Restrictions or covenants imposed by leases

The Group has no lease contracts with covenants such as restrictions on additional borrowings and additional leases.

## 23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Trade notes and accounts payable	¥ 306,385	¥ 353,238
Other payables and accrued expenses	207,450	196,432
Others	2,030	1,913
Total	¥ 515,865	¥ 551,583

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

## 24. Employee Benefits

The Company and certain consolidated subsidiaries have defined benefit plans such as funded and unfunded lump-sum retirement benefit plans and defined benefit corporate pension plans, and also have defined contribution pension plans as retirement benefits for employees.

The Company and certain consolidated subsidiaries have retirement benefit trusts.

These plans are subject to minimum funding requirements stipulated by law, which requires the plan sponsor to pay additional contributions to achieve a minimum funding level within a certain time scale if the plan does not hold sufficient assets.

The Group's main plans are exposed to actuarial risk such as investment risk, interest rate risk, inflation risk and longevity risk.

### (1) Defined benefit plan

#### ① Reconciliation of defined benefit obligations and plan assets

Net defined benefit liabilities and assets recognized in the consolidated statement of financial position, defined benefit obligations and plan assets are as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Present value of defined benefit obligations	¥ 292,989	¥ 314,770
Fair value of the plan assets	(365,815)	(371,217)
Net defined benefit (assets) liabilities	¥ (72,826)	¥ (56,447)
Retirement benefit liabilities	26,427	33,091
Retirement benefit assets	(99,253)	(89,538)
Net defined benefit (assets) liabilities	¥ (72,826)	¥ (56,447)

## ② Reconciliation of present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

	Millions of yen	
	FY2022	FY2021
Present value of defined benefit obligations at the beginning of the year	¥ 314,770	¥ 321,715
Current service cost	13,316	13,446
Interest expenses	3,336	2,349
Remeasurements:		
Actuarial (gains) losses arising from changes in demographic assumptions	259	(257)
Actuarial (gains) losses arising from changes in financial assumptions	(20,293)	(6,141)
Actuarial (gains) losses arising from experience adjustments	264	(1,648)
Past service cost	(95)	(178)
Benefits paid	(16,118)	(15,493)
Transfer to liabilities directly associated with assets held for sale	(407)	-
Others	(2,043)	977
Present value of defined benefit obligations at the end of the year	¥ 292,989	¥ 314,770

The weighted average duration of the defined benefit obligations of the Company and major consolidated subsidiaries is 13.5 years and 14.1 years as of March 31, 2023 and 2022, respectively.

## ③ Reconciliation of fair value of plan assets

Changes in the fair value of plan assets are as follows:

	Millions of yen	
	FY2022	FY2021
Fair value of plan assets at the beginning of the year	¥ 371,217	¥ 364,991
Interest income	4,636	3,036
Remeasurements:		
Return on plan assets	(7,061)	3,327
Contributions to the plan by the employer	11,368	11,347
Payments from the plan	(12,697)	(12,497)
Return on plan assets (Note)	(125)	(125)
Others	(1,523)	1,138
Fair value of plan assets at the end of the year	¥ 365,815	¥ 371,217

Note: As the Company's plan assets are in excess of the defined benefit obligation and this situation is expected to continue, the cash portion of the retirement benefit trusts of the plan assets was refunded in the fiscal years ended March 31, 2023 and 2022.

The Group's basic policy regarding investment of plan assets has a target to increase the fair value basis plan assets by specifying target investment yields and acceptable risks in order to safely and efficiently ensure plan assets required for current and future pension and lump-sum payments.

A risk diversification on investments is carried out without imbalance to achieve this target.

In addition, the asset allocation ratio will be reassessed as necessary.

The Group plans to contribute ¥10,538 million for the fiscal year ending March 31, 2024.

## ④ Details of plan assets

Plan assets consist of the following:

	Millions of yen					
	March 31, 2023			March 31, 2022		
	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
Cash and cash equivalents	¥ 27,087	¥ -	¥ 27,087	¥ 25,366	¥ -	¥ 25,366
Equity instruments	93,002	-	93,002	84,037	-	84,037
Debt instruments	169,703	-	169,703	183,418	-	183,418
General accounts of life insurance companies	-	52,157	52,157	-	52,559	52,559
Others	1,460	22,406	23,866	1,331	24,506	25,837
<b>Total</b>	<b>¥ 291,252</b>	<b>¥ 74,563</b>	<b>¥ 365,815</b>	<b>¥ 294,152</b>	<b>¥ 77,065</b>	<b>¥ 371,217</b>

## ⑤ Significant actuarial assumptions

Significant actuarial assumptions are as follows:

	March 31, 2023	March 31, 2022
Discount rate	1.2%	0.7%

## ⑥ Sensitivity analysis

The effect in the present value of the defined benefit obligations of a 0.5% change in discount rate used for actuarial calculations is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
0.5% increase in discount rate	¥ (18,275)	¥ (19,301)
0.5% decrease in discount rate	17,336	20,940

Note: To calculate the sensitivity of the defined benefit obligations, the same method is applied as that for calculation of the defined benefit obligations recognized in the consolidated statement of financial position. A sensitivity is analyzed based on the reasonably estimable movement of assumptions as at the year-end. The sensitivity analysis assumes that all actuarial assumptions other than that subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may affect the result.

## (2) Defined contribution plan

Payments to defined contribution plans are recognized as expenses in the periods that employees render services. Amounts recognized as expenses under defined contribution plans (including corporate pension plan under a multi-employer plan that is accounted for the same as defined contribution plans) for the fiscal years ended March 31, 2023 and 2022 are ¥6,903 million and ¥5,930 million, respectively.

## (3) Employee benefit expenses

Employee benefit expenses recognized in "Cost of sales," "Selling, general and administrative expenses," and "Other operating expenses" in the consolidated statement of income for the fiscal years ended March 31, 2023 and 2022 are ¥480,378 million and ¥431,389 million, respectively.

## (4) Multi-employer defined benefit plans

Certain consolidated subsidiaries participate in a corporate pension fund under a multi-employer plan. Because the amount of plan assets corresponding to the contribution by the companies cannot be reasonably calculated, the amount of contribution required is accounted for in the same manner as defined contribution plans.

The contributions for a corporate pension fund are calculated as a fixed percentage of the average salary or the like of participating employees. In addition, each fund ensures future solvency by revising the contribution in accordance with relevant regulations.

If the funds are dissolved and liquidated, they will charge participants to cover deficits or distribute residual assets to participants based on minimum funding standards calculated in accordance with regulations or the like. In addition, employers that elect to withdraw from the funds are subject to a charge to cover any liabilities and deficits projected to result from their withdrawal.

## ① Recent financial position of multi-employer defined benefit plans

	Millions of yen	
	As of March 31, 2022	As of March 31, 2021
Plan assets	¥ 38,961	¥ 39,662
Aggregate of actuarial liability based on pension finance calculation and minimum liability reserve	64,555	66,209
Net	¥ (25,594)	¥ (26,547)

The net amount presented in the above table is the total of ¥ (30,947) million in the present value of special contributions and ¥5,353 million in the plan assets surplus carried forward as of March 31, 2022, and the total of ¥ (31,794) million in the present value of special contributions and ¥5,246 million in the plan assets surplus carried forward as of March 31, 2021.

The present value of special contributions represents the amortized amount to be compensated over future periods to make up the past shortfall of plan assets in pension finance, calculated with a predetermined rate (special contributions) under an agreement regarding the corporate pension plan.

Under this plan, the present value of special contributions is amortized using the equal payment method. The remaining years of amortization are 21 years and 8 months and 22 years and 8 months as of March 31, 2022 and March 31, 2021, respectively. Special contributions of ¥32 million and ¥30 million have been accounted for as pension expenses on the consolidated financial statements of income for the fiscal years ended March 31, 2022 and 2021, respectively.

## ② Ratio of Group contribution to multi-employer plans

1.76% (As of March 31, 2022)

1.71% (As of March 31, 2021)

The amount of the special contribution is calculated by multiplying the pre-determined rate by the amount of average salary at the time of the contribution. Therefore, the ratio of Group contribution to multi-employer plans above does not match the Group's actual proportional contribution.

## ③ Contributions to multi-employer plans in the fiscal year ending March 31, 2024

The Group expects to contribute ¥184 million to multi-employer plans for the fiscal year ending March 31, 2024.

## 25. Provisions

Details of and changes in provisions are as follows:

	Millions of yen					Total
	Provisions for sales rebates	Provisions for asset retirement obligations	Provisions for sales returns	Provisions for removal cost of property, plant and equipment	Other provisions	
As of April 1, 2022	¥ 108,084	¥ 25,910	¥ 14,815	¥ 8,496	¥ 8,906	¥ 166,211
Increase	97,286	2	27,467	12,167	3,470	140,392
Decrease (provision used)	(124,878)	(978)	(10,226)	(1,648)	(3,471)	(141,201)
Decrease (provision reversed)	(81)	(875)	(686)	(8,569)	(492)	(10,703)
Interest expenses resulting from unwinding	-	796	-	-	62	858
Others	10,188	837	874	-	17	11,916
As of March 31, 2023	¥ 90,599	¥ 25,692	¥ 32,244	¥ 10,446	¥ 8,492	¥ 167,473
Current	90,599	-	32,244	1,497	4,690	129,030
Non-current	-	25,692	-	8,949	3,802	38,443
Total	¥ 90,599	¥ 25,692	¥ 32,244	¥ 10,446	¥ 8,492	¥ 167,473

Provisions are measured based on the best estimate made at the end of the reporting period on cash flows expected to settle obligations in the future. Provisions for sales rebates mainly related to public programs and contracts with wholesalers are provided based on the amounts expected to be paid subsequent to the year-end date. The balance of provision for sales rebates applied to products sold by Sumitomo Pharma America Holdings, Inc., the Company's consolidated subsidiary, is ¥78,822 million at the end of this fiscal year. Sales rebates related to various insurance programs (Medicaid, etc.) that are applied to major products sold in the U.S. need time to be determined as the settlement period is about one year. As for estimate of reserves for sales rebates, final distribution channels and applicable insurance programs need to be estimated as the rates of sales rebates, which are the basis of calculation of sales rebates, differ depending on distribution channels (wholesalers, pharmacies and hospitals) and applicable insurance programs. These management judgements would affect estimation of reserves for sales rebates. For other provisions, the cash flows expected to settle obligations in the future are measured, comprehensively considering future possible outcomes. These assumptions used in the measurement of provisions may be affected by changes in uncertain future economic conditions.

## 26. Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Accrued bonuses	¥ 57,610	¥ 53,127
Obligations for unused paid absences	14,068	13,660
Contract liabilities	16,736	24,711
Unearned revenue (Note)	58,749	58,401
Others	49,753	43,251
Total	¥ 196,916	¥ 193,150
Current liabilities	128,060	122,267
Non-current liabilities	68,856	70,883
Total	¥ 196,916	¥ 193,150

Note: Unearned revenue is a lump-sum payment from Pfizer under an agreement for joint development and commercialization of relugolix in oncology and women's health in North America.

## 27. Equity and Other Equity Items

### (1) Share capital and surplus

Changes in the numbers of shares authorized and shares issued are as follows:

	Shares	
	FY2022	FY2021
Number of shares authorized	5,000,000,000	5,000,000,000
Number of shares issued:		
Balance at the beginning of the year	1,655,446,177	1,655,446,177
Changes during the year (Note 2)	414,030	-
Balance at the end of the year	1,655,860,207	1,655,446,177

Note 1: All of the issued shares of the Company are ordinary shares that have no par value and no limitations on rights. Issued shares are fully paid.

Note 2: The increase during the fiscal year ended March 31, 2023 is due to the issuance of new shares based on the restricted stock compensation plan.

The details of surplus are as follows:

#### ① Capital surplus

The Companies Act in Japan stipulates that half or more of the capital contributed from the issue of shares must be included in share capital and that the remainder must be included in capital reserve that is included in capital surplus. Moreover, capital reserve may be reclassified to share capital by resolution of the General Meeting of Shareholders.

In the event that capital surplus falls below zero due to the difference between additional equity acquired in the shares of subsidiaries and the additional investment amount, the Company reduces capital surplus to zero and deducts the remaining balance from retained earnings.

#### ② Retained earnings

The Companies Act in Japan requires that an amount equal to one-tenth of dividends must be appropriated to capital reserve or earned surplus reserve until the total of aggregate amount of capital reserve and earned surplus reserve equals one-quarter of share capital. Earned surplus reserve may be appropriated to reduce a deficit, and also may be reversed by resolution of the General Meeting of Shareholders.

### (2) Treasury shares

Changes in the numbers of treasury shares are as follows:

	Shares	
	FY2022	FY2021
Balance at the beginning of the year	20,474,797	20,459,236
Changes during the year	11,819	15,561
Balance at the end of the year	20,486,616	20,474,797

Note: The changes during the periods are mainly due to claims for purchases from or sales to shareholders with less than one unit of shares.

### (3) Other components of equity

#### ① Financial assets measured at fair value through other comprehensive income

This is the valuation difference in fair value on financial assets measured at fair value through other comprehensive income.

#### ② Remeasurement of defined benefit plans

Remeasurement of defined benefit plans is the effects of differences between actuarial assumptions at the beginning of the year and actual experience and the effects of changes in actuarial assumptions.

This amount is recognized in other comprehensive income when it occurs and is immediately transferred from other components of equity to retained earnings.

#### ③ Cash flow hedges

This is the effective portion of gains or losses on the hedging instrument designated as cash flow hedges.

#### ④ Exchange differences on conversion of foreign operations

These adjustments result from consolidating the financial statements of foreign subsidiaries with foreign currencies.

### 28. Dividends

Dividends paid are as follows:

#### Fiscal year ended March 31, 2023

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 13, 2022 Board of Directors	Ordinary shares	¥ 22,890	¥ 14.00	March 31, 2022	June 2, 2022
November 1, 2022 Board of Directors	Ordinary shares	¥ 19,625	¥ 12.00	September 30, 2022	December 2, 2022

#### Fiscal year ended March 31, 2022

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 13, 2021 Board of Directors	Ordinary shares	¥ 14,715	¥ 9.00	March 31, 2021	June 2, 2021
October 27, 2021 Board of Directors	Ordinary shares	¥ 16,350	¥ 10.00	September 30, 2021	December 2, 2021

Dividends with an effective date after the fiscal years ended March 31, 2023 and 2022 are as follows:

#### Fiscal year ended March 31, 2023

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Paid from	Dividends per share (Yen)	Record date	Effective date
May 15, 2023 Board of Directors	Ordinary shares	¥ 9,812	Retained earnings	¥ 6.00	March 31, 2023	June 1, 2023

#### Fiscal year ended March 31, 2022

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Paid from	Dividends per share (Yen)	Record date	Effective date
May 13, 2022 Board of Directors	Ordinary shares	¥ 22,890	Retained earnings	¥ 14.00	March 31, 2022	June 2, 2022



## 29. Revenue

### (1) Disaggregation of revenue

The Group mainly engages in manufacturing and sales of “Essential Chemicals & Plastics,” “Energy & Functional Materials,” “IT-related Chemicals,” “Health & Crop Sciences,” and “Pharmaceuticals.” The Board of Directors of the Company reviews the reportable segments regularly to determine allocation of resources and to assess their performance, therefore revenue of these businesses is presented as sales revenue. Revenue is geographically disaggregated based on the customer location. The relationship between disaggregated sales revenue and sales revenue by reportable segment is as follows:

#### Fiscal year ended March 31, 2023

	Millions of yen						
	Essential Chemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others (Note 1)	Total
Japan	¥ 323,982	¥ 197,499	¥ 13,849	¥ 117,116	¥ 198,820	¥ 77,078	¥ 928,344
North America	23,304	34,536	10,456	94,316	329,085	60	491,757
Of which: U.S.	19,765	34,159	10,456	84,979	325,882	60	475,301
China	151,324	43,518	208,047	11,872	39,676	43	454,480
Others	354,306	66,907	198,867	375,086	17,292	8,244	1,020,702
Total	¥ 852,916	¥ 342,460	¥ 431,219	¥ 598,390	¥ 584,873	¥ 85,425	¥ 2,895,283
Revenue from contracts with customers	852,916	342,460	431,219	598,390	565,450	85,425	2,875,860
Revenue from other sources (Note 2)	-	-	-	-	19,423	-	19,423

Note 1: “Others” represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis.

Note 2: Revenue from other sources is revenue from contracts with joint partners when the counterparty is not considered customers.

#### Fiscal year ended March 31, 2022

	Millions of yen						
	Essential Chemicals & Plastics	Energy & Functional Materials	IT-related Chemicals	Health & Crop Sciences	Pharmaceuticals	Others (Note 1)	Total
Japan	¥ 281,447	¥ 177,559	¥ 14,582	¥ 113,929	¥ 251,926	¥ 54,411	¥ 893,854
North America	26,897	32,617	7,822	78,947	287,287	83	433,653
Of which: U.S.	23,915	32,289	7,822	72,812	282,519	80	419,437
China	189,487	37,971	245,411	7,823	38,364	2,252	521,308
Others	344,680	68,239	205,927	273,079	14,132	10,449	916,506
Total	¥ 842,511	¥ 316,386	¥ 473,742	¥ 473,778	¥ 591,709	¥ 67,195	¥ 2,765,321
Revenue from contracts with customers	842,511	316,386	473,742	473,778	579,907	67,195	2,753,519
Revenue from other sources (Note 2)	-	-	-	-	11,802	-	11,802

Note 1: “Others” represents businesses such as supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, providing transport and warehousing, and conducting materials and environmental analysis.

Note 2: Revenue from other sources is revenue from contracts with joint partners when the counterparty is not considered customers.

## (2) Performance obligations

Timing of the Group's satisfaction of its performance obligations, and obligations for returns and refunds are presented in Note 3 Significant Accounting Policies. The consideration of products and services promised in contracts with customers is generally received within one year from performance obligations' fulfillment. Such product sales do not include a significant financing component.

## (3) Contract balances

The details of outstanding contract balances arising from contracts with customers are as follows:

	Millions of yen		
	March 31, 2023	March 31, 2022	April 1, 2021
Receivables from contracts with customers	¥ 534,987	¥ 652,829	¥ 576,341
Contract assets	1,826	5,603	4,151
Contract liabilities	16,736	24,711	21,835

Receivables from contracts with customers and contract assets are included in "Trade and other receivables," and contract liabilities are included in "Other liabilities."

Contract assets are primarily recognized for the right to receive ongoing construction contract consideration and consideration in exchange for a good or service transferred under the contract for the sale of a particular product, and contract liabilities are primarily recognized for advances received from customers.

As of the beginning of the fiscal years ended March 31, 2023 and 2022, the amounts included in current contract liabilities were ¥14,660 million and ¥9,758 million, respectively, of which, the amount that has not been recognized as revenue in the fiscal years ended March 31, 2023 and 2022 is not material. Also, the amount of revenue recognized during the fiscal years ended March 31, 2023 and 2022 from performance obligations satisfied (or partially satisfied) in previous periods is not material.

## (4) Transaction prices allocated to performance obligations that have not been satisfied

Transaction prices allocated to the remaining performance obligations and periods when the revenue is expected to be recognized are as follows. The transactions for which individual contract terms are within one year are excluded as the Group uses a practical expedient. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

	Millions of yen	
	FY2022	FY2021
Within 1 year	¥ 28,577	¥ 25,362
Later than 1 year	21,192	20,136
Total	¥ 49,769	¥ 45,497

## (5) Assets recognized from the costs to obtain or fulfill a contract with a customer

The total amounts of the costs to obtain or fulfill contracts with customers for the fiscal years ended March 31, 2023 and 2022 are not material.

### 30. Selling, General and Administrative Expenses

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

	Millions of yen	
	FY2022	FY2021
Research and development expenses	¥ 191,181	¥ 171,923
Employee benefit expenses	237,863	204,464
Freight and storage cost	79,347	71,846
Advertising and sales promotion expenses	70,684	47,297
Depreciation and amortization	57,363	52,280
Changes in fair value of contingent consideration	(3,388)	(3,282)
Others	245,211	146,332
<b>Total</b>	<b>¥ 878,261</b>	<b>¥ 690,860</b>

Note: The amount of the impairment losses arising from research and development in process with respect to compounds under development is ¥21,140 million and patent of pharmaceuticals is ¥58,863 million for the fiscal year ended March 31, 2023, and which are included in "Others" of the above table.

The amount of the impairment losses arising from research and development in process with respect to compounds under development is ¥899 million for the fiscal year ended March 31, 2022, and which is included in "Others" of the table above.

### 31. Other Operating Income and Operating Expenses

The breakdown of other operating income is as follows:

	Millions of yen	
	FY2022	FY2021
Gains on business transfers	¥ 49,159	¥ 1,146
Gains on sales of property, plant and equipment, and intangible assets	5,221	718
Subsidy income	860	671
Others	13,987	7,998
<b>Total</b>	<b>¥ 69,227</b>	<b>¥ 10,533</b>

The breakdown of other operating expenses is as follows:

	Millions of yen	
	FY2022	FY2021
Restructuring costs (Note)	¥ 22,100	¥ 10,133
Donation	1,069	1,624
Others	12,910	8,956
<b>Total</b>	<b>¥ 36,079</b>	<b>¥ 20,713</b>

Note: Restructuring costs are expenses to improve the business structure, which mainly include loss on disposal of property, plant and equipment and expenses for reformation of the organizations and operations.

### 32. Finance Income and Finance Expenses

The breakdown of finance income is as follows:

	Millions of yen	
	FY2022	FY2021
Interest income:		
Financial assets measured at amortized cost	¥ 9,307	¥ 3,286
Financial assets measured at fair value through profit or loss	3,686	1,787
Dividend income:		
Financial assets measured at fair value through other comprehensive income:		
Financial assets derecognized during the year	70	131
Financial assets held at year-end	4,887	4,588
Financial assets measured at fair value through profit or loss	780	184
Exchange gains	40,107	45,602
Derivative gains	11,228	443
Others	771	3,173
<b>Total</b>	<b>¥ 70,836</b>	<b>¥ 59,194</b>

The breakdown of finance expenses is as follows:

	Millions of yen	
	FY2022	FY2021
Interest expenses:		
Financial liabilities measured at amortized cost	¥ 19,200	¥ 12,164
Financial liabilities measured at fair value through profit or loss	1,201	1,741
Other liabilities	2,067	2,206
Derivative losses	15,528	6,349
Others	1,625	601
<b>Total</b>	<b>¥ 39,621</b>	<b>¥ 23,061</b>

### 33. Other Comprehensive Income

Gains (losses) arising for the year, reclassification adjustments to profit or loss and tax effect for each component of other comprehensive income are as follows:

#### Fiscal year ended March 31, 2023

	Millions of yen				
	Gains (losses) arising for the year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss:					
Remeasurements of financial assets (equity instruments) measured at fair value through other comprehensive income	¥ 21,598	¥ -	¥ 21,598	¥ (6,640)	¥ 14,958
Remeasurements of defined benefit plans	12,709	-	12,709	(4,039)	8,670
Share of other comprehensive income of investments accounted for using the equity method	643	-	643	483	1,126
<b>Total of items that will not be reclassified to profit or loss</b>	<b>34,950</b>	<b>-</b>	<b>34,950</b>	<b>(10,196)</b>	<b>24,754</b>
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedge	12,077	(680)	11,397	(3,234)	8,163
Exchange differences on conversion of foreign operations	62,470	102	62,572	-	62,572
Share of other comprehensive income of investments accounted for using the equity method	21,305	15	21,320	(4,317)	17,003
<b>Total of items that may be subsequently reclassified to profit or loss</b>	<b>95,852</b>	<b>(563)</b>	<b>95,289</b>	<b>(7,551)</b>	<b>87,738</b>
<b>Total</b>	<b>¥ 130,802</b>	<b>¥ (563)</b>	<b>¥ 130,239</b>	<b>¥ (17,747)</b>	<b>¥ 112,492</b>

#### Fiscal year ended March 31, 2022

	Millions of yen				
	Gains (losses) arising for the year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss:					
Remeasurements of financial assets (equity instruments) measured at fair value through other comprehensive income	¥ (57,262)	¥ -	¥ (57,262)	¥ 5,465	¥ (51,797)
Remeasurements of defined benefit plans	11,373	-	11,373	(3,824)	7,549
Share of other comprehensive income of investments accounted for using the equity method	(1,472)	-	(1,472)	591	(881)
<b>Total of items that will not be reclassified to profit or loss</b>	<b>(47,361)</b>	<b>-</b>	<b>(47,361)</b>	<b>2,232</b>	<b>(45,129)</b>
Items that may be subsequently reclassified to profit or loss:					
Cash flow hedge	(6,360)	(2,620)	(8,980)	3,076	(5,904)
Exchange differences on conversion of foreign operations	103,499	-	103,499	-	103,499
Share of other comprehensive income of investments accounted for using the equity method	18,923	-	18,923	(2,959)	15,964
<b>Total of items that may be subsequently reclassified to profit or loss</b>	<b>116,062</b>	<b>(2,620)</b>	<b>113,442</b>	<b>117</b>	<b>113,559</b>
<b>Total</b>	<b>¥ 68,701</b>	<b>¥ (2,620)</b>	<b>¥ 66,081</b>	<b>¥ 2,349</b>	<b>¥ 68,430</b>

## 34. Earnings per Share

### (1) The basis for calculating basic earnings per share

	FY2022	FY2021
Net income attributable to owners of the parent (millions of yen)	¥ 6,987	¥ 162,130
Amounts not attributable to ordinary shareholders of the parent (millions of yen)	-	-
Net income used to calculate basic earnings per share (millions of yen)	¥ 6,987	¥ 162,130
Average number of ordinary shares (thousands of shares)	1,634,980	1,634,978
Basic earnings per share (yen)	¥ 4.27	¥ 99.16

### (2) The basis for calculating diluted earnings per share

	FY2022	FY2021
Net income used to calculate basic earnings per share (millions of yen)	¥ 6,987	¥ 162,130
Adjustments by dilutive potential ordinary shares of parent (millions of yen)	-	-
Adjustments by dilutive potential ordinary shares of consolidated subsidiaries (millions of yen)	-	-
Net income used to calculate diluted earnings per share (millions of yen)	¥ 6,987	¥ 162,130
Average number of ordinary shares (thousands of shares)	1,634,980	1,634,978
Restricted stock compensation plan (thousands of shares)	295	-
Average number of ordinary shares after dilution (thousands of shares)	1,635,275	1,634,978
Diluted earnings per share (yen)	¥ 4.27	¥ -
Stocks not included in the calculation of diluted earnings per share because they have anti-dilutive effect	-	Stock options issued by consolidated subsidiaries 6,130,680 shares

Note 1: For diluted earnings per share for the fiscal year ended March 31, 2022, although there are potential shares, they are not listed because they have an anti-dilutive effect.

Note 2: There are no significant transactions involving ordinary shares or potential ordinary shares between the fiscal year ended March 31, 2023 to the authorization date of the consolidated financial statements.

## 35. Share-Based Payment

### (1) Restricted stock compensation plan

Since the fiscal year ended March 31, 2023, the Company has introduced the restricted stock compensation plan (hereinafter, the "Plan") to incentivize members of the Company's Board of Directors (excluding Outside Directors) and executive officers not concurrently serving as members of the Board of Directors (excluding non-residents of Japan) (hereinafter, collectively, "Eligible Officers") to continually enhance the Company's corporate value and bring the interests of the Eligible Officers into even closer alignment with shareholders.

Eligible Officers shall pay in, as in-kind contribution of property, all monetary claims paid by the Company under the Plan and receive shares of the Company's common stock to be issued or disposed of. The amount of the monetary claims to be paid in per share of such shares shall be decided by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the last working day before the date of each resolution of the Board of Directors on such amount (or the closing price on the most recent previous trading day if there was no trading for the Company's common stock on that day), within such boundaries that the amount is not particularly advantageous to Eligible Officers receiving such shares.

In addition, when shares of the Company's common stock are issued or disposed of under the Plan, a restricted stock allotment contract shall be concluded between the Company and Eligible Officers, the contents of which shall include the following: ① Eligible Officers may not transfer to a third party, create a security interest in, or otherwise dispose of in any way, shares of the Company's common stock allotted by the Company under the restricted stock allotment contract for a certain period of time; and ② upon the occurrence of certain events, the Company will acquire the shares of the Company's common stock without consideration.

The details of the restricted stock granted in the fiscal year ended March 31, 2023 are as follows:

	FY2022
Allotment date	July 22, 2022
Granted number of restricted stocks	414,030 shares
Fair value per share on the allotment date	¥ 536

## (2) Stock option

Myovant Sciences Ltd., the Company's consolidated subsidiary, has adopted equity-settled share-based payment plans for its directors and employees and granted them stock options.

Stock options that Myovant Sciences Ltd. has issued are equity-settled share-based compensation and the vesting conditions are mainly based on service period.

Information related to the stock options of Myovant Sciences Ltd. is as follows.

The transaction wherein Myovant Sciences Ltd. became a wholly owned subsidiary was completed during the fiscal year ended March 31, 2023, and there were no stock options in existence as of March 31, 2023.

### Fiscal year ended March 31, 2023

	Number of stock options (shares)	Weighted average exercise price (USD)	Weighted average remaining contractual years (year)
Outstanding balance at April 1, 2022	6,130,680	\$ 10.71	6.98
Granted during the period	204,808	11.33	-
Exercised during the period	(868,306)	8.27	-
Expired and buyback during the period	(5,467,182)	11.12	-
Outstanding balance at March 31, 2023	-	-	-
Exercisable balance at March 31, 2023	-	-	-

Note : The weighted average share price at the date of exercise is \$ 17.49.

### Fiscal year ended March 31, 2022

	Number of stock options (shares)	Weighted average exercise price (USD)	Weighted average remaining contractual years (year)
Outstanding balance at April 1, 2021	8,293,331	\$ 9.90	6.48
Granted during the period	1,178,625	18.93	-
Exercised during the period	(827,389)	17.07	-
Expired during the period	(2,513,887)	9.80	-
Outstanding balance at March 31, 2022	6,130,680	10.71	6.98
Exercisable balance at March 31, 2022	3,754,020	8.41	6.08

Note 1: The weighted average share price at the date of exercise is \$ 19.07.

Note 2: The range of exercise prices for outstanding balance on March 31, 2022 is from \$ 2.38 to \$ 26.17.

The Black-Scholes model is used for the purpose of valuation of the fair value of the stock options. As for the stock options granted during the period, the assumptions used for the Black-Scholes model are as follows. Expected weighted average fair value of each stock option is \$7.44.

	March 31, 2023	March 31, 2022
Expected weighted average share price	\$ 19.56	\$ 18.95
Expected exercise price	\$ 11.33	\$ 18.93
Expected volatility (Note 1)	71.0%	71.9%
Expected stock option period	6.3 years	6.2 years
Expected dividends	-	-
Risk-free interest rate	2.8%	1.0%

Note 1: The estimation of expected volatility is based on past volatilities of Myovant Sciences Ltd. and reference companies that are publicly listed and conduct similar business to Myovant Sciences Ltd., corresponding to the expected remaining duration for stock options.

Note 2: The assumptions used for measuring the fair value of the stock options granted after the acquisition of Myovant Sciences Ltd. are described as above.

### **(3) Share-based payment expenses**

In the fiscal year ended March 31, 2023, expenses of ¥191 million are recorded related to the restricted stock compensation plan and expenses of ¥15,255 million are recorded related to the stock option plan.

In the fiscal year ended March 31, 2022, expenses of ¥5,539 million are recorded related to the stock option plan.

These share-based payment expenses are included in "Selling, general and administrative expenses" in the consolidated statement of income.

## **36. Financial Instruments**

### **(1) Capital management**

The Group conducts capital management for sustainable growth and maximization of its corporate value.

To achieve sustainable growth, the Group considers it essential to secure sufficient financing capacity to make agile investment in businesses when an opportunity for such investments for business growth (such as acquisition of external resources) arises in the future and aims to maintain the capital structure with balance.

There is no significant capital restriction that applies to the Company (excluding general provisions of the Companies Act and other laws and regulations).

When the Company determines dividends, the Company considers shareholder return as one of its most prioritized management issues and has made it a policy to maintain stable dividends payments, giving due consideration to its business performance and a dividends payout ratio for each fiscal period, the level of retained earnings necessary for future growth, and other relevant factors.

Based on the provisions of Article 459, Paragraph 1 of the Companies Act, the Company stipulates that it may pay dividends of surplus by resolution of the Board of Directors.

### **(2) Financial risk management**

The Group is exposed to financial risks (e.g. credit risk, liquidity risk, foreign exchange risk, interest rate risk and market price fluctuation risk) in the course of doing business. The Group performs risk management to reduce these financial risks.

### **(3) Credit risk**

The Company regularly reassesses the dealing policies about trade receivables through monitoring the business condition, the sales turnover, and the balance of receivables of all business counterparties by sales sections of each business segment, and aims to grasp changes in customers' credit risks due to deterioration of the financial condition, etc. at an early stage and the reduction of credit risks in accordance with the Company regulation for credit management.

In the case of the consolidated subsidiaries, their sales divisions or accounting departments also manage the financial and credit conditions of their customers pursuant to their internal rules and regulations.

The Group conducts derivative transactions only with creditworthy financial institutions and trading companies to minimize the counterparty risk, and accordingly the impact on credit risk is limited.

The Group does not have significant exposure of credit risk relating to particular counterparties nor excessive concentration of credit risk that requires special attention.

The maximum exposure related to the credit risk of financial assets is the carrying amount (net of impairment) presented in the consolidated statement of financial position. The maximum exposures related to the credit risk of guarantee obligations are described in Note 40 Contingent Liabilities.

The Group holds deposits mainly as collateral against certain trade and other receivables. The amounts recognized in "Other financial liabilities" in the consolidated statement of financial position are ¥10,315 million and ¥10,760 million as of March 31, 2023 and 2022, respectively.

## Changes in allowance for doubtful accounts

The Group reviews collectability of trade receivables and other receivables, other financial assets, and financial guarantee contracts based on the credit conditions of customers and recognizes an allowance for doubtful accounts.

For trade receivables and contract assets without material financial components, allowances for doubtful accounts are always measured at an amount equal to the lifetime expected credit losses (simplified approach). For other receivables, other financial assets, and financial guarantee contracts, allowances for doubtful accounts are generally measured at an amount equal to the 12-month expected credit losses, while in the case that credit risk of a financial asset (including financial guarantee contracts) has increased significantly since initial recognition, an allowance for doubtful account for the financial asset is measured by estimating individually the lifetime expected credit losses based on the past experiences of bad debts and forecasts on future recoverable amounts (general approach).

The Group considers whether there has been a significant increase in the credit risk based on changes in default risk. To determine if there has been a change in the default risk, the Group considers financial conditions of counterparties, past credit losses history and past overdue information. The Group determines there has been a significant increase in credit risk if a contractual payment is past due for more than 30 days. And it is generally determined that there has been a default, if a contractual payment is past due for over 90 days. When making these judgments, the Group considers reasonable and supportable information that is available without excessive cost or effort, and it would be determined that there have been no significant increases in credit risk if it is rebuttable based on this information.

Any financial assets are treated as credit-impaired financial assets if there is a request for changing terms and conditions for repayment from the debtors, serious financial difficulties of the debtor, or commencement of legal liquidation procedures due to bankruptcy and others of the debtor, etc. For any amount that is probably not recoverable in the future, the carrying amount of the financial asset is directly reduced from the total amount, and the amount of allowance for doubtful account is reduced correspondingly.

The amount of allowance for doubtful accounts is calculated as follows:

- Trade receivables (note receivables and account receivables), other receivables (contract assets)

Based on the simplified approach, the allowance is calculated by multiplying the total amount of the receivables by the provision rate calculated by considering future prospects of economic conditions, etc. in addition to the historical rate of credit losses.

- Other receivables (other account receivables, etc.), other financial assets, and financial guarantee contracts

As for assets for which credit risk is not considered significantly increased, the amount of the allowance is calculated by multiplying the total carrying amount by the provision rate that is determined by considering future prospects of economic conditions, etc. in addition to the historical rate of credit losses of similar assets. If credit risk of the asset is considered to be significantly increasing or the asset meets criteria for credit-impaired financial assets, the amount of the allowance is calculated as the difference between the recoverable amount that is individually determined by considering future prospects of economic conditions, etc. in addition to the financial conditions of the counterparty and the total carrying amount.

The total carrying amount of financial assets and the balance of financial guarantee contracts for which an allowance for doubtful accounts is to be recognized is as follows:

	Millions of yen			
	Financial assets applied by the simplified approach	Financial assets applied to the general approach		
		Stage 1 Financial assets measured at an amount equal to the 12-month expected credit losses	Stage 2 Financial assets measured at an amount equal to the lifetime expected credit losses	Stage 3 Financial assets measured at an amount equal to the lifetime expected credit losses
March 31, 2023	¥ 542,417	¥ 275,620	¥ -	¥ 403
March 31, 2022	665,502	269,439	-	406



Expected credit losses of financial assets applied by the simplified approach and Stage 1 financial assets, are measured on a collective basis by multiplying the historical rate of credit losses considering the forecasts on future economic conditions in a group of financial assets with similar credit risk characteristics. Expected credit losses of financial assets of Stage 2 and 3 are measured individually considering future prospects of economic conditions, etc. in addition to the financial conditions of counterparties.

Changes in allowance for doubtful accounts are as follows.

There is no significant increase or decrease of carrying amount that could affect a change in allowance for doubtful accounts for the year ended March 31, 2023.

	Millions of yen	
	FY2022	FY2021
Balance at the beginning of the year	¥ 7,569	¥ 5,948
Increase	778	1,236
Decrease (provision used)	(1,582)	(315)
Others	(738)	700
Balance at the end of the year	¥ 6,027	¥ 7,569

Note: Allowance for doubtful accounts mainly relates to financial assets under the simplified approach.

#### (4) Liquidity risk

Liquidity risk is the risk that the Group is unable to perform its repayment obligations of financial liabilities on the settlement date.

The Company's finance department prepares and updates funding plans timely based on each department's cash flow schedule. While liquidity on hand is normally kept to about one day's worth of sales revenue in view of asset efficiency, the Company manages liquidity risk by signing overdraft contracts and entering into commitment line agreements totaling ¥103,000 million with financial institutions. The balance of borrowings related to those commitment lines is zero as of March 31, 2023 and 2022.

Liquidity risk is also managed by the Group through group financing systems that enable interchange of excess funds among group companies for both domestic and overseas group companies.

The balance of financial liabilities (including derivative financial instruments) by contractual settlement date is as follows. Expected amount to be paid in the future is used for the interest.

#### As of March 31, 2023

	Millions of yen							
	Carrying amount	Total contractual cash flow	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
Non-derivative financial liabilities:								
Trade and other payables	¥ 515,865	¥ 515,865	¥ 515,865	¥ -	¥ -	¥ -	¥ -	¥ -
Short-term borrowings	283,781	285,032	285,032	-	-	-	-	-
Commercial paper	45,000	45,001	45,001	-	-	-	-	-
Long-term borrowings	525,317	534,238	39,985	123,889	136,410	37,784	59,598	136,572
Bonds	607,268	650,573	35,790	25,720	4,821	14,806	24,336	545,100
Lease liabilities	109,969	119,049	18,055	14,370	12,068	10,302	8,974	55,280
Deposits received	41,159	41,159	37,960	78	33	33	33	3,022
Others	17,163	17,163	16,757	17	19	33	-	337
Derivative liabilities	3,752	3,559	3,411	149	-	-	-	-

(Note) The principal of the hybrid bonds (subordinated bonds) issued by the Company and Sumitomo Pharma is included in "Due after five years" based on maturity date stipulated in the contract, however, the bonds may be redeemed earlier due to the special clause. Details are presented in Note 19 Bonds and Borrowings.

As of March 31, 2022

	Millions of yen							
	Carrying amount	Total contractual cash flow	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
Non-derivative financial liabilities:								
Trade and other payables	¥ 551,583	¥ 551,583	¥ 551,583	¥ -	¥ -	¥ -	¥ -	¥ -
Short-term borrowings	169,311	169,639	169,639	-	-	-	-	-
Commercial paper	10,000	10,000	10,000	-	-	-	-	-
Long-term borrowings	564,439	572,114	84,044	45,266	139,350	134,501	35,742	133,211
Bonds	606,720	656,373	5,800	35,790	25,720	4,821	14,806	569,436
Lease liabilities	103,565	111,904	17,752	12,728	10,399	9,398	8,457	53,169
Deposits received	35,596	35,596	30,872	47	33	33	32	4,579
Others	16,977	16,977	16,691	45	-	-	33	208
Derivative liabilities	25,298	27,144	20,713	4,905	1,526	-	-	-

(Note) The principal of the hybrid bonds (subordinated bonds) issued by the Company and Sumitomo Pharma is included in "Due after five years" based on maturity date stipulated in the contract, however, the bonds may be redeemed earlier due to the special clause. Details are presented in Note 19 Bonds and Borrowings.

### (5) Foreign exchange risk

The Company and certain of its consolidated subsidiaries use forward foreign exchange contracts within a certain extent in accordance with the Company's regulation for management of foreign exchange risk to hedge foreign currency exchange fluctuation risk identified by currency and on a monthly basis for trade receivables and payables, etc. denominated in foreign currencies. The Group does not use transactions that have larger market price fluctuation ratio than the price fluctuation of the underlying transaction, such as leveraged derivatives transactions.

#### Exposure of foreign exchange risk

The Group is exposed to foreign exchange risk primarily from US dollars.

The net exposure to foreign exchange risk of US dollars is as follows, excluding exposures hedged by derivative transactions.

	Thousands of US dollars	
	March 31, 2023	March 31, 2022
Net exposure	\$ 1,947,647	\$ 3,516,354

#### Foreign exchange sensitivity analysis

For financial instruments denominated in foreign currencies held by the Group as of March 31, 2023 and 2022, the financial impact on net income and equity in the event of 1% appreciation against the US dollar at fiscal year-end, is as follows.

The impact of financial instruments denominated in functional currency and converting assets, liabilities, income and expenses of foreign operations into Japanese yen is not included. Also, the analysis assumes that all other factors (balance, interest rate, etc.) are held constant.

	Millions of yen	
	March 31, 2023	March 31, 2022
	¥ (1,885)	¥ (3,066)

### (6) Interest rate risk

The Group considers the details of funding demands, financial condition and financial environment and determines amounts, periods and methods for funding. The Group raises funds with combinations of fixed and variable interest rates to be prepared for future interest rate fluctuations, however, there is a possibility that interest expenses will increase in case of interest rate increase and adversely affect the Group's financial performance and condition. The Company and certain of its consolidated subsidiaries hedge the risk of an increase in interest rate by using interest rate swap transactions within some extent to mitigate the interest rate fluctuation risk related to loan payables.

## Exposure of interest rate risk

The net exposure to interest rate risk is as follows, excluding exposures hedged by derivative transactions.

	Millions of yen	
	March 31, 2023	March 31, 2022
Net exposure	¥ 225,672	¥ 60,615

## Interest rate sensitivity analysis

For financial instruments held by the Group as of March 31, 2023 and 2022, in the event of a 100-basis point interest rate increase, the monetary impact of financial instruments affected by the interest rate movement on net income and equity is as follows.

The analysis relates only to the financial instruments influenced by interest rate fluctuation, and assumes that all other factors (balance, exchange rate, etc.) are held constant.

	Millions of yen	
	March 31, 2023	March 31, 2022
	¥ (1,569)	¥ (434)

## Effect of reference rate reform

The Group held financial instruments that reference LIBOR as of March 31, 2022. The Group prepared for a smooth transition to a new benchmark interest rate as an alternative to LIBOR by monitoring the trends of the interest rate benchmark reform and evaluating their impact on the Group.

For hedging transactions, JPY LIBOR had been referenced in transactions involving cash flow hedges of floating rate payments linked to LIBOR, in which interest rate swaps were used as the hedging method, wherein the Group received floating rate interest linked to LIBOR in exchange for fixed rate interest payments. However, the Company transitioned to the Tokyo Term Risk Free Rate (TORF) during the fiscal year ended March 31, 2022.

For non-derivative financial instruments, USD LIBOR was referenced in loan receivables of \$290 million. However, the company transitioned to the Term SOFR during the fiscal year ended March 31, 2023.

Thereby, there are no financial instruments that reference LIBOR and have not yet been transitioned to alternative benchmark rates as of March 31, 2023.

There is no change in the Group's risk management strategy as a result of the transition.

## (7) Market price fluctuation risk

The Group is exposed to stock price fluctuation risk because the Group holds the stocks of business partner companies to maintain and strengthen business relationships with them. With regard to those stocks, the Group regularly monitors market price and financial conditions of the issuers (business partner companies) and reassesses the Groups' stockholding status in light of relationships with business partner companies.

In the event of a 10% market price change on each reporting date, the impact of equity instruments affected by the market price movement on other comprehensive income (after-tax effect) as of March 31, 2023 and 2022 would be ¥13,136 million and ¥14,037 million, respectively. It is assumed that all other factors are held constant.

## (8) Fair value of financial instruments

The fair value hierarchy of financial instruments is categorized into the following levels based on the level of the input used for the fair value measurements.

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than Level 1, either directly or indirectly observable

Level 3: Inputs that are not based on observable market data

The carrying amount and fair value of financial instruments measured at amortized cost are as follows:

	Millions of yen			
	March 31, 2023		March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	¥ 607,268	¥ 581,477	¥ 606,720	¥ 613,425
Long-term borrowings	525,317	521,714	564,439	562,006

The above table does not include the following financial instruments for which carrying amounts are reasonable approximations of fair value: Cash and cash equivalents, Trade and other receivables, Loan receivables, Other financial assets (Other), Trade and other payables, Short-term borrowings, Commercial paper, Deposits received, Other financial liabilities (Other).

The fair value of bonds is determined based on market prices.

The fair value of long-term borrowings is calculated based on the present value that is calculated by discounting future cash flow using a deemed interest rate assumed on new borrowings with equivalent conditions.

As for fair value hierarchy of financial instruments measured at amortized cost, bonds are classified as Level 2 and others are classified as Level 3.

Financial assets and liabilities measured at fair value are as follows:

Transfers between the levels of the fair value hierarchy are recognized as if they have occurred at the end of the reporting period. There was a transfer from Level 3 to Level 1 in the fiscal year ended March 31, 2022. The transfer was due to the exchange listing of the stock of a company that was previously not listed on any exchange and was not traded in any observable and active market. Since the said company's stock is currently traded and has a quoted market price in an active market, its fair value measurement is Level 1 in the fair value hierarchy. Other than the above, no financial instruments were transferred between levels during each reporting period.

#### As of March 31, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss:				
Loan receivables	¥ -	¥ -	¥ 39,501	¥ 39,501
Long-term accrued interests	-	-	803	803
Derivative assets designated as hedging instruments	-	342	-	342
Derivative assets not designated as hedging instruments	-	1,623	-	1,623
Other financial assets	4,735	2,168	909	7,812
Subtotal	4,735	4,133	41,213	50,081
Financial assets measured at fair value through other comprehensive income:				
Shares and investments	188,585	-	81,105	269,690
Other financial assets	-	3,040	-	3,040
Subtotal	188,585	3,040	81,105	272,730
Total	¥ 193,320	¥ 7,173	¥ 122,318	¥ 322,811
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities designated as hedging instruments	-	1,399	-	1,399
Derivative liabilities not designated as hedging instruments	-	2,353	-	2,353
Contingent consideration	-	-	1,482	1,482
Other financial liabilities	-	-	16,757	16,757
Total	¥ -	¥ 3,752	¥ 18,239	¥ 21,991

As of March 31, 2022

	Millions of yen			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss:				
Loan receivables	¥ -	¥ -	¥ 167,401	¥ 167,401
Long-term accrued interests	-	-	23,077	23,077
Derivative assets designated as hedging instruments	-	288	-	288
Derivative assets not designated as hedging instruments	-	1,412	-	1,412
Other financial assets	5,977	4,894	896	11,767
Subtotal	5,977	6,594	191,374	203,945
Financial assets measured at fair value through other comprehensive income:				
Shares and investments	201,622	-	81,472	283,094
Other financial assets	-	3,364	-	3,364
Subtotal	201,622	3,364	81,472	286,458
<b>Total</b>	<b>¥ 207,599</b>	<b>¥ 9,958</b>	<b>¥ 272,846</b>	<b>¥ 490,403</b>
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities designated as hedging instruments	-	13,588	-	13,588
Derivative liabilities not designated as hedging instruments	-	11,710	-	11,710
Contingent consideration	-	-	4,419	4,419
Other financial liabilities	-	-	16,691	16,691
<b>Total</b>	<b>¥ -</b>	<b>¥ 25,298</b>	<b>¥ 21,110</b>	<b>¥ 46,408</b>

Changes in balances of financial instruments categorized as Level 3 are as follows:

	Millions of yen					
	FY2022			FY2021		
	FVTPL Financial assets	FVTOCI Financial assets	FVTPL Financial liabilities	FVTPL Financial assets	FVTOCI Financial assets	FVTPL Financial liabilities
Balance at the beginning of the year	¥ 191,374	¥ 81,472	¥ 21,110	¥ 168,296	¥ 189,075	¥ 22,692
Transfer from/to Level 3 (Note 1)	-	-	-	-	(52,227)	-
Total gains and losses	(437)	(3,372)	(3,221)	4,381	(68,718)	(2,558)
Profit or loss (Note 2)	(437)	-	(3,221)	4,381	-	(2,558)
Other comprehensive income (Note 3)	-	(3,372)	-	-	(68,718)	-
Increase	-	5,669	1,094	587	13,829	1,893
Decrease (Note 4)	(153,599)	(1,612)	(1,444)	(94)	(112)	(2,007)
Transfer to assets held for sale	-	(1,111)	-	-	-	-
Others (Note 5)	3,875	59	700	18,204	(375)	1,090
<b>Balance at the end of the year</b>	<b>¥ 41,213</b>	<b>¥ 81,105</b>	<b>¥ 18,239</b>	<b>¥ 191,374</b>	<b>¥ 81,472</b>	<b>¥ 21,110</b>

Note 1: There was a transfer from Level 3 to Level 1 in the fiscal year ended March 31, 2022. The transfer is due to the exchange listing of the stock of a company that was previously not listed on any exchange and was not traded in any observable and active market.

Note 2: Gains and losses from financial assets measured at FVTPL, which are included in net income, are recorded in "Finance income" and "Finance expenses" in the consolidated statement of income. Among Gains and losses related to financial liabilities measured at FVTPL, changes in fair value of contingent consideration are recorded in "Selling, general and administrative expenses," while those related to other financial liabilities are recorded in "Finance income" and "Finance expenses" in the consolidated statement of income.

Note 3: Gains and losses included in other comprehensive income are those derived from financial assets measured at fair value through other comprehensive income as of the reporting date. These gains and losses are recorded in "Remeasurements of financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

Note 4: "Decrease" of FVTPL Financial assets for the fiscal year ended March 31, 2023 is mainly due to the collection of the loan provided to Petro Rabigh, or the conversion of the loan into shares when subscribing to the capital increase of Petro Rabigh.

Note 5: "Others" mainly includes exchange differences of financial instruments denominated in foreign currencies. These gains and losses are recorded in "Finance income" or "Finance expenses" in the consolidated statement of income or "Exchange differences on conversion of foreign operations" in the consolidated statement of comprehensive income.

Note 6: Fair value measurements of financial instruments classified as level 3 are determined in accordance with valuation policies and procedures approved by appropriate authorized personnel. Valuation models are determined so that they reflect each financial instrument's nature, characteristics and risks most appropriately. The valuator examines whether it is possible to provide reasonable explanations by comparing changes in important inputs that could affect the fair value and changes in fair value, on an ongoing basis.

Material unobservable inputs related to fair value measurements of financial instruments classified as Level 3 are as follows:

- Fair value of financial assets measured at FVTPL is calculated by the discounted cash flow method, and the material unobservable inputs are the total amount of future cash flow (¥59,482 million and ¥197,409 million as of March 31, 2023 and 2022, respectively) and the discount rate (6.54% and 3.10% as of March 31, 2023 and 2022, respectively).
- The financial assets measured at FVTOCI are mainly composed of unlisted equity securities, and their fair value is calculated by the discounted cash flow method in principle. However, for unlisted equity securities for which fair value approximates their net asset value, the fair value is mainly calculated by valuation technique based on the net asset value.
- As for financial liabilities measured at FVTPL, fair value of contingent consideration is calculated by the discounted cash flow method, and material unobservable inputs are sales revenue arising from relevant business and the discount rate. Certain consolidated subsidiaries recognize the interest of preference shares issued as financial liabilities because it is redeemable at the amount based on its net asset value at any time based on the request of holders of preference shares. Fair value of preference shares is calculated by valuation technique based on the net asset value.
- The unobservable inputs may be affected by changes in uncertain future economic conditions.

Changes in the material assumptions that affect fair value of financial instruments classified as Level 3 are as follows:

			Millions of yen	
			March 31, 2023	March 31, 2022
FVTPL Financial assets	Total future cash flow	5% decrease	¥ (2,015)	¥ (9,523)
	Discount rate	0.5% increase	(1,134)	(1,055)
		0.5% decrease	1,175	1,074
FVTPL Financial liabilities (contingent consideration)	Sales revenue	5% increase	41	122
		5% decrease	(41)	(122)
	Discount rate	0.5% increase	(27)	(122)
		0.5% decrease	27	122

#### (9) Transfer of financial assets

The Group enters into liquidation transactions involving certain trade receivables. However, some of these liquidated receivables give rise to an obligation for the Group to make payments retrospectively if the obligor fails to settle. The Group does not derecognize such liquidated receivables because the derecognition criteria has not been met for such financial assets.

The carrying amounts of assets and associated liabilities that are transferred but do not meet the derecognition criteria are as follows. Transferred assets and associated liabilities are mainly included in "Trade and other receivables" (accounts receivables) and "Bonds and borrowings" (short-term borrowings), respectively in the consolidated statement of financial position. The fair value of these financial assets and liabilities is close to their carrying amount.

		Millions of yen	
		March 31, 2023	March 31, 2022
Carrying amount of transferred assets		¥ 3,621	¥ 2,600
Carrying amount of associated liabilities		3,621	2,600

## (10) Derivatives

The Group uses derivatives, such as foreign exchange forward contracts for hedging foreign exchange fluctuation risk related to trade receivables and payables denominated in foreign currencies, etc., interest rate swap contracts for hedging interest payment fluctuation risk related to bonds and borrowings and commodity future (forwards) contracts for hedging market price fluctuation risk related to the sales and purchase of aluminum.

These derivatives are not designated as hedging instruments except for certain transactions designated as cash flow hedges. However, the Group determines that certain derivative transactions that are not designated as hedging instruments effectively offset the effect of fluctuation of foreign exchange and commodity markets, because the Group only uses derivatives for the purpose of hedging risks to the extent of actual demand.

### Cash Flow Hedge

A cash flow hedge is a hedge for avoiding risk of volatility in future cash flows.

The Group uses interest rate swap contracts for the purpose of hedging interest rate fluctuation risk related to bonds and borrowings, and commodity future contracts for the purpose of hedging market price fluctuation risk related to the forecast transactions of aluminum with high possibility.

The Group assesses hedge effectiveness at the hedge's inception and on an ongoing basis, through qualitative assessment on whether important terms and conditions of the hedged item match or conform closely to those of the hedging instrument, or quantitative assessment on whether changes in cash flows of the hedged item and the hedging instrument are offset by each other because of the same risk, in which changes in cash flows of the hedged item caused by the hedged risk are offset by changes in cash flows of the hedging instrument. In addition, the Group determines the necessary quantity of hedging instruments by estimating the ratio of the change in value of hedged items that is attributed to the change in value of risks of hedged items to the change in value of hedging instruments at the inception of hedging relationships. In principle, the Group sets the hedge ratio so as to obtain a one-to-one relationship.

It is possible to incur an ineffective portion due to cancellation of forecast transaction, etc. However, because the Company performs highly effective hedges, the risk of incurring ineffective portion is expected to be insignificant. The amounts of hedge ineffectiveness recognized in profit or loss for the fiscal years ended March 31, 2023 and 2022 are not material.

The interest rates of interest rate swap contracts, and average prices in commodity future contracts are as follows:

	March 31, 2023	March 31, 2022
Interest rate fluctuation risk:		
Interest rate swap contracts		
Pay fixed rate, receive floating rate	0.75%-0.99%	0.75%-1.03%
Market price fluctuation risk:		
Commodity future contracts		
Aluminum future contract	\$ 2,397.01/MT	\$ 2,402.51/MT

## ① Amounts for derivatives designated as hedging instruments

The effect of hedging instruments on the consolidated statement of financial position is as follows. The carrying amount (fair value) of assets related to hedging instruments is included in “Other financial assets”, and the carrying amount (fair value) of liabilities related to hedging instruments is included in “Other financial liabilities.”

### Cash flow hedge

#### As of March 31, 2023

Transaction type	Millions of yen			
	Contract amount		Carrying amount (Fair Value)	
	Total	Due after one year	Assets	Liabilities
Interest rate fluctuation risk:				
Interest rate swap contracts	¥ 64,000	¥ 34,000	¥ -	¥ 449
Market price fluctuation risk:				
Commodity future contracts	16,967	4,386	310	813

#### As of March 31, 2022

Transaction type	Millions of yen			
	Contract amount		Carrying amount (Fair Value)	
	Total	Due after one year	Assets	Liabilities
Interest rate fluctuation risk:				
Interest rate swap contracts	¥ 74,350	¥ 64,000	¥ -	¥ 916
Market price fluctuation risk:				
Commodity future contracts	25,787	11,050	7	10,893

## ② Effect of hedge accounting on consolidated statement of income and comprehensive income

Changes in valuation net gains (losses) derived from hedging instruments designated as cash flow hedges are as follows:

#### Fiscal year ended March 31, 2023

	Millions of yen	
	Effective portion of changes in the fair value of cash flow hedges	
	Interest rate fluctuation risk	Market price fluctuation risk
As of April 1, 2022	¥ (642)	¥ (7,551)
Other comprehensive income:		
Gains (losses) arising for the year (Note 1)	943	11,827
Reclassification adjustments (Note 2)	(478)	(1,444)
Tax effect	(140)	(3,179)
As of March 31, 2023	¥ (317)	¥ (347)

Note 1: The changes in value of the hedged items used as the basis for recognizing hedge ineffectiveness approximate the changes in fair value of the hedging instruments.

Note 2: The major accounts for reclassification adjustments on the consolidated statement of income are “Financial expenses” (Interest expenses) for interest rate fluctuation risk and “Cost of sales” for market price fluctuation risk.

#### Fiscal year ended March 31, 2022

	Millions of yen	
	Effective portion of changes in the fair value of cash flow hedges	
	Interest rate fluctuation risk	Market price fluctuation risk
As of April 1, 2021	¥ (1,204)	¥ (1,875)
Other comprehensive income:		
Gains (losses) arising for the year (Note 1)	1,439	(7,933)
Reclassification adjustments (Note 2)	(629)	(1,084)
Tax effect	(248)	3,341
As of March 31, 2022	(642)	(7,551)

Note 1: The changes in value of the hedged items used as the basis for recognizing hedge ineffectiveness approximate the changes in fair value of the hedging instruments.

Note 2: The major accounts for reclassification adjustments on the consolidated statement of income are “Financial expenses” (Interest expenses) for interest rate fluctuation risk and “Cost of sales” for market price fluctuation risk.



### 37. Significant Subsidiaries

#### (1) Significant subsidiaries

Company name	Capital	Ratio of voting rights (%)	Principal business
Sumitomo Chemical Brasil Indústria Química S.A.	BRL 3,125,762 thousand	100.00	Development, promotion and sales of crop protection chemicals, feed additives and household & public hygiene insecticides and manufacturing crop protection chemicals
Sumitomo Chemical America, Inc.	USD 663,092 thousand	100.00	Investment in related companies in the U.S. and sales of chemical products
Valent North America LLC	USD 382,574 thousand	100.00 (100.00)	Offering corporate services to related companies in North America
Valent BioSciences LLC	USD 268,972 thousand	100.00 (100.00)	Research, development, manufacturing and sales of biorational products
Sumika Polymers America Corp.	USD 222,544 thousand	100.00 (100.00)	-
CDT Holdings Ltd.	GBP 187,511 thousand	100.00	Investment in Cambridge Display Technology Ltd.
Cambridge Display Technology Ltd.	GBP 183,716 thousand	100.00 (100.00)	Research, development and licenses in polymer organic light-emitting diodes and devices
Dongwoo Fine-Chem Co., Ltd.	KRW 289,652 million	100.00	Manufacturing and sales of processing chemicals for semiconductors and displays, photoresists, optical functional films, touchscreen panels, etc.
Sumika Semiconductor Materials Texas Inc.	USD 80,000 thousand	100.00 (80.00)	Manufacturing and sales of processing chemicals for semiconductors
SSLM Co., Ltd.	KRW 280,000 million	100.00	Manufacturing and sales of heat-resistant separators
Japan-Singapore Petrochemicals Co., Ltd.	JPY 23,877 million	79.67	Investment in Petrochemical Corporation of Singapore (Pte.) Ltd.
Sumitomo Pharma Co., Ltd.	JPY 22,400 million	51.78	Manufacturing and sales of pharmaceuticals
Sumitomo Pharma America Holdings, Inc.	USD 2,170,480 thousand	100.00 (100.00)	Investment in related companies in the U.S.
Sunovion Pharmaceuticals Inc.	USD 1,710,032 thousand	100.00 (100.00)	Manufacturing and sales of pharmaceuticals
Sumitomo Pharma Oncology, Inc.	USD 380,484 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Sumitovant Biopharma Ltd.	USD 2,665,950 thousand	100.00 (100.00)	Investment in related companies conducting research, development and management of production contractors of pharmaceuticals
Sumitovant Biopharma Inc.	USD 127,384 thousand	100.00 (100.00)	Management of related companies conducting research, development and management of production contractors of pharmaceuticals
Myovant Sciences Ltd.	USD 584,597 thousand	100.00 (100.00)	Investment in related companies conducting research, development and management of production contractors of pharmaceuticals
Myovant Holdings Ltd.	USD 90,606 thousand	100.00 (100.00)	Investment in related companies conducting research, development and management of production contractors of pharmaceuticals
Myovant Sciences Inc.	USD 253,844 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Myovant Sciences GmbH	USD 673,964 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Myovant Sciences LLC	USD 67,935 thousand	100.00 (100.00)	Management of production contractors of pharmaceuticals
Urovant Sciences GmbH	USD 1,043,883 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Urovant Sciences LLC	USD 174,266 thousand	100.00 (100.00)	Management of production contractors of pharmaceuticals

Company name	Capital	Ratio of voting rights (%)	Principal business
Enzyvant Therapeutics GmbH	USD 194,912 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Altavant Sciences GmbH	USD 119,529 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Spirovant Sciences Inc.	USD 125,842 thousand	100.00 (100.00)	Research and development of pharmaceuticals
XUYOU Electronic Materials (Wuxi) Co., Ltd.	RMB 1,115,757 thousand	100.00 (55.00)	Manufacturing and sales of optical functional films
Sumika Electronic Materials (Wuxi) Co., Ltd.	RMB 1,276,517 thousand	100.00 (10.00)	Processing and sales of optical functional films
Sumika Technology Co., Ltd.	TWD 4,417 million	84.96	Manufacturing and sales of original fabrics and processed products of optical functional films
Sumitomo Chemical Asia Pte Ltd.	USD 150,565 thousand	100.00	Manufacturing and sales of petrochemical products, etc. and regional headquarters for Southeast Asia, India, and Oceania area
The Polyolefin Company (Singapore) Pte. Ltd.	USD 51,690 thousand	70.00 (70.00)	Manufacturing and sales of low-density polyethylene and polypropylene
Sumitomo Chemical Chile S.A.	USD 86,362 thousand	100.00	Sales of crop protection chemicals and feed additives, etc.
Tanaka Chemical Corp.	JPY 9,155 million	50.46	Manufacturing and sales of cathode materials for secondary batteries
Sumitomo Chemical India Ltd.	INR 2,745,881 thousand	75.00	Development and sales of crop protection products, household & public hygiene insecticides and feed additives, and manufacturing of crop protection chemicals
Koei Chemical Co., Ltd.	JPY 2,343 million	56.14 (0.25)	Manufacturing and sales of chemical products for pharmaceutical and crop protection, and functional chemicals
Taoka Chemical Co., Ltd.	JPY 1,572 million	51.39 (0.78)	Manufacturing and sales of fine chemicals, functional materials, and resin additives

Note 1: Figures enclosed in parentheses ( ) for “ratio of voting rights” are the ratio of voting rights held by subsidiaries of the Company.

Note 2: Capital for Sumitomo Chemical America, Inc., Valent North America LLC, Valent BioSciences LLC, CDT Holdings Ltd., Cambridge Display Technology Ltd., Sumika Semiconductor Materials Texas Inc., Sumitomo Pharma America Holdings, Inc., Sunovion Pharmaceuticals Inc., Sumitomo Pharma Oncology, Inc., Sumitovant Biopharma Ltd., Sumitovant Biopharma Inc., Myovant Sciences Ltd., Myovant Holdings Ltd., Myovant Sciences Inc., Myovant Sciences GmbH, Myovant Sciences LLC, Urovant Sciences GmbH, Urovant Sciences LLC, Enzyvant Therapeutics GmbH, Altavant Sciences GmbH, and Spirovant Sciences Inc. are shown as paid-in capital.

Note 3: Sumika Polymers America Corp. made investment in Philips Sumika Polypropylene Company, which has dissolved.

Note 4: Sumitomo Chemical do Brasil Representações Ltda, which was on the list in the previous fiscal year, has been extinguished due to the merger with Sumitomo Chemical Brasil Indústria Química S.A. Urovant Sciences Ltd., Enzyvant Therapeutics Ltd., and Altavant Sciences Ltd. have been extinguished due to the merger with Sumitovant Biopharma Ltd. Due to the decrease in materiality, Valent U.S.A. LLC, Urovant Holdings Ltd., Enzyvant Therapeutics Holdings Ltd., and Altavant Sciences Holdings Ltd. have been removed from the list of Significant Subsidiaries.

## (2) Consolidated subsidiaries with material non-controlling interests

Summarized financial information on consolidated subsidiaries with material non-controlling interests is as follows. Summarized financial information is based on the amounts before elimination in consolidation.

### Sumitomo Pharma Co., Ltd.

#### ① Non-controlling interest ownership ratios and cumulative non-controlling interest amounts

	Millions of yen	
	March 31, 2023	March 31, 2022
Non-controlling interest ownership ratios	48.24%	48.24%
Cumulative non-controlling interest amounts	¥ 196,249	¥ 358,926

#### ② Net profit attributable to non-controlling interests and dividends paid to non-controlling interests

	Millions of yen	
	FY2022	FY2021
Net income attributable to non-controlling interests	¥ (58,147)	¥ 11,400
Dividends paid to non-controlling interests	5,367	5,368

#### ③ Summarized financial information

##### (i) Summarized consolidated statement of financial position

	Millions of yen	
	March 31, 2023	March 31, 2022
Current assets	¥ 381,860	¥ 499,521
Non-current assets	752,882	808,486
Total assets	¥ 1,134,742	¥ 1,308,007
Current liabilities	372,694	278,373
Non-current liabilities	355,266	356,065
Total liabilities	¥ 727,960	¥ 634,438
Total equity	406,782	673,569
Total liabilities and equity	¥ 1,134,742	¥ 1,308,007

##### (ii) Summarized consolidated statement of income and comprehensive income

	Millions of yen	
	FY2022	FY2021
Sales revenue	¥ 555,544	¥ 560,035
Net income (loss)	(96,714)	40,600
Total comprehensive income	(35,085)	28,161

##### (iii) Summarized consolidated statement of cash flows

	Millions of yen	
	FY2022	FY2021
Cash flows from operating activities	¥ 11,937	¥ 31,239
Cash flows from investing activities	52,419	(18,278)
Cash flows from financing activities	(146,817)	(21,426)
Effect of exchange rate changes on cash and cash equivalents	24,090	17,751
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	(1,135)	-
Net Increase (decrease) in cash and cash equivalents	(59,506)	9,286
Cash and cash equivalents at end of year	¥ 143,478	¥ 202,984

#### (3) Changes in ownership interests in subsidiaries that do not result in loss of control

As of March 31, 2023, Sumitomo Pharma converted one of its consolidated subsidiaries, Myovant Sciences Ltd., into a wholly-owned subsidiary.

The effects on capital surplus from changes in ownership interests in subsidiaries that do not result in loss of control are as follows:

	Millions of yen	
	FY2022	FY2021
Changes due to equity transactions with non-controlling interests	¥ (88,357)	¥ -

### 38. Related Parties

#### (1) Related party transactions

Significant transactions with related parties are as follows:

Fiscal year ended March 31, 2023

##### ① Sales amounts and receivable balances to/from associates and joint ventures

	Millions of yen	
	Sales amounts	Receivable balance
Joint ventures	¥ 44,339	¥ 18,628
Associates	140,806	25,176

##### ② Purchase amounts and payable balances from/to associates and joint ventures

	Millions of yen	
	Purchase amounts	Payable balance
Joint ventures	¥ 515,022	¥ 49,278
Associates	56,570	13,612

##### ③ Other significant transactions

Type	Company Name	Transaction details	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Joint venture	Rabigh Refining and Petrochemical Company	Collection of loans (Note1,2)	¥ 130,957	Other financial assets (Loan receivables)	¥ 39,501
		Receipt of interest (Note1)	2,459	Other financial assets (Long-term accrued interests)	803
		Collection of accrued interests (Note 1,2)	22,642		
		Subscription to capital increase (Note 2)	108,112	-	-
		Guarantee obligations (Note 3)	185,805	-	-
		Pledged as collateral (Note 4)	193,619	-	-

Note 1: Loans of funds are conducted based on market interest rates. Transaction amount in the table above presents a net increase or decrease during the fiscal year ended March 31, 2023.

Note 2: The Company has collected its loans and accrued interests receivable from Petro Rabigh, or converted them to shares at the time of subscription to a capital increase by Petro Rabigh.

Note 3: The Company guarantees indebtedness of Petro Rabigh from financial institutions. Transaction amount in the above table presents an ending balance of guarantee obligations.

Note 4: Investments in Petro Rabigh are subject to real guarantee to pledge as collateral for Petro Rabigh's indebtedness from financial institutions. Transaction amount in the above table presents an ending balance of liabilities with collateral.

Fiscal year ended March 31, 2022

##### ① Sales amounts and receivable balances to/from associates and joint ventures

	Millions of yen	
	Sales amounts	Receivable balance
Joint ventures	¥ 25,313	¥ 4,151
Associates	137,496	31,487

##### ② Purchase amounts and payable balances from/to associates and joint ventures

	Millions of yen	
	Purchase amounts	Payable balance
Joint ventures	¥ 492,253	¥ 60,635
Associates	68,393	21,088

### ③ Other significant transactions

Type	Company Name	Transaction details	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Joint venture	Rabigh Refining and Petrochemical Company	Loans (Note1)	¥ -	Other financial assets (Loan receivables)	¥ 167,401
		Receipt of interest (Note1)	3,062	Other financial assets (Long-term accrued interests)	23,077
		Guarantee obligations (Note 2)	195,782	-	-
		Pledged as collateral (Note 3)	195,328	-	-

Note 1: Loans of funds are conducted based on market interest rates. Transaction amount in the table above presents a net increase or decrease during the fiscal year ended March 31, 2022.

Note 2: The Company guarantees indebtedness of Petro Rabigh from financial institutions. Transaction amount in the above table presents an ending balance of guarantee obligations.

Note 3: Investments in Petro Rabigh are subject to real guarantee to pledge as collateral for Petro Rabigh's indebtedness from financial institutions. Transaction amount in the above table presents an ending balance of liabilities with collateral.

### (2) Key management personnel compensation

	Millions of yen	
	FY2022	FY2021
Basic remuneration and bonuses	¥ 720	¥ 959
Share-based payment	94	-
Total	¥ 813	¥ 959

### 39. Commitments

Commitments related to expenditures after the fiscal year-end are as follows:

	Millions of yen	
	March 31, 2023	March 31, 2022
Purchase of property, plant and equipment	¥ 102,309	¥ 114,835
Purchase of intangible assets	69,619	78,831
Total	¥ 171,928	¥ 193,666

Commitments related to purchase of intangible assets are mainly related to purchase of rights on contracts signed with third parties regarding introduction of pharmaceutical technology. These contracts have terms related to paying a certain amount of fees when a milestone is achieved such as a development goal, in addition to the lump-sum payment executed on signing the contract. The above amount is the undiscounted amount, and includes all potential payments for milestones, assuming that all products in process would be successful, without adjustments made on success probability. Because it is highly uncertain whether a milestone will be achieved, actual payments may be significantly different from these commitment amounts.

#### 40. Contingent Liabilities

The Group provides guarantees and similar undertakings for borrowings from financial institutions taken out by companies outside the Group. These guarantees and similar undertakings for borrowings are applicable to financial guarantee contracts. Should the guaranteed parties go into default, the Group would be required to make such payments under those guarantees. Guarantee obligations are as follows:

##### Guarantee obligations

	Millions of yen	
	March 31, 2023	March 31, 2022
Joint ventures	¥ 187,561	¥ 197,706
Employees (for their mortgage loans)	21	26
Others	129	1,135
Total	¥ 187,711	¥ 198,867

#### 41. Subsequent Events

There are no significant subsequent events.



# Independent auditor's report

**To the Board of Directors of Sumitomo Chemical Company, Limited:**

## Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Chemical Company, Limited (“the Company”) and its consolidated subsidiaries (collectively referred to as “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, comprising significant accounting policies and other explanatory information.

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 prescribed in Article 93 of “the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (hereinafter referred to as “IFRS”).

## 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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Reasonableness of the estimated value in use used for the impairment testing on property, plant and equipment, and intangible assets related to the methionine business

The key audit matter	How the matter was addressed in our audit
As described in Note 16, “Impairment of Non-financial Assets” to the consolidated financial statements, in the consolidated statement of financial position as at March 31, 2023, Sumitomo Chemical Company, Limited (hereinafter, the “Company”) and its consolidated subsidiaries recognized property,	The primary procedures we performed to assess whether the estimated value in use used for the impairment testing on property, plant and equipment, and intangible assets related to the

plant and equipment, and intangible assets of ¥17,083 million used in the methionine business within the Health and Crop Sciences Segment, which represented 1% of total assets in the consolidated financial statements.

While these assets are depreciated/amortized in a systematic manner, they need to be tested for impairment whenever there is an indication of impairment. When the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.

The methionine business, which has recognized recurring operating losses for some consecutive years mainly due to the stagnant methionine market, recognized another operating loss for the current fiscal year due to the increase in manufacturing costs as a result of the rise in the price of raw materials and fuel and the decline of sales prices caused by the deterioration in the supply-demand balance. As there was an indication of impairment for the methionine business, an impairment test was performed in the current fiscal year. As a result, an impairment loss of ¥15,763 million was recognized for the property, plant and equipment, and intangible assets used in the methionine business. The Company used the value in use as the recoverable amount in the impairment testing. The future cash flows used for measuring the value in use were estimated based on the business plan of the methionine business that was prepared by management. In preparing the business plan, management used the future sales prices of methionine, which were estimated by considering mainly future supply and demand trends, and the price of naphtha, which has a significant effect on the manufacturing cost, as a key assumption. This estimation involved a high degree of uncertainty and management's judgment thereon had a significant effect on the estimated future cash flows.

In addition, selecting the calculation method and input data for estimating the discount rate, which was used to measure the value in use, required a high degree of expertise in valuation.

We, therefore, determined that our assessment of the reasonableness of the estimated value in use used for

methionine business was reasonable, included the following:

### **(1) Internal control testing**

We tested the design and operating effectiveness of certain of the Company's internal controls relevant to estimating the value in use used for the impairment testing on property, plant and equipment, and intangible assets. In this assessment, we focused our testing on controls relevant to the estimated future cash flows.

### **(2) Assessment of the reasonableness of the estimated value in use**

In order to assess the reasonableness of the key assumptions adopted by management in preparing the business plan of the methionine business, which formed the basis for estimating future cash flows, we inquired of management and the personnel responsible for the methionine business about the rationale on which those assumptions were developed.

In addition, we assessed the correlation of historical sales prices of methionine with supply and demand scenarios in the methionine market.

Accordingly, in order to assess the appropriateness of the future sales prices of methionine, which were estimated by management by incorporating future uncertainties, we:

- inspected the forecasts of supply and demand of methionine and poultry meat (published by external organizations and used by management to understand future supply and demand trends of methionine), which have a significant effect on supply and demand of methionine, and information published by competing methionine suppliers of their capital investment plans. In addition, we assessed the consistency between management's forecast of methionine demand (growth rate) and the information published by external organizations;
- compared the status of the recovery of the methionine market over the past few years with management's outlook of the recovery of sales prices of methionine; and
- assessed the consistency of the sales price of



<p>the impairment testing on property, plant and equipment, and intangible assets related to the methionine business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>methionine estimated by management with the sales price for recent transactions already accepted for the next fiscal year by inspecting the sales price in the purchase orders of several customers in each sales region.</p> <p>We inquired of the personnel responsible for the methionine business about its internal forecasting process and compared the outlook of the purchase price with the result of a trend analysis based on historical price data.</p> <p>Furthermore, we performed the following procedures by involving valuation specialists within our domestic network firms who assisted our evaluation of the discount rate:</p> <ul style="list-style-type: none"> <li>● assessment of the appropriateness of the calculation method used to estimate the discount rate, key assumptions and calculation process considering the requirements of accounting standards; and</li> <li>● assessment of the appropriateness of input data used to estimate the discount rate through comparisons with available external data.</li> </ul>
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Reasonableness of the estimate of the recoverable amount used for the impairment testing on goodwill allocated to the oncology area in North America	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note 16, “Impairment of Non-financial Assets” to the consolidated financial statements, in the consolidated statement of financial position as at March 31, 2023, Sumitomo Chemical Company, Limited and its consolidated subsidiaries recognized goodwill of ¥25,763 million allocated to the oncology area in North America, which represented 1% of total assets in the consolidated financial statements. The goodwill arose when Sumitomo Pharma Co., Ltd. (hereinafter, “Sumitomo Pharma”) and its consolidated subsidiary Sumitomo Pharma America Holdings, Inc. (hereinafter, “SMPA”) located in North America, within the Pharmaceuticals segment, acquired control of certain subsidiaries.</p> <p>Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. In the impairment testing, when the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.</p>	<p>In order to assess whether the estimate of the recoverable amount used for the impairment testing on goodwill allocated to the oncology area in North America was reasonable, we requested the component auditors of Sumitomo Pharma to perform an audit. We evaluated the report of the component auditors of Sumitomo Pharma and concluded on whether sufficient and appropriate audit evidence was obtained from the following procedures (including the procedures that the component auditors of Sumitomo Pharma requested the component auditors of SMPA that oversees the oncology area in North America, to perform), among others:</p> <p>(1) Internal control testing</p> <p>Testing the design and operating effectiveness of certain of the internal controls relevant to estimating the fair value less costs of disposal used for the impairment testing on goodwill allocated to the oncology area in North America, with a greater focus on controls relevant to the estimated future cash flows.</p> <p>(2) Assessment of the reasonableness of the</p>

<p>As described in Note 16, “Impairment of Non-financial Assets” to the consolidated financial statements, impairment losses amounting to ¥3,523 million were recognized on goodwill allocated to the oncology area in North America as a result of the impairment testing for the fiscal year ended March 31, 2023.</p> <p>In the current fiscal year, the fair value less costs of disposal was used as the recoverable amount in the impairment testing on goodwill in the oncology area in North America. The future cash flows used for measuring the fair value less costs of disposal were estimated based on the business plan of the oncology area in North America developed by management. Key assumptions underlying the projected revenue from new medicines being developed in the oncology area in North America, such as the planned launch schedules, the probability of success of research and development activities, and sales prices, among others, as well as the projected reduction of fixed costs, involved a high degree of estimation uncertainty. Accordingly, management’s judgement thereon had a significant effect on the estimated future cash flows. Moreover, selecting the calculation method and input data for estimating the discount rate used to measure the fair value less costs of disposal required a high degree of expertise in valuation.</p> <p>We, therefore, determined that our assessment of the reasonableness of the estimate of the recoverable amount used for the impairment testing on goodwill allocated to the oncology area in North America was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>estimated fair value less costs of disposal</p> <p>Inquiry of management and the personnel responsible for the oncology area in North America about the rationale for key assumptions, adopted in developing the business plan of the oncology area in North America that formed the basis for estimating future cash flows. In addition, assessment of the reasonableness of the estimated fair value less costs of disposal by performing the following:</p> <ul style="list-style-type: none"> <li>● compared the business plan that formed the basis for estimating the future cash flows with the business plan approved by management, for consistency;</li> <li>● compared key assumptions underlying the projected revenue from new medicines being developed, such as the planned launch schedules, the probability of success of research and development activities, and sales prices, with information obtained from external professional research organizations;</li> <li>● compared the management's point estimate associated with the projected reduction of fixed costs with the point estimate used alternative assumptions, inspecting the relevant documents and comparing with historical results;</li> <li>● compared key assumptions used for the accounting estimates in the current fiscal year with those in the previous year to examine whether the reasons for changes in assumptions made during the current fiscal year were appropriate in view of the current year circumstances; and</li> <li>● involved valuation specialists who assisted in the assessment of the reasonableness of the discount rate by comparing it with a rate independently estimated by the specialists using external information.</li> </ul>
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## Other Information

The other information comprises the information included in the “Consolidated Financial Statements”, but does not include the consolidated financial statements and our auditor’s report thereon.

We do not perform any work on the other information as we determine such information does not exist.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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 our 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express 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 whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, 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.
- 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 corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 corporate auditors 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.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 (3) to the consolidated financial statements.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We 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.

Hiroyuki Yamada  
Designated Engagement Partner  
Certified Public Accountant

Ayumu Nakajima  
Designated Engagement Partner  
Certified Public Accountant

Naoto Watanabe  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
June 21, 2023

**Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.