# Consolidated Financial Statements

Years ended March 31, 2025 and 2024

SUMITOMO CHEMICAL

## Consolidated Statement of Financial Position

| Millions of yen | Note | As of March 31, 2025 | As of March 31, 2024 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | 8 | ¥ 209,838 | ¥ 217,449 |
| Trade and other receivables | 9 | 593,836 | 620,022 |
| Other financial assets | 10 | 45,015 | 31,338 |
| Inventories | 11 | 625,243 | 709,637 |
| Other current assets | 12 | 49,993 | 79,077 |
| Subtotal | | 1,523,925 | 1,657,523 |
| Assets held for sale | 13 | 59,209 | 18,359 |
| Total current assets | | 1,583,134 | 1,675,882 |
| Non-current assets: | | | |
| Property, plant and equipment | 14 | 759,266 | 796,526 |
| Goodwill | 15 | 257,811 | 263,757 |
| Intangible assets | 15 | 239,319 | 272,921 |
| Investments accounted for using the equity method | 17 | 287,977 | 319,988 |
| Other financial assets | 10 | 177,405 | 412,747 |
| Retirement benefit assets | 24 | 72,618 | 110,390 |
| Deferred tax assets | 18 | 34,608 | 37,070 |
| Other non-current assets | 12 | 27,646 | 45,537 |
| Total non-current assets | | 1,856,650 | 2,258,936 |
| Total assets | | ¥ 3,439,784 | ¥ 3,934,818 |

| Millions of yen | Note | As of March 31, 2025 | As of March 31, 2024 |
|---|---|---|---|
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Bonds and borrowings | 19,21 | ¥ **252,892** | ¥ **585,905** |
| Trade and other payables | 23 | **488,132** | **543,384** |
| Other financial liabilities | 20,21,22 | **81,364** | **77,610** |
| Income taxes payable | | **10,627** | **8,545** |
| Provisions | 25 | **89,711** | **90,919** |
| Other current liabilities | 26 | **109,360** | **129,087** |
| Subtotal | | **1,032,086** | **1,435,450** |
| Liabilities directly associated with assets held for sale | 13 | **6,661** | **8,037** |
| Total current liabilities | | **1,038,747** | **1,443,487** |
| Non-current liabilities: | | | |
| Bonds and borrowings | 19,21 | **1,033,236** | **977,581** |
| Other financial liabilities | 20,21,22 | **91,157** | **100,144** |
| Retirement benefit liabilities | 24 | **24,841** | **30,589** |
| Provisions | 25 | **25,974** | **46,059** |
| Deferred tax liabilities | 18 | **111,048** | **121,146** |
| Other non-current liabilities | 26 | **40,366** | **51,446** |
| Total non-current liabilities | | **1,326,622** | **1,326,965** |
| Total liabilities | | **2,365,369** | **2,770,452** |
| **Equity** | | | |
| Share capital | 27 | **90,059** | **89,938** |
| Capital surplus | 27 | — | **237** |
| Retained earnings | 27 | **640,611** | **578,175** |
| Treasury shares | 27 | **(8,361)** | **(8,355)** |
| Other components of equity | 27 | **174,871** | **304,033** |
| Other comprehensive income associated with assets held for sale | | **3,610** | **1,725** |
| Equity attributable to owners of the parent | | **900,790** | **965,753** |
| Non-controlling interests | | **173,625** | **198,613** |
| Total equity | | **1,074,415** | **1,164,366** |
| Total liabilities and equity | | ¥ **3,439,784** | ¥ **3,934,818** |

## Consolidated Statement of Income

Fiscal years ended March 31, 2025 and 2024

| Millions of yen | Note | FY2024 | FY2023 |
|---|---|---|---|
| Sales revenue | 6,29 | ¥ 2,606,281 | ¥ 2,446,893 |
| Cost of sales | | (1,880,805) | (1,947,198) |
| Gross profit | | 725,476 | 499,695 |
| Selling, general and administrative expenses | 30 | (601,074) | (887,124) |
| Other operating income | 31 | 97,341 | 27,935 |
| Other operating expenses | 31 | (49,349) | (71,934) |
| Share of profit (loss) of investments accounted for using the equity method | 17 | 20,639 | (57,398) |
| Operating income (loss) | | 193,033 | (488,826) |
| Finance income | 32 | 17,650 | 72,997 |
| Finance expenses | 32 | (152,590) | (46,963) |
| Income (loss) before taxes | | 58,093 | (462,792) |
| Income tax expenses | 18 | (15,405) | (2,657) |
| Net income (loss) | | 42,688 | (465,449) |
| | | | |
| Net income (loss) attributable to: | | | |
| Owners of the parent | | 38,591 | (311,838) |
| Non-controlling interests | | 4,097 | (153,611) |
| Net income (loss) | | ¥ 42,688 | ¥ (465,449) |

| Yen | Note | FY2024 | FY2023 |
|---|---|---|---|
| Earnings per share: | 34 | | |
| Basic earnings (loss) per share | | 23.59 | (190.69) |
| Diluted earnings per share | | 23.58 | — |

## Consolidated Statement of Comprehensive Income

Fiscal years ended March 31, 2025 and 2024

| Millions of yen | Note | FY2024 | FY2023 |
|---|---|---|---|
| Net income (loss) | | ¥ **42,688** | ¥ **(465,449)** |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of financial assets (equity instruments) measured at fair value through other comprehensive income | 33 | **(32,471)** | **42,622** |
| Remeasurements of defined benefit plans | 24,33 | **(20,432)** | **(3,387)** |
| Share of other comprehensive income of investments accounted for using the equity method | 17,33 | **1,742** | **3,644** |
| Total items that will not be reclassified to profit or loss | | **(51,161)** | **42,879** |
| Items that may be subsequently reclassified to profit or loss | | | |
| Remeasurements of financial assets (debt instruments) measured at fair value through other comprehensive income | 33 | **(58)** | — |
| Cash flow hedge | 33,36 | **(180)** | **925** |
| Exchange differences on conversion of foreign operations | 33 | **(49,682)** | **104,619** |
| Share of other comprehensive income of investments accounted for using the equity method | 17,33 | **3,771** | **15,023** |
| Total items that may be subsequently reclassified to profit or loss | | **(46,149)** | **120,567** |
| Other comprehensive income, net of taxes | | **(97,310)** | **163,446** |
| Total comprehensive income | | **(54,622)** | **(302,003)** |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | **(53,967)** | **(187,380)** |
| Non-controlling interests | | **(655)** | **(114,623)** |
| Total comprehensive income | | ¥ **(54,622)** | ¥ **(302,003)** |

## Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2025

| | | Equity attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Other components of equity | |
| Millions of yen | Note | 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 |
| Balance as of April 1, 2024 | | ¥ 89,938 | ¥ 237 | ¥ 578,175 | ¥ (8,355) | ¥ 83,448 | ¥ — |
| Net income | | — | — | 38,591 | — | — | — |
| Other comprehensive income | 33 | — | — | — | — | (25,304) | (22,303) |
| Total comprehensive income | | — | — | 38,591 | — | (25,304) | (22,303) |
| Issuance of new shares | 27 | 120 | 120 | — | — | — | — |
| Purchase of treasury shares | 27 | — | — | — | (6) | — | — |
| Disposal of treasury shares | 27 | — | (0) | — | 0 | — | — |
| Dividends | 28 | — | — | (9,818) | — | — | — |
| Changes resulting from additions to consolidation | | — | — | — | — | — | — |
| Changes resulting from loss of control of subsidiaries | | — | — | 115 | — | — | — |
| Change in interest due to transactions with non-controlling interests | 37 | — | (1,413) | — | — | — | — |
| Transfer from other components of equity to retained earnings | | — | — | 34,604 | — | (56,907) | 22,303 |
| Others, net | | — | — | — | — | — | — |
| Transfer to other comprehensive income associated with assets held for sale | | — | — | — | — | (51) | — |
| Transfer of negative balance of other capital surplus | | — | 1,056 | (1,056) | — | — | — |
| Total transactions with owners | | 120 | (237) | 23,845 | (6) | (56,958) | 22,303 |
| Balance as of March 31, 2025 | | ¥ 90,059 | ¥ — | ¥ 640,611 | ¥ (8,361) | ¥ 1,186 | ¥ — |

| | | Equity attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Other components of equity | | | | | | |
| | Note | Cash flow hedges | Exchange differences on conversion of foreign operations | Total | Other comprehensive income associated with assets held for sale | Equity attributable to owners of the parent | Non-controlling interests | Total equity |
| Balance as of April 1, 2024 | | ¥ 319 | ¥ 220,266 | ¥ 304,033 | ¥ 1,725 | ¥ 965,753 | ¥ 198,613 | ¥ 1,164,366 |
| Net income | | — | — | — | — | 38,591 | 4,097 | 42,688 |
| Other comprehensive income | 33 | (232) | (40,803) | (88,642) | (3,916) | (92,558) | (4,752) | (97,310) |
| Total comprehensive income | | (232) | (40,803) | (88,642) | (3,916) | (53,967) | (655) | (54,622) |
| Issuance of new shares | 27 | — | — | — | — | 240 | — | 240 |
| Purchase of treasury shares | 27 | — | — | — | — | (6) | — | (6) |
| Disposal of treasury shares | 27 | — | — | — | — | 0 | — | 0 |
| Dividends | 28 | — | — | — | — | (9,818) | (11,695) | (21,513) |
| Changes resulting from additions to consolidation | | — | — | — | — | — | (154) | (154) |
| Changes resulting from loss of control of subsidiaries | | — | — | — | (115) | — | (7,869) | (7,869) |
| Change in interest due to transactions with non-controlling interests | 37 | — | — | — | — | (1,413) | (4,615) | (6,028) |
| Transfer from other components of equity to retained earnings | | — | — | (34,604) | — | — | — | — |
| Others, net | | — | — | — | — | — | — | — |
| Transfer to other comprehensive income associated with assets held for sale | | — | (5,865) | (5,916) | 5,916 | — | — | — |
| Transfer of negative balance of other capital surplus | | — | — | — | — | — | — | — |
| Total transactions with owners | | — | (5,865) | (40,520) | 5,801 | (10,996) | (24,333) | (35,329) |
| Balance as of March 31, 2025 | | ¥ 87 | ¥ 173,598 | ¥ 174,871 | ¥ 3,610 | ¥ 900,790 | ¥ 173,625 | ¥ 1,074,415 |

Fiscal year ended March 31, 2024

| 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 |
| Balance as of April 1, 2023 | | ¥ 89,810 | ¥ — | ¥ 891,552 | ¥ (8,349) | ¥ 81,869 | ¥ — |
| Net income (loss) | | — | — | (311,838) | — | — | — |
| Other comprehensive income | 33 | — | — | — | — | 24,972 | (4,940) |
| Total comprehensive income | | — | — | (311,838) | — | 24,972 | (4,940) |
| Issuance of new shares | 27 | 128 | 128 | — | — | — | — |
| Purchase of treasury shares | 27 | — | — | — | (5) | — | — |
| Disposal of treasury shares | 27 | — | 0 | — | 0 | — | — |
| Dividends | 28 | — | — | (19,628) | — | — | — |
| Changes resulting from additions to consolidation | | — | — | — | — | — | — |
| Changes resulting from loss of control of subsidiaries | | — | — | (290) | — | — | — |
| Change in interest due to transactions with non-controlling interests | 37 | — | 109 | — | — | — | — |
| Transfer from other components of equity to retained earnings | | — | — | 18,453 | — | (23,393) | 4,940 |
| Others, net | | — | — | (74) | — | — | — |
| Transfer to other comprehensive income associated with assets held for sale | | — | — | — | — | — | — |
| Transfer of negative balance of other capital surplus | | — | — | — | — | — | — |
| Total transactions with owners | | 128 | 237 | (1,539) | (5) | (23,393) | 4,940 |
| Balance as of March 31, 2024 | | ¥ 89,938 | ¥ 237 | ¥ 578,175 | ¥ (8,355) | ¥ 83,448 | ¥ — |

| | 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 | | | | |
| Balance as of April 1, 2023 | | ¥ (539) | ¥ 116,500 | ¥ 197,830 | ¥ 349 | ¥1,171,192 | ¥ 317,997 | ¥1,489,189 |
| Net income (loss) | | — | — | — | — | (311,838) | (153,611) | (465,449) |
| Other comprehensive income | 33 | 858 | 103,568 | 124,458 | — | 124,458 | 38,988 | 163,446 |
| Total comprehensive income | | 858 | 103,568 | 124,458 | — | (187,380) | (114,623) | (302,003) |
| Issuance of new shares | 27 | — | — | — | — | 256 | — | 256 |
| Purchase of treasury shares | 27 | — | — | — | — | (5) | — | (5) |
| Disposal of treasury shares | 27 | — | — | — | — | 0 | — | 0 |
| Dividends | 28 | — | — | — | — | (19,628) | (5,954) | (25,582) |
| Changes resulting from additions to consolidation | | — | — | — | — | — | 54 | 54 |
| Changes resulting from loss of control of subsidiaries | | — | 1,923 | 1,923 | (349) | 1,284 | — | 1,284 |
| Change in interest due to transactions with non-controlling interests | 37 | — | — | — | — | 109 | 1,139 | 1,248 |
| Transfer from other components of equity to retained earnings | | — | — | (18,453) | — | — | — | — |
| Others, net | | — | — | — | — | (74) | — | (74) |
| Transfer to other comprehensive income associated with assets held for sale | | — | (1,725) | (1,725) | 1,725 | — | — | — |
| Transfer of negative balance of other capital surplus | | — | — | — | — | — | — | — |
| Total transactions with owners | | — | 198 | (18,255) | 1,376 | (18,058) | (4,761) | (22,819) |
| Balance as of March 31, 2024 | | ¥ 319 | ¥ 220,266 | ¥ 304,033 | ¥ 1,725 | ¥ 965,753 | ¥ 198,613 | ¥1,164,366 |

## Consolidated Statement of Cash Flows

Fiscal years ended March 31, 2025 and 2024

| Millions of yen | Note | FY2024 | FY2023 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Income (loss) before taxes | | ¥ 58,093 | ¥ (462,792) |
| Depreciation and amortization | | 131,597 | 157,522 |
| Impairment losses | 16 | 26,312 | 269,389 |
| Share of (profit) loss of investments accounted for using the equity method | | (20,639) | 57,398 |
| Interest and dividend income | | (15,831) | (22,139) |
| Interest expenses | | 28,704 | 29,234 |
| Restructuring costs | | 23,583 | 48,397 |
| Changes in fair value of contingent consideration | | (2,427) | 1,562 |
| (Gain) loss on sale of property, plant and equipment, and intangible assets | | (14,339) | (1,215) |
| (Increase) decrease in trade receivables | | (21,964) | 34,798 |
| (Increase) decrease in inventories | | 56,532 | 78,554 |
| Increase (decrease) in trade payables | | (6,113) | (32,251) |
| Increase (decrease) in unearned revenue | | (23,064) | (11,543) |
| Increase (decrease) in provisions | | (326) | (50,143) |
| Others, net | | 53,416 | (67,240) |
| Subtotal | | 273,534 | 29,531 |
| Interest and dividends received | | 20,659 | 26,812 |
| Interest paid | | (27,478) | (28,060) |
| Income taxes paid | | (10,090) | (48,333) |
| Restructuring costs paid | | (23,598) | (31,267) |
| Net cash provided by (used in) operating activities | | 233,027 | (51,317) |
| Cash flows from investing activities: | | | |
| Net (increase) decrease in time deposits | | (6,968) | 3,336 |
| Net (increase) decrease in securities | | 2,910 | (3,953) |
| Purchase of property, plant and equipment, and intangible assets | | (130,465) | (152,873) |
| Proceeds from sales of property, plant and equipment, and intangible assets | | 16,816 | 1,959 |
| Purchase of investments in subsidiaries | | (196) | (1,019) |
| Purchase of other financial assets | | (4,117) | (5,273) |
| Proceeds from sales and redemption of other financial assets | | 179,970 | 97,963 |
| Increase in loan receivables | 38 | (86) | (67,825) |
| Proceeds from sale of subsidiaries | | 39,671 | 20,701 |
| Payments for sale of subsidiaries | | (11,614) | (2,469) |
| Others, net | | (692) | (2,787) |
| Net cash provided by (used in) investing activities | | 85,229 | (112,240) |
| Cash flows from financing activities: | | | |
| Net increase (decrease) in short-term borrowings | 21 | (226,165) | 26,405 |
| Net increase (decrease) in commercial paper | 21 | (37,000) | 29,000 |
| Proceeds from long-term borrowings | 21 | 153,978 | 67,113 |
| Repayments of long-term borrowings | 21 | (132,253) | (39,083) |
| Proceeds from issuance of bonds | 21 | 99,161 | 39,836 |
| Redemption of bonds | 21 | (120,000) | (30,000) |
| Repayments of finance lease liabilities | 21,22 | (19,201) | (18,619) |
| Proceeds from sale and leaseback transactions | | 6,700 | — |
| Cash dividends paid | 28 | (9,866) | (19,639) |
| Cash dividends paid to non-controlling interests | | (11,698) | (5,965) |
| Payments for acquisition of subsidiaries' interests from non-controlling interests | | (5,330) | — |
| Others, net | | 896 | 198 |
| Net cash provided by (used in) financing activities | | (300,778) | 49,246 |
| Effect of exchange rate changes on cash and cash equivalents | | (6,823) | 28,736 |
| Increase (decrease) in cash and cash equivalents | | 10,655 | (85,575) |
| Cash and cash equivalents at the beginning of the year | 8 | 217,449 | 305,844 |
| Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale | 13 | (18,266) | (2,820) |
| Cash and cash equivalents at the end of the period | 8 | ¥ 209,838 | ¥ 217,449 |

# Notes to Consolidated Financial Statements

**Sumitomo Chemical Company, Limited and Consolidated Subsidiaries**

**For the Years ended March 31, 2025 and 2024 (Fiscal year 2024 and Fiscal year 2023)**

## 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 "Agro & Life Solutions," "ICT & Mobility Solutions," "Advanced Medical Solutions," "Essential & Green Materials," and "Sumitomo Pharma." 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 312 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 1-2-1 of said ordinance.

The Group’s consolidated financial statements were approved on June 20, 2025 by Nobuaki Mito, 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 Material 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. Material 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.

The Company assesses whether there is any indication that investments in associates and joint ventures may be impaired, and if there is an indication of impairment, the Company performs an impairment test. The recoverable amount is calculated using fair value, for which market price is used.

### (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 to hedge foreign exchange fluctuation risk, etc. 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. 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. However, if the defined benefit plans are overfunded, net defined benefit assets are capped at the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
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 fiscal 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 businesses of such segments as “Agro & Life Solutions”, “ICT & Mobility Solutions” , “Advanced Medical Solutions”, “Essential & Green Materials”, and “Sumitomo Pharma”. For sales of 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 other than business combinations that affect neither accounting income nor taxable income, and do not give rise to equal taxable and deductible temporary differences at the time of the transaction.

・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.

The Group has applied the temporary relief of the “International Tax Reform-Pillar Two Model Rules (Amendments to IAS12)” announced in May 2023, and does not recognize or disclose deferred tax assets and deferred tax liabilities related to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules announced by the Organization for Economic Co-operation and Development (OECD).

**(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.

**(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) Changes in accounting policies**

1. Supplier Finance Arrangements - amendments to IAS 7 and IFRS 7

The Group has adopted the standard IAS 7 "Statement of Cash Flows" (amended in May 2023) and IFRS 7 "Financial Instruments: Disclosures" (amended in May 2023), (expanded disclosure of Supplier Finance Arrangements) effective for FY2024. These adoptions have no material impact on the consolidated financial statements.

2. Classification of liabilities as current or non-current and non-current liabilities with covenants - amendments to IAS 1

The Group has adopted the amendments to "Classification of liabilities as current or non-current and non-current liabilities with covenants" issued in January 2020 and October 2022, respectively, from FY2024. These adoptions have no material impact on the consolidated financial statements.

**(20) Changes in presentation**

(Consolidated statement of cash flows)

"Net (increase) decrease in time deposits" and "Payments for 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. "Proceeds from collection of 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, "Proceeds from collection of loan receivables" of ¥95 million and "Others, net" of ¥(2,015) million have been reclassified as "Net (increase) decrease in time deposits" of ¥3,336 million, "Payments for sale of subsidiaries" of ¥(2,469) million, and "Others, net" of ¥(2,787) 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 FY2025 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);
・Assessment of investments in joint ventures (Note 17 Investments Accounted for Using the Equity Method);
・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**

Major new and amended accounting standards and interpretations that the Group had not yet applied in FY2024, which were issued by the approval date of the consolidated financial statements, are as follows. The impact of applying the new IFRS standards on the Group is currently being assessed and cannot be estimated at this time.

| Standards | Name of standards | Effective date (Fiscal year starting on or after) | Timing of application by the Group | Description of new standards and amendments |
|---|---|---|---|---|
| IFRS 7<br>IFRS 9 | Financial Instruments: Disclosures<br>Financial Instruments | January 1, 2026 | FY2026 | ・ Clarifying the classification of financial assets (clarifying elements for assessing whether the contractual cash flows meet the solely payments of principal and interest (SPPI) criterion)<br>・ Clarifying the date of derecognition of financial liabilities settled through electronic cash transfer systems<br>・ Amendments to the disclosures for investments in equity instruments designated to be measured at fair value through other comprehensive income (FVTOCI) and financial instruments with contingent features that can change cash flows |
| IFRS 18 | Presentation and Disclosure in Financial Statements | January 1, 2027 | FY2027 | ・ Improved comparability in the statement of profit or loss (income statement)<br>・ Enhanced transparency of management-defined performance measures<br>・ More useful grouping of information in the financial statements |

## 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 the allocation of management resources and evaluate the business performance of 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.

The Group is advancing fundamental structural reforms and committed to its high growth strategy, in which it aims to contribute to solving social issues by leveraging innovative technologies and to continue to be a company with global presence. As part of the structural reforms, the Group implemented reorganization on October 1, 2024, establishing four new business sectors. Accordingly, effective Q3 FY2024, the Group changed its reportable segments from the five segments of "Essential Chemicals & Plastics," "Energy & Functional Materials," "IT-related Chemicals," "Health & Crop Sciences," and "Pharmaceuticals" into the five segments of "Agro & Life Solutions," "ICT & Mobility Solutions," "Advanced Medical Solutions," "Essential & Green Materials," and "Sumitomo Pharma."

The segment information for FY2023 has been reclassified to reflect the change of the reportable segments.

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

| Reportable Segment | Major Products and Services |
|---|---|
| Agro & Life Solutions | Crop protection chemicals, fertilizers, agricultural materials, household insecticides, products for control of infectious diseases, feed additives, etc. |
| ICT & Mobility Solutions | Optical products, semiconductor processing materials, compound semiconductor materials, touch screen sensor panels, high-purity aluminum and alumina, specialty chemicals, additives, engineering plastics, battery materials, etc. |
| Advanced Medical Solutions | Contract development and manufacturing organization business for advanced small-molecule drug, oligonucleotides, and regenerative medicine and cell therapy products, etc. |
| Essential & Green Materials | Synthetic resins, raw materials for synthetic fibers, various industrial chemicals, methyl methacrylate products, synthetic resin processed products, industrial aluminum and alumina, synthetic rubber, etc. |
| Sumitomo Pharma | Small molecule pharmaceuticals |

### (2) Reportable segments information

The accounting methods for each reportable segment are, in principle, identical to those set forth in Note 3 Material Accounting Policies. The segment profit or loss 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 2024

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Reportable segments | | | | | | | | |
| | Agro & Life Solutions | ICT & Mobility Solutions | Advanced Medical Solutions | Essential& Green Materials | Sumitomo Pharma | Total | Others (Note 2) | Adjustments (Note 3) | Consolidated |
| Sales revenue: | | | | | | | | | |
| Sales revenues from external customers | ¥ 540,221 | ¥ 606,995 | ¥ 62,145 | ¥ 899,029 | ¥ 398,001 | ¥ 2,506,391 | ¥ 99,890 | ¥ — | ¥ 2,606,281 |
| Inter-segment sales revenues | 1,114 | 3,258 | 10,388 | 4,874 | 529 | 20,163 | 65,195 | (85,358) | — |
| Total sales revenue | 541,335 | 610,253 | 72,533 | 903,903 | 398,530 | 2,526,554 | 165,085 | (85,358) | 2,606,281 |
| Segment profit (loss) : core operating income (loss) (Note 1) | ¥ 54,978 | ¥ 70,555 | ¥ 3,966 | ¥ (58,471) | ¥ 35,337 | ¥ 106,365 | ¥ 66,855 | ¥ (32,701) | ¥ 140,519 |
| Segment assets | 771,293 | 635,736 | 125,339 | 791,922 | 728,688 | 3,052,978 | 284,587 | 102,219 | 3,439,784 |
| Other items: | | | | | | | | | |
| Depreciation and amortization | 21,046 | 34,154 | 7,701 | 22,764 | 24,862 | 110,527 | 9,763 | 11,307 | 131,597 |
| Share of profit (loss) of investments accounted for using the equity method | 322 | 3 | — | 13,191 | (355) | 13,161 | 6,383 | 1,095 | 20,639 |
| Impairment losses | 6,066 | 2,724 | 7,895 | 2,802 | 5,463 | 24,950 | 1,340 | 22 | 26,312 |
| Investments accounted for using the equity method | 8,765 | 507 | — | 233,959 | — | 243,231 | 45,699 | (953) | 287,977 |
| Capital expenditures | 20,102 | 49,230 | 12,998 | 26,300 | 11,453 | 120,083 | 4,398 | 7,244 | 131,725 |

Note 1: ¥66,855 million for segment profit (core operating income) in "Others" includes ¥48,879 million for gain on business transfer.

Note 2: "Others" represents businesses such as radiopharmaceuticals, supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, and providing transport and warehousing, which are not included in reportable segments.

Note 3: Amounts in "Adjustments" are as follows:

(1) ¥(32,701) million for segment profit (loss) in "Adjustments" includes inter-segment elimination of ¥2,324 million and corporate expenses of ¥(35,025) million unallocated to each reportable segment. Corporate expenses are mainly research and development expenses for company-wide research, which are not treated as attributable to specific reportable segments.

(2) Segment assets in "Adjustments" are ¥102,219 million, which includes ¥(96,460) million in eliminations of inter-segment receivables and other assets, and ¥198,679 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 and development activities for company-wide research.

(3) Depreciation and amortization in "Adjustments" is ¥11,307 million, mainly related to the assets arising from research and development activities for company-wide research unallocated to each reportable segment.

(4) Investments accounted for using the equity method in "Adjustments" is ¥(953) million, which is eliminations of inter-segment transactions.

(5) Capital expenditures in "Adjustments" amounting to ¥7,244 million is mainly contributed by company-wide research activities that are not allocated to each reportable segment.

Fiscal year 2023

| | Millions of yen | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Reportable segments | | | | | | | | |
| | Agro & Life Solutions | ICT & Mobility Solutions | Advanced Medical Solutions | Essential & Green Materials | Sumitomo Pharma | Total | Others (Note 2) | Adjustments (Note 3) | Consolidated |
| Sales revenue: | | | | | | | | | |
| Sales revenues from external customers | **¥ 515,617** | **¥ 587,356** | **¥ 58,457** | **¥ 885,873** | **¥ 313,832** | **¥ 2,361,135** | **¥ 85,758** | **¥ —** | **¥ 2,446,893** |
| Inter-segment sales revenues | **1,979** | **3,730** | **14,922** | **5,122** | **95** | **25,848** | **76,895** | **(102,743)** | **—** |
| Total sales revenue | **517,596** | **591,086** | **73,379** | **890,995** | **313,927** | **2,386,983** | **162,653** | **(102,743)** | **2,446,893** |
| Segment profit (loss) : core operating income (loss) (Note 1) | **¥ 26,428** | **¥ 50,021** | **¥ 6,062** | **¥ (89,113)** | **¥ (126,449)** | **¥ (133,051)** | **¥ 11,599** | **¥ (27,597)** | **¥ (149,049)** |
| Segment assets | **842,801** | **649,554** | **118,356** | **953,367** | **899,601** | **3,463,679** | **425,991** | **45,148** | **3,934,818** |
| Other items: | | | | | | | | | |
| Depreciation and amortization | **22,892** | **35,507** | **6,490** | **34,259** | **37,125** | **136,273** | **9,644** | **11,605** | **157,522** |
| Share of profit (loss) of investments accounted for using the equity method | **360** | **4** | **—** | **(69,369)** | **(23)** | **(69,028)** | **11,314** | **316** | **(57,398)** |
| Impairment losses | **19,847** | **21,153** | **—** | **47,503** | **180,857** | **269,360** | **21** | **8** | **269,389** |
| Investments accounted for using the equity method | **8,662** | **504** | **—** | **205,143** | **360** | **214,669** | **106,328** | **(1,009)** | **319,988** |
| Capital expenditures | **27,828** | **61,874** | **7,870** | **29,190** | **16,338** | **143,100** | **5,896** | **9,409** | **158,405** |

Note 1: ¥26,428 million for segment profit (core operating income) in "Agro & Life Solutions" includes ¥8,623 million for gain on business transfer.

Note 2: "Others" represents businesses such as radiopharmaceuticals, supplying electrical power and steam, providing services for the design, engineering, and construction management of chemical plants, and providing transport and warehousing, which are not included in reportable segments.

Note 3: Amounts in "Adjustments" are as follows:

(1) ¥(27,597) million for segment profit (loss) in "Adjustments" includes inter-segment elimination of ¥886 million and corporate expenses of ¥(28,483) million unallocated to each reportable segment. Corporate expenses are mainly research and development expenses for company-wide research, which are not treated as attributable to specific reportable segments.

(2) Segment assets in "Adjustments" are ¥45,148 million, which includes ¥(116,300) million in eliminations of inter-segment receivables and other assets, and ¥161,448 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 and development activities for company-wide research.

(3) Depreciation and amortization in "Adjustments" is ¥11,605 million, mainly related to the assets arising from research and development activities for company-wide research unallocated to each reportable segment.

(4) Investments accounted for using the equity method in "Adjustments" is ¥(1,009) million, which is eliminations of inter-segment transactions.

(5) Capital expenditures in "Adjustments" amounting to ¥9,409 million is mainly contributed by company-wide research activities that are not allocated to each reportable segment.

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

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Segment profit (loss) | **¥ 140,519** | **¥ (149,049)** |
| Share of profit (loss) of investments accounted for using the equity method (non-recurring factors) | **83,569** | **(4,830)** |
| Gains on sale of property, plant and equipment, and intangible assets | **14,339** | **1,215** |
| Gains (losses) on fair value measurement of the residual interest | **9,449** | **(2,477)** |
| Changes in fair value of contingent consideration | **2,427** | **(1,562)** |
| Impairment losses | **(26,312)** | **(269,389)** |
| Restructuring costs | **(23,583)** | **(48,397)** |
| Others, net | **(7,375)** | **(14,337)** |
| Operating income (loss) | **193,033** | **(488,826)** |
| Finance income | **17,650** | **72,997** |
| Finance expenses | **(152,590)** | **(46,963)** |
| Income (loss) before taxes | **¥ 58,093** | **¥ (462,792)** |

Note: The breakdown of share of profit (loss) of investments accounted for using the equity method included in operating income (loss) is as follows:

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Share of profit (loss) of investments accounted for using the equity method | **¥ 20,639** | **¥(57,398)** |
| Of which resulting from recurring factors | **(62,930)** | **(52,568)** |
| Of which resulting from non-recurring factors | **83,569** | **(4,830)** |

**(3) Geographic information**

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

**Sales revenues from external customers**

**Fiscal year 2024**

| Millions of yen | | | | | |
|---|---|---|---|---|---|
| Japan | China | North America<br>Of which: the U.S. | Southeast Asia | Others | Total |
| **¥ 784,907** | **¥ 394,545** | **¥ 419,075**<br>**403,098** | **¥ 265,423** | **¥ 742,331** | **¥ 2,606,281** |

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

Fiscal year 2023

| Millions of yen | | | | | |
|---|---|---|---|---|---|
| Japan | China | North America<br>Of which: the U.S. | Southeast Asia | Others | Total |
| **¥ 782,048** | **¥ 384,247** | **¥ 326,530**<br>**309,644** | **¥ 245,563** | **¥ 708,505** | **¥ 2,446,893** |

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

**Non-current assets**

**As of March 31, 2025**

| Millions of yen | | | |
|---|---|---|---|
| Japan | North America<br>Of which: the U.S. | Others | Total |
| **¥ 516,145** | **¥ 497,543**<br>**497,473** | **¥ 270,354** | **¥ 1,284,042** |

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, 2024

| Millions of yen | | | |
|---|---|---|---|
| Japan | North America<br>Of which: the U.S. | Others | Total |
| **¥ 558,400** | **¥ 500,612**<br>**500,511** | **¥ 319,729** | **¥ 1,378,741** |

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 2024**

There are no significant business combinations in FY2024.

Fiscal year 2023

There are no significant business combinations in FY2023.

**(2) Contingent consideration**

As for the acquisitions of Tolero Pharmaceuticals, Inc. (hereinafter, “Tolero”, currently known as Sumitomo Pharma America, Inc.), contingent considerations are to be additionally paid to former shareholders upon the achievement of predetermined milestones.

As for the acquisition of Tolero, consideration for the acquisition amounting to $205 million (¥23,272 million) has been paid through FY2024, and a maximum amount of $90 million (¥13,458 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 (¥22,430 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 ¥35,888 million (undiscounted) and ¥54,479 million (undiscounted) as of March 31, 2025 and 2024, 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, 2025 | March 31, 2024 |
| Cash and deposits | ¥ 209,838 | ¥ 217,017 |
| Short-term investments | — | 432 |
| Total | ¥ 209,838 | ¥ 217,449 |

### 9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

| | Millions of yen | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| Trade notes and accounts receivable | ¥ 513,070 | ¥ 537,707 |
| Other receivables | 77,249 | 72,091 |
| Others | 3,517 | 10,224 |
| Total | ¥ 593,836 | ¥ 620,022 |

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

Among accounts receivable, receivables held for collection and sale are classified as debt financial instruments measured at fair value through other comprehensive income.

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, 2025 | March 31, 2024 |
| Financial assets measured at fair value through OCI: | | |
| Shares and investments | ¥ 173,708 | ¥ 293,250 |
| Financial assets measured at fair value through profit or loss: | | |
| Loan receivables | — | 114,968 |
| Long-term accrued interests | — | 910 |
| Derivative assets | 1,025 | 756 |
| Others | 13,856 | 16,475 |
| Financial assets measured at amortized cost: | | |
| Loan receivables | 988 | 1,172 |
| Others | 32,843 | 16,554 |
| Total | ¥ 222,420 | ¥ 444,085 |
| Current assets | 45,015 | 31,338 |
| Non-current assets | 177,405 | 412,747 |
| Total | ¥ 222,420 | ¥ 444,085 |

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, 2025 | March 31, 2024 |
| Marketable | ¥ 101,283 | ¥ 212,529 |
| Non-marketable | 72,425 | 80,721 |
| Total | ¥ 173,708 | ¥ 293,250 |

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

| Issue | March 31, 2025 | March 31, 2024 |
|---|---|---|
| | Millions of yen | |
| Sumitomo Bakelite Co., Ltd. | **¥ 30,818** | **¥ —** |
| Inabata & Co., Ltd. | **17,725** | **17,753** |
| Nippon Shokubai Co., Ltd. | **9,504** | **14,368** |
| Roivant Sciences Ltd. | **—** | **113,647** |

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 FY2024 and FY2023 are as follows:

| Millions of yen | | | |
|---|---|---|---|
| FY2024 | | FY2023 | |
| Fair Value | Cumulative gains (losses) | Fair Value | Cumulative gains (losses) |
| **¥ 153,242** | **¥ 83,116** | **¥ 70,091** | **¥ 46,521** |

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 ¥56,907 million and ¥23,393 million for FY2024 and FY2023, respectively.

**11. Inventories**

The breakdown of Inventories is as follows:

| | March 31, 2025 | March 31, 2024 |
|---|---|---|
| | Millions of yen | |
| Merchandise and finished goods | **¥ 382,022** | **¥ 437,953** |
| Raw materials and supplies | **216,768** | **238,956** |
| Work in process | **26,453** | **32,728** |
| Total | **¥ 625,243** | **¥ 709,637** |

Write-downs of inventories recognized as expenses are ¥20,519 million and ¥29,224 million for FY2024 and FY2023, respectively.

**12. Other Assets**

The breakdown of other assets is as follows:

| | March 31, 2025 | March 31, 2024 |
|---|---|---|
| | Millions of yen | |
| Prepaid expenses | **¥ 25,361** | **¥ 37,471** |
| Income taxes receivable | **10,323** | **28,290** |
| Advance payment | **3,210** | **3,408** |
| Others | **38,745** | **55,445** |
| Total | **¥ 77,639** | **¥ 124,614** |
| Current assets | **49,993** | **79,077** |
| Non-current assets | **27,646** | **45,537** |
| Total | **¥ 77,639** | **¥ 124,614** |

### 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, 2025 | March 31, 2024 |
| Assets held for sale: | | |
| Cash and cash equivalents | ¥ 22,224 | ¥ 3,958 |
| Trade and other receivables | 16,872 | 6,311 |
| Inventories | 7,426 | 1,633 |
| Property, plant and equipment | 5,276 | 4,960 |
| Others | 7,411 | 1,497 |
| Total | ¥ 59,209 | ¥ 18,359 |
| Liabilities directly associated with assets held for sale: | | |
| Trade and other payables | ¥ 4,041 | ¥ 3,549 |
| Bonds and borrowings | — | 1,437 |
| Other current liabilities | 1,185 | 579 |
| Others | 1,435 | 2,472 |
| Total | ¥ 6,661 | ¥ 8,037 |

(Change in presentation)

“Other financial assets” and “Retirement benefit liabilities,” which were presented separately in the previous fiscal year, are included in “Others” of Assets held for sale and “Others” of Liabilities directly associated with assets held for sale in this fiscal year due to decreased quantitative materiality. As a result, “Other financial assets” of ¥760 million and “Retirement benefit liabilities” of ¥1,267 million have been reclassified as “Others” of Assets held for sale of ¥1,497 million, “Others” of Liabilities directly associated with assets held for sale of ¥2,472 million.

The major assets held for sale and liabilities directly associated with assets held for sale as of March 31,2025 are as follows.
On April 1, 2025, Sumitomo Pharma Co., Ltd., a subsidiary of the Company’s resolved to transfer the Asian business of Sumitomo Pharma’s wholly owned subsidiaries, Sumitomo Pharma (China) Co., Ltd. and Sumitomo Pharma Asia Pacific Pte. Ltd., along with their subsidiaries, to Marubeni Global Pharma Corporation.
As a result, the Company classified the relevant assets and liabilities directly associated with the assets held for sale as assets held for sales group as of March 31, 2025. The disposal group held for sale belongs to the Sumitomo Pharma segment.
In December 2024, the Company decided to transfer all of the shares that the Group holds in XUYOU Electronic Materials (Wuxi) Co., Ltd. and Sumika Huabei Electronic Materials (Beijing) Co.,Ltd. to Hubei Sunnytomo Optoelectronics Co., Ltd. and concluded a share transfer agreement. It is highly probable that XUYOU Electronic Materials (Wuxi) Co., Ltd. and Sumika Huabei Electronic Materials (Beijing) Co.,Ltd. will cease to be the Company’s group companies as a result of this transfer. Therefore, the assets associated with XUYOU Electronic Materials (Wuxi) Co., Ltd. and Sumika Huabei Electronic Materials (Beijing) Co.,Ltd. and the liabilities directly associated with these assets have been classified as a disposal group held for sale as of March 31, 2025. The transfer of shares in XUYOU Electronic Materials (Wuxi) Co., Ltd. was completed in the first quarter of FY2025. It is planned to complete the transfer of shares in Sumika Huabei Electronic Materials (Beijing) Co.,Ltd. from the first quarter of FY2025. The disposal group held for sale belongs to the ICT & Mobility Solutions segment.
In addition, in February 2025, the Company decided to transfer all of shares in Sumitomo Chemical Garden Products Inc. to Dainihon Jochugiku Co., Ltd. and concluded a share transfer agreement. It is highly probable that Sumitomo Chemical Garden Products Inc. will cease to be a subsidiary of the Company as a result of this transfer. Therefore, the assets associated with Sumitomo Chemical Garden Products Inc. and the liabilities directly associated with these assets have been classified as a disposal group held for sale as of March 31, 2025. It is planned to complete the transfer of shares from the second quarter of FY2025. The disposal group held for sale belongs to the Agro & Life Solutions segment.

Assets held for sale and liabilities directly associated with assets held for sale as of March 31,2024 are as follows.
In March 2024, the Company decided to transfer its shares in Sumika Color Co., Ltd. to Nippon Pigment Company Limited, and concluded a share transfer agreement. It became highly probable that Sumika Color Co., Ltd. would cease to be a

subsidiary of the Company as a result of this transfer. Therefore, the assets associated with Sumika Color Co., Ltd. and the liabilities directly associated with these assets were classified as a disposal group held for sale as of March 31, 2024. The disposal group held for sale belonged to the Essential & Green Materials segment.

The transfer of shares was completed in April 2024.

In addition, in March 2024, the Company decided to transfer all of the shares that the Group holds in Sumika Electronic Materials (Hefei) Co., Ltd. and Sumika Electronic Materials (Chongqing) Co., Ltd. to Zhenjiang Runjing High Purity Chemical Technology Co., Ltd., and concluded a share transfer agreement. It became highly probable that Sumika Electronic Materials (Hefei) Co., Ltd. and Sumika Electronic Materials (Chongqing) Co., Ltd. would cease to be the Company's group companies as a result of this transfer. Therefore, the assets associated with Sumika Electronic Materials (Hefei) Co., Ltd. and Sumika Electronic Materials (Chongqing) Co., Ltd. and the liabilities directly associated with these assets have been classified as a disposal group held for sale as of March 31, 2024. The disposal group held for sale belonged to the ICT & Mobility Solutions segment.

The transfer of shares was completed in May 2024.

## 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 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Tools, furniture and fixtures | Right-of-use assets | Construction in progress | Total |
| April 1, 2023 | ¥ 91,523 | ¥ 256,084 | ¥ 257,921 | ¥ 29,223 | ¥105,651 | ¥ 88,953 | ¥ 829,355 |
| Additions | — | — | — | — | 14,112 | 147,819 | 161,931 |
| Acquisitions through business combinations | 25 | 2 | 49 | 16 | 82 | — | 174 |
| Sales and disposals | (116) | (794) | (1,766) | (497) | (2,253) | (661) | (6,087) |
| Transfer to assets held for sale | (1,401) | (1,778) | (1,323) | (216) | (241) | (1) | (4,960) |
| Changes resulting from loss of control of subsidiaries | (23) | (3) | (32) | (71) | (738) | (171) | (1,038) |
| Reclassification | 126 | 20,889 | 92,780 | 10,632 | — | (124,427) | — |
| Depreciation | — | (20,362) | (67,658) | (11,314) | (17,906) | — | (117,240) |
| Impairment losses | (518) | (18,107) | (48,087) | (457) | (4,383) | (14,640) | (86,192) |
| Exchange differences on conversion of foreign operations | 2,157 | 9,540 | 8,020 | 790 | 6,134 | 4,408 | 31,049 |
| Others | 69 | (3,359) | (2,886) | 1,317 | (144) | (5,463) | (10,466) |
| March 31, 2024 | ¥ 91,842 | ¥ 242,112 | ¥ 237,018 | ¥ 29,423 | ¥100,314 | ¥ 95,817 | ¥796,526 |
| Additions | — | — | — | — | 11,284 | 131,048 | 142,332 |
| Acquisitions through business combinations | — | — | — | — | — | — | — |
| Sales and disposals | (4,343) | (633) | (840) | (238) | (782) | (1,824) | (8,660) |
| Transfer to assets held for sale | (491) | (1,413) | (2,289) | (276) | (657) | (150) | (5,276) |
| Changes resulting from loss of control of subsidiaries | (6,005) | (7,756) | (3,361) | (778) | (1,449) | 137 | (19,212) |
| Reclassification | 2,238 | 37,669 | 57,203 | 11,938 | — | (109,048) | — |
| Depreciation | — | (18,949) | (53,841) | (11,163) | (17,793) | — | (101,746) |
| Impairment losses | — | (5,696) | (9,545) | (148) | (1,101) | (1,628) | (18,118) |
| Exchange differences on conversion of foreign operations | (1,641) | (5,138) | (3,166) | (318) | (808) | (3,452) | (14,523) |
| Others | 21 | (2,518) | (2,715) | 776 | (58) | (7,563) | (12,057) |
| March 31, 2025 | ¥ 81,621 | ¥ 237,678 | ¥ 218,464 | ¥ 29,216 | ¥88,950 | ¥ 103,337 | ¥759,266 |

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 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Tools, furniture and fixtures | Right-of-use assets | Construction in progress | Total |
| April 1, 2023 | ¥92,546 | ¥748,996 | ¥1,976,772 | ¥206,617 | ¥158,898 | ¥ 95,290 | ¥3,279,119 |
| March 31, 2024 | 93,178 | 775,468 | 2,022,185 | 211,416 | 156,922 | 116,308 | 3,375,477 |
| March 31, 2025 | ¥81,804 | ¥744,152 | ¥1,889,592 | ¥204,953 | ¥156,702 | ¥118,420 | ¥3,195,623 |

### Accumulated Depreciation and impairment losses

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Tools, furniture and fixtures | Right-of-use assets | Construction in progress | Total |
| April 1, 2023 | ¥ 1,023 | ¥492,912 | ¥1,718,851 | ¥177,394 | ¥53,247 | ¥ 6,337 | ¥2,449,764 |
| March 31, 2024 | 1,336 | 533,356 | 1,785,167 | 181,993 | 56,608 | 20,491 | 2,578,951 |
| March 31, 2025 | ¥ 183 | ¥506,474 | ¥1,671,128 | ¥175,737 | ¥67,752 | ¥ 15,083 | ¥2,436,357 |

### (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 | | | | |
|---|---|---|---|---|---|
| | Land | Buildings and structures | Machinery and vehicles | Tools, furniture and fixtures | Total |
| April 1, 2023 | ¥ 30,627 | ¥ 62,051 | ¥ 12,863 | ¥ 110 | ¥ 105,651 |
| March 31, 2024 | 31,733 | 52,191 | 16,226 | 164 | 100,314 |
| March 31, 2025 | ¥ 29,840 | ¥ 45,016 | ¥ 13,972 | ¥ 122 | ¥ 88,950 |

### 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 | | | | | |
|---|---|---|---|---|---|---|
| | | Intangible assets | | | | |
| | Goodwill | Research and development costs | Patents | Software | Others | Total |
| April 1, 2023 | ¥ 266,868 | ¥ 13,526 | ¥ 310,173 | ¥ 27,102 | ¥ 53,195 | ¥ 403,996 |
| Additions | — | 2,258 | 810 | 6,721 | 2,060 | 11,849 |
| Acquisitions through business combinations | 1,210 | — | — | — | 39 | 39 |
| Sales and disposals | — | — | (6) | (195) | (189) | (390) |
| Transfer to assets held for sale | — | — | — | (2) | (439) | (441) |
| Changes resulting from loss of control of subsidiaries | — | — | — | (16) | (400) | (416) |
| Amortization | — | (96) | (24,924) | (7,932) | (5,732) | (38,684) |
| Impairment losses | (38,319) | (10,577) | (133,584) | (212) | (223) | (144,596) |
| Exchange differences on conversion of foreign operations | 32,864 | 904 | 33,185 | 571 | 6,198 | 40,858 |
| Others | 1,134 | (288) | 1 | 364 | 629 | 706 |
| March 31, 2024 | ¥ 263,757 | ¥ 5,727 | ¥ 185,655 | ¥ 26,401 | ¥ 55,138 | ¥ 272,921 |
| Additions | — | 376 | 3,323 | 6,576 | 292 | 10,567 |
| Acquisitions through business combinations | 779 | — | — | 305 | — | 305 |
| Sales and disposals | — | — | — | (405) | (35) | (440) |
| Transfer to assets held for sale | — | (2,774) | — | (826) | (797) | (4,397) |
| Changes resulting from loss of control of subsidiaries | — | — | (710) | (255) | (11) | (976) |
| Amortization | — | (133) | (14,619) | (7,616) | (5,437) | (27,805) |
| Impairment losses | (1,321) | — | (4,712) | (460) | (518) | (5,690) |
| Exchange differences on conversion of foreign operations | (5,825) | (367) | (1,910) | (151) | (3,506) | (5,934) |
| Others | 421 | (1) | 617 | (811) | 963 | 768 |
| March 31, 2025 | ¥ 257,811 | ¥ 2,828 | ¥ 167,644 | ¥ 22,758 | ¥ 46,089 | ¥ 239,319 |

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 of which amortization has not started. In addition, there exists a risk of impairment losses to be incurred due to failure in product commercialization due to the inherent uncertainties in the research and development processes, and due to a decrease in the profitability associated with changes in market environment and other factors. The carrying amounts of the intangible assets with indefinite useful lives are ¥463 million and ¥3,249 million as of March 31, 2025 and 2024, respectively.

Note 3: “Others” includes customer-related assets for Agro & Life Solutions segment, marketing rights for Sumitomo Pharma segment and others.

**Acquisition cost**

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | | Intangible assets | | | | |
| | Goodwill | Research and development costs | Patents | Software | Others | Total |
| April 1, 2023 | ¥ 280,628 | ¥ 100,096 | ¥ 508,648 | ¥ 100,073 | ¥127,510 | ¥ 836,327 |
| March 31, 2024 | 319,249 | 115,619 | 572,109 | 107,735 | 136,198 | 931,661 |
| March 31, 2025 | ¥ 315,973 | ¥ 110,754 | ¥ 567,772 | ¥ 104,377 | ¥130,619 | ¥ 913,522 |

**Accumulated amortization and impairment losses**

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | | Intangible assets | | | | |
| | Goodwill | Research and development costs | Patents | Software | Others | Total |
| April 1, 2023 | **¥ 13,760** | **¥ 86,570** | **¥ 198,475** | **¥ 72,971** | **¥ 74,315** | **¥ 432,331** |
| March 31, 2024 | **55,492** | **109,892** | **386,454** | **81,334** | **81,060** | **658,740** |
| March 31, 2025 | **¥ 58,162** | **¥ 107,926** | **¥ 400,128** | **¥ 81,619** | **¥ 84,530** | **¥ 674,203** |

**(2) Material intangible assets**

Material intangible assets recorded in the consolidated statement of financial position are patents. They are acquired through the acquisition of Myovant Sciences Ltd. (currently: Sumitomo Pharma UK Holdings, Ltd.), and Urovant Sciences Ltd. (currently: Sumitomo Pharma UK Holdings, Ltd.) by Sumitomo Pharma and its subsidiaries.

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

| | | | Millions of yen | | Year |
|---|---|---|---|---|---|
| | | | Carrying amount | | Remaining period of amortization |
| | | | March 31, 2025 | March 31, 2024 | March 31, 2025 |
| Sumitomo Pharma UK Holdings, Ltd. | MYFEMBREE ® | Patents | **¥ 9,734** | **¥ 10,640** | **13** |
| | ORGOVYX® | Patents | **63,782** | **69,714** | **13** |
| | GEMTESA® | Patents | **92,246** | **98,535** | **16** |

**(3) Research and development costs**

Research and development costs recognized in the consolidated statement of income are ¥145,192 million and ¥184,030 million for FY2024 and FY2023, respectively.

## 16. Impairment of Non-financial Assets

### (1) Impairment losses

**Fiscal year 2024**

Impairment losses recognized for FY2024 are ¥26,312 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:

| | | | | Millions of yen |
|---|---|---|---|---|
| Location | Usage | Class of assets | Reportable segment | Impairment losses |
| China | Crop protection chemicals intermediate production facilities | Machinery and vehicles, etc. | Agro & Life Solutions | **¥ 5,137** |
| Chiba, Japan | Multi-plant structure for producing fine chemicals | Buildings and structures, machinery and vehicles, etc. | Advanced Medical Solutions | **4,529** |
| Osaka, Japan | Patent of pharmaceuticals (TWYMEEG®) | Patent | Sumitomo Pharma | **4,175** |
| Ehime, Japan | Essential & Green Materials production facilities, etc. | Machinery and vehicles, etc. | Essential & Green Materials, etc. | **3,248** |

Details of the impairment losses

- Crop protection chemicals intermediate production facilities ¥5,137 million
  (Buildings and structures ¥1,869 million; Machinery and vehicles ¥2,042 million; Others ¥1,225 million)
- Multi-plant structure for producing fine chemicals ¥4,529 million
  (Buildings and structures ¥2,415 million; Machinery and vehicles ¥2,085 million; Others ¥29 million)
- Patent of pharmaceuticals (TWYMEEG®) ¥4,175 million
  (Patent ¥4,175 million)
- Essential & Green Materials production facilities, etc. ¥3,248 million
  (Buildings and structures ¥810 million; Machinery and vehicles ¥2,359 million; Others ¥78 million)

In the Agro & Life Solutions segment, in accordance with the sale of shares in Chinese subsidiaries, the entire carrying amount of the property, plant, and equipment was impaired because the sales price was expected to be lower than the carrying amount. In the impairment test, the recoverable amount was measured based on the fair value less costs of disposal, and the fair value less costs of disposal was based on the sales price. Because the valuation technique uses inputs that are not observable market data, the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

In the Advanced Medical Solutions segment, regarding the multi-plant structure for producing fine chemicals, because of an anticipated deterioration in the business environment and decline in profitability, an impairment test was performed. As a result, because the recoverable amount was less than the carrying amount, the carrying amount was impaired to the recoverable amount of ¥6,909 million. The recoverable amount of the assets was measured by their value in use, and the value in use was calculated by discounting future cash flows at a discount rate of 10.3% (before taxes).

In the Sumitomo Pharma segment, the profitability of patent right associated with TWYMEEG® (therapeutic agent for type 2 diabetes) was no longer expected. As a result, the entire carrying amount was impaired. The recoverable amount was measured based on the fair value less costs of disposal, and the fair value less costs of disposal was determined by the present value of estimated future cash flows based on the past experience and external information. Because the valuation technique uses inputs that are not observable market data, the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

In the Essential & Green Materials segment, etc., regarding the production facilities of Ehime Works, because the profitability of the business declined due to weak demand and lower market prices, the entire carrying amount was impaired. The recoverable amount in the impairment test uses value in use, and the disclosure of discount rate is omitted because the

future cash flows are negative.
The major items of individually immaterial impairment losses are related to tangible assets such as machinery, equipment, and vehicles, and intangible assets, such as patent, in the Company's business. Impairment losses are recorded because the recoverable amount was less than the carrying amount due to a decline in forecasted revenue.

At impairment tests for property, plant and equipment, goodwill, and intangible assets, the recoverable amount is measured as the higher of its value in use or its fair value less costs of disposal after CGUs are determined. The assumptions used to measure the fair value less costs of disposal, or the assumptions, discount rates, and other factors used to estimate future cash flows expected during the period in use and upon their disposal after use for CGUs, which are the basis for measuring the value in use, might be affected by uncertain future changes in economic conditions.

Fiscal year 2023
Impairment losses recognized for FY2023 are ¥269,389 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:

| | | | | Millions of yen |
|---|---|---|---|---|
| Location | Usage | Class of assets | Reportable segment | Impairment losses |
| U.S. | Patent of pharmaceuticals (MYFEMBREE®) | Patent | Sumitomo Pharma | **¥ 133,457** |
| U.S. | Goodwill of pharmaceuticals | Goodwill | Sumitomo Pharma | **35,858** |
| Chiba, Japan | Essential & Green Materials production facilities and common facilities at Chiba Works | Machinery and vehicles, etc. | Essential & Green Materials, etc. | **25,381** |
| Ehime, Japan | Methionine production facilities | Machinery and vehicles, etc. | Agro & Life Solutions | **16,776** |
| Singapore | Methacrylate production facilities | Machinery and vehicles, etc. | Essential & Green Materials, etc. | **14,891** |
| Ehime, Japan | Calcination demonstration facilities for cathode material | Construction in progress, etc. | ICT & Mobility Solutions | **11,566** |

Details of the impairment losses
・Patent of pharmaceuticals (MYFEMBREE®) ¥133,457 million
(Patent ¥133,457 million)
・Goodwill of pharmaceuticals ¥35,858 million
(Goodwill ¥35,858 million)
・Essential & Green Materials production facilities and common facilities at Chiba Works ¥25,381 million
(Buildings and structures ¥7,509 million; Machinery and vehicles ¥17,872 million)
・Methionine production facilities ¥16,776 million
(Buildings and structures ¥1,875 million; Machinery and vehicles ¥14,603 million; Others ¥299 million)
・Methacrylate production facilities ¥14,891 million
(Buildings and structures ¥2,913 million; Machinery and vehicles ¥8,666 million; Right-of-use assets ¥3,313 million)
・Calcination demonstration facilities for cathode material ¥11,566 million
(Construction in progress ¥11,518 million; Others ¥48 million)

In the Sumitomo Pharma segment, due to the revision of the business forecast in North America, the anticipated revenue of patent rights associated with MYFEMBREE® (therapeutic agent for Uterine fibroids and Endometriosis) was no longer expected. As a result, the carrying amount was reduced to the recoverable amount of ¥10,640 million. The recoverable amount was measured based on the fair value less costs of disposal and the fair value less costs of disposal was measured using estimates of the future cash flows, based on historical experience and external information, discounted to present

value. Because this valuation technique uses inputs that are not observable market data, the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy. The discount rate used in the impairment test of patent rights was 15.8% (before taxes). In addition, regarding goodwill related to the North America business, the recoverable amount of CGUs, including goodwill, of ¥307,627 million, fell below the carrying amount, and therefore the carrying amount of the goodwill was written down to a recoverable amount.
In the Essential & Green Materials segment, etc., the carrying amount of Essential & Green Materials production facilities and the common facilities in Chiba Works, and the methacrylate production facilities in Singapore were impaired to the recoverable amounts of ¥9,036 million, ¥5,152 million, and ¥15,822 million, respectively. It was because the profitability of the business declined due to weak demand caused by the deteriorating business environment and lower selling price. The recoverable amount of each asset was measured by its value in use, which was calculated by discounting future cashflows at a discount rate of 9.4% to 15.6% (before taxes).
Regarding the methionine production facilities in the Agro & Life Solutions segment, due to higher costs stemming from sharply higher prices for raw materials and fuel, as well as a deterioration in the demand and supply environment, which led to lower selling prices, the carrying amount was written down to the recoverable amount in FY2022. Initially, the decline in demand was expected to be temporary, but due to the economic downturn caused by global inflation, demand has remained weak for a longer period, and selling prices have not increased as much as originally anticipated. Therefore, the Company reviewed the forecast of the earnings of its methionine business, and the entire carrying amount was impaired. The recoverable amount in the impairment test uses value in use, and the discount rate is omitted because the future cash flows are negative.
Regarding the calcination demonstration facilities for cathode material in the ICT & Mobility Solutions segment, the Company carried out an impairment test since the profitability was expected to decline as a result of the revision of its business plan. As a result of the revision of forecasted revenue, the entire carrying amount was impaired.
The major items of individually immaterial impairment losses are related to tangible assets such as machinery, equipment, and vehicles, and intangible assets, such as in-process research and development, in the Company's business. Impairment losses are recorded because the recoverable amount was less than the carrying amount due to a decline in forecasted revenue.

**(2) Reversal of impairment losses**

**Fiscal year 2024**

There is no material reversal of impairment losses in FY2024.
A reversal of impairment losses of ¥274 million was recorded in the Sumitomo Pharma segment.

Fiscal year 2023

There is no reversal of impairment losses in FY2023.

**(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 ¥257,811 million and ¥263,757 million as of March 31, 2025 and 2024, respectively. The carrying amounts of goodwill associated with the Sumitomo Pharma segment are as follows:

| | Millions of yen | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| North America | **¥ 197,406** | **¥ 199,783** |
| Total | **¥ 197,406** | **¥ 199,783** |

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 approved business plan. The fair value less costs of disposal is measured using estimates of the future cash flows, based on historical experience and external information, discounted to present value. This measurement includes, for products that are already on the market, forecasts of profits and fixed costs based on the sales prices of the products, the market size of the disease area to which the products belong, the market share of the products, and other factors, and for major products under development, forecasts of profits and fixed costs, etc. for the products taking into account the probability of success of research and development activities, and other factors.

For impairment tests of goodwill for North America in FY2023, fair value less costs of disposal was measured by discounting estimates of the future cash flows, based on forecasts for the next 15 years considering a perpetual growth rate of 2.1%, to present value, then deducting estimated disposal costs. For impairment tests of goodwill for North America in FY2024, fair value less costs of disposal was measured by discounting estimates of the future cash flows, based on forecasts for the next 17 years considering a perpetual growth rate of 2.2%, to present value, then deducting estimated disposal costs. Because this valuation technique uses inputs that are not observable market data, the fair value less costs of disposal is classified 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 12.4% and 14.5% for FY2024 and FY2023, respectively.

As a result of impairment tests as of March 31, 2024, an impairment loss was recognized for goodwill in the North America CGU as the fair value less costs of disposal had fallen below the carrying amount of this CGU, including goodwill. As a result of impairment tests as of March 31, 2025, an impairment loss was not recognized for goodwill in the North America CGU as the fair value less costs of disposal were above the carrying amount of this CGU, including goodwill.

For the North America 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, 2025 | March 31, 2024 |
| Total carrying amount | **¥ 55,524** | **¥ 118,521** |

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 | |
|---|---|---|
| | FY2024 | FY2023 |
| The Group's share of net income | **¥ 5,592** | **¥ 11,263** |
| The Group's share of other comprehensive income | **(6,041)** | **5,667** |
| The Group's share of comprehensive income | **¥ (449)** | **¥ 16,930** |

**(2) Investments in joint ventures**

**① Material joint venture**

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

| | | | Proportion of ownership interest | |
|---|---|---|---|---|
| Company name | Core business | Location | March 31, 2025 | March 31, 2024 |
| 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 disclosed in this Note is therefore for the period ended three months before the Group’s reporting date, while effects of material differences between the accounting policies applied by Petro Rabigh and the Group as well as material transactions or events that occurred between the closing date of Petro Rabigh and the closing date of the Group have been adjusted.

| | Millions of yen | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| Current assets | ¥ 468,566 | ¥ 452,248 |
| Non-current assets | 2,081,248 | 1,941,877 |
| Total assets | ¥ 2,549,814 | ¥ 2,394,125 |
| Current liabilities | 920,088 | 862,006 |
| Non-current liabilities (Note 1) | 1,135,571 | 1,132,459 |
| Total liabilities | ¥ 2,055,659 | ¥ 1,994,465 |
| Equity (Note 1) | 494,155 | 399,660 |
| Total equity attributable to Group's share of equity | 185,308 | 149,872 |
| Consolidation adjustment | (9,379) | (10,208) |
| Carrying amount of investments | 175,929 | 139,664 |
| Fair value of investments (Note 2) | 196,124 | 190,202 |
| The material items included in the above: | | |
| Cash and cash equivalents | ¥ 60,491 | ¥ 51,977 |
| Current financial liabilities (except for trade and other payables, and provisions) | 170,013 | 367,942 |
| Non-current financial liabilities (except for trade and other payables, and provisions) (Note 1) | 1,099,033 | 1,101,643 |

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Sales revenue: | ¥ 1,593,244 | ¥ 1,674,880 |
| Net income (loss) (Note 1) | 45,575 | (176,212) |
| Other comprehensive income (Note 1) | 3,301 | (429) |
| Total comprehensive income | ¥ 48,876 | ¥ (176,641) |
| Interests of the Group: | | |
| Net income (loss) | 18,307 | (64,716) |
| Other comprehensive income | 12,131 | 9,398 |
| Total comprehensive income | ¥ 30,438 | ¥ (55,318) |
| The material items included in the above: | | |
| Depreciation and amortization | ¥ 129,262 | ¥ 120,934 |
| Income tax expenses | (8,159) | (3,764) |

Note 1: As a measure to improve Petro Rabigh's financial position, the Company and Saudi Aramco have waived revolving shareholder loans of $1,000 million in August 2024 and $500 million in January 2025. The financial statements of Petro Rabigh have been adjusted for the effect of this debt waiver.

Note 2: The fair value is based on the market price of the investment and is categorized as Level 1 in the fair value hierarchy.

Interest income of Petro Rabigh for FY2024 and FY2023 are ¥831 million and ¥1,015 million, respectively. Interest expenses of Petro Rabigh for FY2024 and FY2023 are ¥87,218 million and ¥79,859 million, respectively.

No dividends were received from Petro Rabigh for FY2024 and FY2023.

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.

The Company assesses whether there is any indication of impairment regarding its investment in Petro Rabigh, and if there is an indication of impairment, the Company performs an impairment test. The recoverable amount is calculated using fair value, for which market price is used. The recoverable amount may be affected by uncertain future changes in economic conditions.

The Company plans to sell part of its shareholding in Petro Rabigh, representing an equity interest of approximately 22.5%, to Saudi Aramco for approximately $702 million, subject to certain conditions including regulatory and third-party approvals. Upon the completion of this sale of shares, the Company plans to contribute to Petro Rabigh the proceeds from the sale.

**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, 2025 | March 31, 2024 |
| Total carrying amount | **¥ 56,524** | **¥ 61,803** |

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 | |
|---|---|---|
| | FY2024 | FY2023 |
| The Group's share of net income (loss) | **¥ (3,260)** | **¥ (3,945)** |
| The Group's share of other comprehensive income | **(577)** | **3,602** |
| The Group's share of comprehensive income | **¥ (3,837)** | **¥ (343)** |

**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 2024**

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | April 1, 2024 | Recognized in profit or loss | Recognized in other comprehensive income | Others (Note) | March 31, 2025 |
| Deferred tax assets: | | | | | |
| Property, plant and equipment and intangible assets | **¥ 39,237** | **¥ (8,908)** | **¥ —** | **¥ (615)** | **¥ 29,714** |
| Inventories | **20,353** | **(4,507)** | **—** | **(1,803)** | **14,043** |
| Retirement benefit liabilities | **8,740** | **747** | **(25)** | **(386)** | **9,076** |
| Accrued expenses and provisions | **18,707** | **(2,030)** | **—** | **(750)** | **15,927** |
| Net operating loss carryforwards | **31,241** | **(9,947)** | **—** | **(1,425)** | **19,869** |
| Prepaid research and development expenses | **9,417** | **(834)** | **—** | **(89)** | **8,494** |
| Others | **7,318** | **2,288** | **(17)** | **(3,374)** | **6,215** |
| Total | **¥ 135,013** | **¥ (23,191)** | **¥ (42)** | **¥ (8,442)** | **¥ 103,338** |
| Deferred tax liabilities: | | | | | |
| Property, plant and equipment and intangible assets | **67,318** | **(2,259)** | **—** | **(3,327)** | **61,732** |
| Financial assets measured at fair value through other comprehensive income | **61,832** | **(69)** | **(18,767)** | **14** | **43,010** |
| Retirement benefit assets | **34,212** | **2,933** | **(10,509)** | **303** | **26,939** |
| Investments in subsidiaries and affiliates | **40,265** | **(6,003)** | **1,873** | **—** | **36,135** |
| Others | **15,462** | **(3,186)** | **262** | **(576)** | **11,962** |
| Total | **¥ 219,089** | **¥ (8,584)** | **¥ (27,141)** | **¥ (3,586)** | **¥ 179,778** |

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 2023

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | April 1, 2023 | Recognized in profit or loss | Recognized in other comprehensive income | Others (Note) | March 31, 2024 |
| Deferred tax assets: | | | | | |
| Property, plant and equipment and intangible assets | ¥ 62,231 | ¥ (25,898) | ¥ — | ¥ 2,904 | ¥ 39,237 |
| Inventories | 29,256 | (9,162) | — | 259 | 20,353 |
| Retirement benefit liabilities | 9,143 | (586) | (163) | 346 | 8,740 |
| Accrued expenses and provisions | 19,318 | (1,121) | — | 510 | 18,707 |
| Net operating loss carryforwards | 33,882 | (5,346) | — | 2,705 | 31,241 |
| Prepaid research and development expenses | 10,267 | (1,271) | — | 421 | 9,417 |
| Others | 9,433 | (2,131) | (388) | 404 | 7,318 |
| Total | ¥ 173,530 | ¥ (45,515) | ¥ (551) | ¥ 7,549 | ¥ 135,013 |
| Deferred tax liabilities: | | | | | |
| Property, plant and equipment and intangible assets | 104,101 | (45,465) | — | 8,682 | 67,318 |
| Financial assets measured at fair value through other comprehensive income | 46,635 | 9 | 15,148 | 40 | 61,832 |
| Retirement benefit assets | 32,268 | 4,184 | (2,609) | 369 | 34,212 |
| Investments in subsidiaries and affiliates | 38,483 | (4,575) | 6,357 | — | 40,265 |
| Others | 13,715 | 992 | (29) | 784 | 15,462 |
| Total | ¥ 235,202 | ¥ (44,855) | ¥ 18,867 | ¥ 9,875 | ¥ 219,089 |

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.

**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, 2025 | March 31, 2024 |
| Deductible temporary differences | ¥ 130,373 | ¥ 126,229 |
| Net operating loss carryforwards | 232,498 | 145,938 |
| Tax credit carryforwards | 31,235 | 31,618 |

The aggregate amounts of deductible temporary differences associated with investments in subsidiaries and associates for which deferred tax assets are not recognized as of March 31, 2025 and 2024 are ¥431,864 million and ¥495,991 million, respectively (income basis).

### 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, 2025 | March 31, 2024 |
| Net operating loss carryforwards: | | |
| Not later than 1 year | **¥ 4,503** | **¥ 930** |
| Later than 1 year and not later than 2 years | **3,389** | **4,092** |
| Later than 2 years and not later than 3 years | **9,777** | **1,454** |
| Later than 3 years and not later than 4 years | **16,459** | **8,683** |
| Later than 4 years | **198,370** | **130,779** |
| Total | **¥ 232,498** | **¥ 145,938** |

| | Millions of yen | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| Tax credit carryforwards: | | |
| Not later than 1 year | **¥ —** | **¥ —** |
| Later than 1 year and not later than 2 years | **—** | **—** |
| Later than 2 years and not later than 3 years | **—** | **431** |
| Later than 3 years and not later than 4 years | **—** | **—** |
| Later than 4 years | **31,235** | **31,187** |
| Total | **¥ 31,235** | **¥ 31,618** |

### 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, 2025 and 2024 are ¥621,282 million and ¥674,639 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 | |
|---|---|---|
| | FY2024 | FY2023 |
| Current tax expenses | **¥ 798** | **¥ 1,997** |
| Deferred tax expenses: | | |
| Recognition and reversal of temporary differences | **(6,797)** | **(18,584)** |
| Evaluation of recoverability of deferred tax assets | **19,852** | **19,244** |
| Change in income tax rate | **1,552** | **—** |
| Total of deferred tax expenses | **14,607** | **660** |
| Total | **¥ 15,405** | **¥ 2,657** |

Current tax expenses for FY2024 include tax expenses for income taxes recognized under Pillar Two in some countries where the Group operates, but the amounts are not material.

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 ¥30,975 million (loss) and ¥13,148 million (loss) for FY2024 and 2023, 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 FY2024 and FY2023. However, overseas subsidiaries are subject to income taxes in their respective countries of domicile.

| | FY2024 | FY2023 |
|---|---|---|
| Effective statutory income tax rate | **30.6%** | **30.6%** |
| (Reconciliation) | | |
| Permanently non-deductible expenses | **1.9** | **(0.3)** |
| Permanently non-taxable income | **2.4** | **(0.4)** |
| Share of profit of investments accounted for using the equity method | **(9.9)** | **(3.8)** |
| Affiliates' undistributed earnings | **(10.8)** | **1.0** |
| Changes in unrecognized deferred tax assets | **28.8** | **(22.0)** |
| Tax credit for research and development expenses | **(3.9)** | **0.3** |
| Difference of subsidiaries' applicable income tax rates | **(17.1)** | **(3.1)** |
| Effect of change in fair value of contingent consideration | **(0.9)** | **(0.1)** |
| Change in income tax rate | **2.7** | **—** |
| Others | **2.7** | **(2.8)** |
| Average actual tax rate | **26.5%** | **(0.6)%** |

### ③ Adjustment of deferred tax assets and liabilities for enacted change in tax law and rate

Pursuant to the establishment of the "Act for Partial Amendment to the Income Tax Act, etc." on March 31, 2025, the effective statutory income tax rate used in the calculation of deferred tax assets and liabilities has changed from 30.62% in FY2023 to 31.52% in FY2024, for temporary differences expected to reverse in fiscal years beginning on or after April 1, 2026.

As a result of this change, net deferred tax liabilities (less the amount of deferred tax assets) increased by ¥2,750 million, deferred tax expenses increased by ¥1,552 million and remeasurements of defined benefit plans increased by ¥457 million in the consolidated financial statements for FY2024. Furthermore, remeasurements of financial assets measured at fair value through other comprehensive income decreased by ¥1,182 million, and exchange differences on conversion of foreign operations decreased by ¥473 million.

## 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, 2025 | March 31, 2024 | | |
| Short-term borrowings | **¥ 142,341** | **¥ 319,104** | **1.940%** | **—** |
| Commercial paper | **37,000** | **74,000** | **0.533** | **—** |
| Long-term borrowings | **509,354** | **552,709** | **0.887** | **2025-2034** |
| Bonds | **597,433** | **617,673** | **1.382** | **2026-2079** |
| Total | **¥ 1,286,128** | **¥ 1,563,486** | **—%** | **—** |
| Current liabilities | **252,892** | **585,905** | **—** | **—** |
| Non-current liabilities | **1,033,236** | **977,581** | **—** | **—** |
| Total | **¥ 1,286,128** | **¥ 1,563,486** | **—%** | **—** |

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, 2025.

Long-term borrowings that were in conflict with the financial covenants as of March 31, 2024 are presented as current liabilities in the consolidated statement of financial position.

### (2) Bonds

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

| Issuer | Bond Name | Issue date | Millions of yen March 31, 2025 | Millions of yen March 31, 2024 | Interest rate (%) | Collateral | Maturity date |
|---|---|---|---|---|---|---|---|
| Sumitomo Chemical Co., Ltd. | 49th unsecured bonds | Apr 25, 2014 | — | 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 |
| | 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 | 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 (Note5) |
| | 2nd unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions | Dec 13, 2019 | — | 100,000 | 0.840 (Note3) | No | Dec 13, 2079 (Note6) |
| | 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 |
| | 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 |
| | 67th unsecured bonds | Jul 12, 2023 | 10,000 | 10,000 | 0.880 | No | Jul 12, 2033 |
| | 68th unsecured bonds | Jul 12, 2023 | 30,000 | 30,000 | 0.280 | No | Jul 10, 2026 |
| | 3rd unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions | Sep 12, 2024 | 100,000 | — | 3.300 (Note4) | No | Sep 12, 2059 (Note7) |
| 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 (Note8) | No | Sep 09, 2050 (Note10) |
| | 2nd unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions | Sep 10, 2020 | 60,000 | 60,000 | 1.550 (Note9) | No | Sep 09, 2050 (Note11) |
| Total | — | — | 600,000 | 620,000 | — | — | — |

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 fixed interest rate has been applied since September 12, 2024 and will have been applied until September 12, 2029, and a variable interest rate from the day after September 12, 2029 ("Step-up interest rates" will be applied from the day after September 12, 2029).

Note5: 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.

Note6: 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.

Note7: The Company may redeem the hybrid bonds at its discretion on each interest payment date from and including September 12, 2029, or in case a tax event or an equity credit change event occurs.

Note8: 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).

Note9: 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).

Note10: 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.

Note11: 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, 2025 | March 31, 2024 |
| Pledged Assets: | | |
| Investments in joint ventures | **¥ 175,929** | **¥ 139,664** |
| Trade notes and accounts receivable | **5,961** | **7,839** |
| Property, plant and equipment | **3,960** | **4,346** |
| Others | **5,305** | **96** |
| Total | **¥ 191,155** | **¥ 151,945** |
| Collateralized obligations: | | |
| Borrowings | **6,742** | **9,055** |
| Total | **¥ 6,742** | **¥ 9,055** |

Investments in joint ventures pledged as collateral for joint venture's debt amounted to ¥168,587 million and ¥197,136 million are subjected to real guarantee as of March 31, 2025 and 2024, respectively.

**(4) Financial covenants**

March 31, 2025

Of long-term borrowings, ¥302,818 million (including the current portion) is subject to financial covenants. If these covenants are violated, all liabilities under the relevant contract may become immediately due and payable. The main liabilities subject to financial covenants are shown below.

| Company name | Loan balance | Financial covenants |
|---|---|---|
| Sumitomo Chemical Co., Ltd. | **¥ 152,991** | Maintain an issuer rating from Rating Investment Information, Inc. or a long-term issuer rating from Japan Credit Rating Agency, Ltd. of BBB- or higher. |
| Sumitomo Pharma Co., Ltd. | **¥ 139,487** | Obligations of the Borrower (Sumitomo Pharma Co., Ltd.)<br>・Maintain the amount of core operating profit stated in the consolidated financial statements of Sumitomo Pharma as of the end of the fiscal year ending March 2026 at 4.7 billion yen or more, and maintain the amount of core operating profit stated in the consolidated financial statements of Sumitomo Pharma as of the end of the fiscal year ending March 2027 at 5.5 billion yen or more.<br>・Maintain the amount of total capital stated in the consolidated statement of financial position of Sumitomo Pharma as of the end of the fiscal year ending March 2025 and each fiscal year thereafter at an amount equivalent to 50% or more of the amount of total capital stated in the consolidated statement of financial position as of the end of the fiscal year ending March 2024.<br>・Maintain Sumitomo Pharma's ownership interest of 100% in Sumitomo Pharma America Inc.<br><br>Obligations of the Guarantor (Sumitomo Chemical Co., Ltd.)<br>・Maintain the Company’s ownership interest of more than 50% in Sumitomo Pharma Co., Ltd.<br>・Maintain an issuer rating from Rating Investment Information, Inc. or a long-term issuer rating from Japan Credit Rating Agency, Ltd. of BBB- or higher. |

Note: The conflict with the financial covenants of the syndicated loan agreement for which Sumitomo Pharma was the borrower as of March 31, 2024, was resolved as of March 31, 2025, through the conclusion of a new syndicated loan agreement.

March 31, 2024

Of long-term borrowings, ¥244,635 million (including the current portion) is subject to financial covenants. If these covenants are violated, all liabilities under the relevant contract may become immediately due and payable. The main liabilities subject to financial covenants are shown below.

| Company name | Loan balance | Financial covenants |
|---|---|---|
| Sumitomo Chemical Co., Ltd. | **¥ 180,966** | Maintain an issuer rating from Rating Investment Information, Inc. or a long-term issuer rating from Japan Credit Rating Agency, Ltd. of BBB- or higher. |
| Sumitomo Pharma Co., Ltd. | **¥ 50,929** | ・Core operating profit in the Summary of consolidated financial results at end of each fiscal year should not be in the red for two consecutive years.<br>・Amount of total equity in the Consolidated Statement of Financial Position in securities reports, etc. at end of each fiscal year should be maintained at ¥200 billion or more. |

Note: Long-term borrowings under the syndicated loan agreement with Sumitomo Pharma Co., Ltd. that were in conflict with the financial covenants as of March 31, 2024 are presented as current liabilities in the Consolidated Statement of Financial Position.

## 20. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

| | Millions of yen | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| Financial liabilities measured at fair value through profit or loss: | | |
| Derivative liabilities | **¥ 2,521** | **¥ 4,991** |
| Contingent considerations | **897** | **3,314** |
| Others | **16,370** | **17,764** |
| Financial liabilities measured at amortized cost: | | |
| Deposits received | **50,249** | **40,166** |
| Others | **605** | **350** |
| Lease liabilities | **101,879** | **111,169** |
| Total | **¥ 172,521** | **¥ 177,754** |
| Current liabilities | **81,364** | **77,610** |
| Non-current liabilities | **¥ 91,157** | **¥ 100,144** |
| Total | **¥ 172,521** | **¥ 177,754** |

## 21. Reconciliation of Liabilities for Financing Activities

The reconciliation of liabilities for financing activities is as follows:

**Fiscal year 2024**

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Non-cash transactions | | | | |
| | Carrying amount as of April 1, 2024 | Cash flows | Business Combination | Foreign currency conversions | Loss of control of subsidiaries | Others | Carrying amount as of March 31, 2025 |
| Bonds | **¥ 617,673** | **¥(20,839)** | **¥ —** | **¥ —** | **¥ —** | **¥ 599** | **¥ 597,433** |
| Commercial paper | **74,000** | **(37,000)** | **—** | **—** | **—** | **—** | **37,000** |
| Short-term borrowings | **319,104** | **(175,236)** | **99** | **(236)** | **(122)** | **(1,268)** | **142,341** |
| Long-term borrowings | **552,709** | **(29,204)** | **—** | **(176)** | **(14,000)** | **25** | **509,354** |
| Lease liabilities | **111,169** | **(19,201)** | **—** | **(866)** | **(1,503)** | **12,280** | **101,879** |
| Total | **¥ 1,674,655** | **¥ (281,480)** | **¥ 99** | **¥ (1,278)** | **(15,625)** | **¥ 11,636** | **¥ 1,388,007** |

Note 1: “Others” of non-cash transactions of lease liabilities includes increase of right-of-use assets by new acquisition.

Note 2: Repayment of the borrowings of ¥50,929 million that were in conflict with the financial covenants as of March 31, 2024 is shown as repayments of long-term borrowings in the table above, while it is included in net increase (decrease) in short-term borrowings in the Consolidated Statement of Cash Flows.

Fiscal year 2023

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Non-cash transactions | | | | |
| | Carrying amount as of April 1, 2023 | Cash flows | Business Combination | Foreign currency conversions | Loss of control of subsidiaries | Others | Carrying amount as of March 31, 2024 |
| Bonds | **¥ 607,268** | **¥ 9,836** | **¥ —** | **¥ —** | **¥ —** | **¥ 569** | **¥ 617,673** |
| Commercial paper | **45,000** | **29,000** | **—** | **—** | **—** | **—** | **74,000** |
| Short-term borrowings | **283,781** | **26,405** | **28** | **9,027** | **—** | **(137)** | **319,104** |
| Long-term borrowings | **525,317** | **28,030** | **103** | **594** | **—** | **(1,335)** | **552,709** |
| Lease liabilities | **109,969** | **(18,619)** | **82** | **6,568** | **—** | **13,169** | **111,169** |
| Total | **¥1,571,335** | **¥ 74,652** | **¥ 213** | **¥ 16,189** | **—** | **¥ 12,266** | **¥1,674,655** |

Note 1: “Others” of non-cash transactions of lease liabilities includes increase of right-of-use assets by new acquisition.

Note 2: Long-term borrowings that were in conflict with the financial covenants as of March 31, 2024 are presented as current liabilities in the consolidated statement of financial position.

## 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 | |
|---|---|---|
| | FY2024 | FY2023 |
| Depreciation charge for right-of-use assets: | | |
| Buildings and structures | ¥ 11,259 | ¥ 12,204 |
| Machinery and vehicles | 4,839 | 4,198 |
| Tools, furniture and fixtures | 96 | 68 |
| Land | 1,599 | 1,436 |
| Total of depreciation | ¥ 17,793 | ¥ 17,906 |
| | | |
| Impairment losses for right-of-use assets: | | |
| Buildings and structures | ― | 3,919 |
| Machinery and vehicles | 1,060 | 31 |
| Tools, furniture and fixtures | 14 | 18 |
| Land | 27 | 415 |
| Total of impairment losses | ¥ 1,101 | ¥ 4,383 |
| | | |
| Interest expenses on lease liabilities | 2,185 | 1,986 |
| The expenses relating to short-term leases | 1,139 | 1,115 |
| The expenses relating to leases of low-value assets | 1,880 | 2,399 |
| The expenses relating to variable lease payments not included in the measurement of lease liabilities | 309 | 403 |
| (Income) from subleasing right-of-use assets | (599) | (696) |
| Total amount recognized in profit or loss | 4,914 | 5,206 |
| Repayments of lease liabilities | 19,201 | 18,619 |
| Total cash outflow related to right-of-use assets | ¥ 24,115 | ¥ 23,825 |
| Profit or loss arising from a sale and leaseback transaction (△) | ¥ 4,887 | ― |

### (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, 2025 | March 31, 2024 |
| Trade notes and accounts payable | ¥ 289,671 | ¥ 308,823 |
| Other payables and accrued expenses | 196,803 | 231,808 |
| Others | 1,658 | 2,753 |
| Total | ¥ 488,132 | ¥ 543,384 |

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.

As of April 1, 2024, the Company revised the defined benefit corporate pension plans in line with the gradual extension of retirement age from the current age of 60 to 65. The Company completed various procedures in FY2023 related to changes in terms and conditions of the defined benefit corporate pension in line this revision.

Due to changes in the requirements for starting defined benefit corporate pension payments caused by this plan revision, "Past service cost" of ¥ (10,488) million (reduction of retirement benefit obligations) was recorded in FY2023, and in the consolidated statement of income, "Cost of sales" decreased by ¥4,429 million, and "Selling, general and administrative expenses" decreased by ¥6,059 million. In addition, with this revision, defined benefit obligations and plan assets for defined benefit pension plans have been remeasured.

### (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, 2025 | March 31, 2024 |
| Present value of defined benefit obligations | **¥ 233,230** | **¥ 275,532** |
| Fair value of the plan assets | **(371,008)** | **(395,334)** |
| Subtotal | **¥ (137,778)** | **¥ (119,802)** |
| Effect of asset ceiling | **90,001** | **40,001** |
| Net defined benefit (assets) liabilities | **(47,777)** | **(79,801)** |
| | | |
| Retirement benefit liabilities | **24,841** | **30,589** |
| Retirement benefit assets | **(72,618)** | **(110,390)** |
| Net defined benefit (assets) liabilities | **¥ (47,777)** | **¥ (79,801)** |

**② Reconciliation of present value of defined benefit obligations**

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

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Present value of defined benefit obligations at the beginning of fiscal year | **¥ 275,532** | **¥ 292,989** |
| Current service cost | **11,119** | **11,764** |
| Interest expenses | **4,415** | **4,466** |
| Remeasurements: | | |
| Actuarial (gains) losses arising from changes in demographic assumptions | **(260)** | **(155)** |
| Actuarial (gains) losses arising from changes in financial assumptions | **(21,599)** | **(2,714)** |
| Actuarial (gains) losses arising from experience adjustments | **(1,427)** | **(3,686)** |
| Past service cost | **(427)** | **(10,845)** |
| Benefits paid | **(26,228)** | **(16,797)** |
| Transfer to liabilities directly associated with assets held for sale | **(592)** | **(1,267)** |
| Changes resulting from loss of control of subsidiaries | **(5,394)** | **—** |
| Others | **(1,909)** | **1,777** |
| Present value of defined benefit obligations at the end of fiscal year | **¥ 233,230** | **¥ 275,532** |

The weighted average duration of the defined benefit obligations of the Company and major consolidated subsidiaries are 13.9 years and 13.7 years as of March 31, 2025, and 2024, respectively.

### ③ Reconciliation of fair value of plan assets

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

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Fair value of plan assets at the beginning of fiscal year | **¥ 395,334** | **¥ 365,815** |
| Interest income | **6,344** | **6,043** |
| Remeasurements: | | |
| Return on plan assets | **(4,202)** | **27,613** |
| Contributions to the plan by the employer | **8,597** | **10,027** |
| Payments from the plan | **(20,085)** | **(13,224)** |
| Return on plan assets (Note) | **(405)** | **(3,673)** |
| Transfer to assets held for sale | **(362)** | **—** |
| Changes resulting from loss of control of subsidiaries | **(11,599)** | **—** |
| Others | **(2,615)** | **2,733** |
| Fair value of plan assets at the end of fiscal year | **¥ 371,008** | **¥ 395,334** |

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 FY2024 and FY2023.

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 ¥7,185 million for FY2025.

### ④ Changes in adjustments due to asset ceiling

Changes in adjustments due to asset ceiling are as follows:

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Balance at the beginning of fiscal year | **¥ 40,001** | **¥ —** |
| Remeasurements: | | |
| Effect of limiting the amount of net plan assets to the amount of the asset ceiling | **50,000** | **40,001** |
| Balance at the end of fiscal year | **¥ 90,001** | **¥ 40,001** |

Note: For FY2024 and FY2023, the Company and its Group have unrecognized surpluses for its pension plans because the Company and its Group could not gain any economic benefits in the form of reductions in future contributions to the plans or refunds from the plans.

### ⑤ Details of plan assets

Plan assets consist of the following:

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2025 | | | March 31, 2024 | | |
| | 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 | **¥ 35,924** | **¥ —** | **¥ 35,924** | **¥ 38,605** | **¥ —** | **¥ 38,605** |
| Equity instruments | **78,030** | **—** | **78,030** | **96,939** | **—** | **96,939** |
| Debt instruments | **184,252** | **—** | **184,252** | **184,038** | **—** | **184,038** |
| General accounts of life insurance companies | **—** | **51,254** | **51,254** | **—** | **52,289** | **52,289** |
| Others(Note) | **141** | **21,407** | **21,548** | **1,747** | **21,716** | **23,463** |
| **Total** | **¥ 298,347** | **¥ 72,661** | **¥ 371,008** | **¥ 321,329** | **¥ 74,005** | **¥ 395,334** |

Note: Others consist mainly of real estate investment trusts, etc.

⑥ **Significant actuarial assumptions**

Significant actuarial assumptions are as follows:

| | March 31, 2025 | March 31, 2024 |
|---|---|---|
| Discount rate | **2.2%** | **1.4%** |

⑦ **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, 2025 | March 31, 2024 |
| 0.5% increase in discount rate | **¥ (12,863)** | **¥ (16,241)** |
| 0.5% decrease in discount rate | **14,228** | **17,976** |

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 fiscal 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 FY2024 and FY2023 are ¥6,318 million and ¥7,312 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 FY2024 and FY2023 are ¥422,922million and ¥442,000 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, 2024 | As of March 31, 2023 |
| Plan assets | **¥ 40,258** | **¥ 36,788** |
| Aggregate of actuarial liability based on pension finance calculation and minimum liability reserve | **61,837** | **62,707** |
| Net | **¥ (21,579)** | **¥ (25,919)** |

The net amount presented in the above table is the total of ¥ (29,749) million in the present value of special contributions and ¥8,171 million in the plan assets surplus carried forward as of March 31, 2024, and the total of ¥ (30,175) million in the present value of special contributions and ¥4,256 million in the plan assets surplus carried forward as of March 31, 2023.

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 19 years and 8 months and 20 years and 8 months for as of March 31, 2024 and March 31, 2023, respectively. Special contributions of ¥32 million and ¥32 million have been accounted for as pension expenses on the consolidated financial statements of income for FY2023 and FY2022, respectively.

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

FY2024: 1.77% (as of March 31, 2024)
FY2023: 1.71% (as of March 31, 2023)

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 Fiscal year 2025**

The Group expects to contribute ¥189 million to multi-employer plans for FY2025.

### 25. Provisions

Details of and changes in provisions are as follows:

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | Provisions for sales rebates | Provisions for asset retirement obligations | Provisions for sales returns | Provisions for removal cost of property, plant and equipment | Other provisions | Total |
| As of April 1, 2024 | ¥ 53,353 | ¥ 26,513 | ¥ 31,602 | ¥ 16,427 | ¥ 9,083 | ¥ 136,978 |
| Increase | 50,682 | 29 | 15,461 | 169 | 12,281 | 78,622 |
| Decrease (provision used) | (54,286) | (287) | (10,074) | (1,464) | (2,976) | (69,087) |
| Decrease (provision reversed) | (60) | (3,628) | (7,090) | (647) | (781) | (12,206) |
| Interest expenses resulting from unwinding | — | 344 | — | — | — | 344 |
| Changes resulting from loss of control of subsidiaries | — | (16,748) | — | — | (104) | (16,852) |
| Others | (850) | 235 | (1,079) | (287) | (133) | (2,114) |
| As of March 31, 2025 | ¥ 48,839 | ¥ 6,458 | ¥ 28,820 | ¥ 14,198 | ¥ 17,370 | ¥ 115,685 |
| Current | 48,839 | — | 28,820 | 2,595 | 9,457 | 89,711 |
| Non-current | — | 6,458 | — | 11,603 | 7,913 | 25,974 |
| Total | ¥ 48,839 | ¥ 6,458 | ¥ 28,820 | ¥ 14,198 | ¥ 17,370 | ¥ 115,685 |

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 fiscal year-end date. The balance of provision for sales rebates applied to products sold by Sumitomo Pharma America, Inc., the Company's consolidated subsidiary, is ¥48,770 million at the end of FY2024. Some sales rebates related to various insurance programs that are applied to major products sold in the U.S. need time to be determined. 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, 2025 | March 31, 2024 |
| Accrued bonuses | ¥ 44,931 | ¥ 47,633 |
| Obligations for unused paid absences | 12,409 | 13,580 |
| Contract liabilities | 25,210 | 22,593 |
| Unearned revenue (Note) | 22,657 | 48,533 |
| Others | 44,519 | 48,194 |
| Total | ¥ 149,726 | ¥ 180,533 |
| Current liabilities | 109,360 | 129,087 |
| Non-current liabilities | 40,366 | 51,446 |
| Total | ¥ 149,726 | ¥ 180,533 |

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 | |
|---|---|---|
| | FY2024 | FY2023 |
| Number of shares authorized | **5,000,000,000** | **5,000,000,000** |
| Number of shares issued: | | |
| Balance at the beginning of fiscal year | **1,656,449,145** | **1,655,860,207** |
| Changes during the year (Note 2) | **768,463** | **588,938** |
| Balance at the end of fiscal year | **1,657,217,608** | **1,656,449,145** |

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 FY2024 and FY2023 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 | |
|---|---|---|
| | FY2024 | FY2023 |
| Balance at the beginning of fiscal year | **20,500,922** | **20,486,616** |
| Changes during the year | **16,111** | **14,306** |
| Balance at the end of fiscal year | **20,517,033** | **20,500,922** |

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 includes actuarial gains and losses that arise from the present value of defined benefit obligations, the return on plan assets (except for amounts included in net interest), and changes in the effect of the asset ceiling (except for amounts included in net interest). These amounts are recognized in other comprehensive income when they occur and are 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 2024**

| Date of Resolution | Type of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| May 15, 2024 Board of Directors | Ordinary shares | **¥ 4,908** | **¥ 3.00** | March 31, 2024 | June 3, 2024 |
| October 30, 2024 Board of Directors | Ordinary shares | **¥ 4,910** | **¥ 3.00** | September 30, 2024 | December 3, 2024 |

Fiscal year 2023

| Date of Resolution | Type of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| May 15, 2023 Board of Directors | Ordinary shares | **¥ 9,812** | **¥ 6.00** | March 31, 2023 | June 1, 2023 |
| November 1, 2023 Board of Directors | Ordinary shares | **¥ 9,816** | **¥ 6.00** | September 30, 2023 | December 4, 2023 |

Dividends with an effective date after FY2024 and FY2023 are as follows:

**Fiscal year 2024**

| Date of Resolution | Type of shares | Total dividends (Millions of yen) | Paid from | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| May 14, 2025 Board of Directors | Ordinary shares | **¥ 9,820** | Retained earnings | **¥ 6.00** | March 31, 2025 | June 2, 2025 |

Fiscal year 2023

| Date of Resolution | Type of shares | Total dividends (Millions of yen) | Paid from | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| May 15, 2024 Board of Directors | Ordinary shares | **¥ 4.908** | Retained earnings | **¥ 3.00** | March 31, 2024 | June 3, 2024 |

**29. Revenue**

**(1) Disaggregation of revenue**

The Group mainly engages in businesses of such segments as "Agro & Life Solutions," "ICT & Mobility Solutions," "Advanced Medical Solutions," "Essential & Green Materials," and "Sumitomo Pharma." 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 2024**

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Agro & Life Solutions | ICT & Mobility Solutions | Advanced Medical Solutions | Essential & Green Materials | Sumitomo Pharma | Others (Note 1) | Total |
| Japan | **¥ 92,288** | **¥ 96,978** | **¥ 46,884** | **¥ 368,703** | **¥ 91,764** | **¥ 88,290** | **¥ 784,907** |
| China | **10,084** | **200,085** | **581** | **141,983** | **41,754** | **58** | **394,545** |
| North America | **111,001** | **33,541** | **3,756** | **24,774** | **246,003** | **0** | **419,075** |
| Of which: U.S. | **101,553** | **33,258** | **3,663** | **21,082** | **243,542** | **0** | **403,098** |
| Southeast Asia | **26,994** | **75,477** | **1,995** | **145,399** | **4,160** | **11,398** | **265,423** |
| Others | **299,854** | **200,914** | **8,929** | **218,170** | **14,320** | **144** | **742,331** |
| Total | **¥ 540,221** | **¥ 606,995** | **¥ 62,145** | **¥ 899,029** | **¥ 398,001** | **¥ 99,890** | **¥ 2,606,281** |
| Revenue from contracts with customers | **540,221** | **606,995** | **62,145** | **899,029** | **371,974** | **99,890** | **2,580,254** |
| Revenue from other sources (Note 2) | **—** | **—** | **—** | **—** | **26,027** | **–** | **26,027** |

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

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

Fiscal year 2023

| | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|
| | Agro & Life Solutions | ICT & Mobility Solutions | Advanced Medical Solutions | Essential & Green Materials | Sumitomo Pharma | Others (Note 1) | Total |
| Japan | **¥ 88,580** | **¥ 90,848** | **¥ 41,780** | **¥ 375,997** | **¥ 106,620** | **¥ 78,223** | **¥ 782,048** |
| China | **9,169** | **201,934** | **1,374** | **137,903** | **33,795** | **72** | **384,247** |
| North America | **107,601** | **37,361** | **2,541** | **23,847** | **155,180** | **0** | **326,530** |
| Of which: U.S. | **97,153** | **37,174** | **2,528** | **20,238** | **152,551** | **0** | **309,644** |
| Southeast Asia | **24,045** | **63,582** | **1,891** | **143,163** | **5,658** | **7,224** | **245,563** |
| Others | **286,222** | **193,631** | **10,871** | **204,963** | **12,579** | **239** | **708,505** |
| Total | **¥ 515,617** | **¥ 587,356** | **¥ 58,457** | **¥ 885,873** | **¥ 313,832** | **¥ 85,758** | **¥ 2,446,893** |
| Revenue from contracts with customers | **515,617** | **587,356** | **58,457** | **885,873** | **296,866** | **85,758** | **2,429,927** |
| Revenue from other sources (Note 2) | **—** | **—** | **—** | **—** | **16,966** | **—** | **16,966** |

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

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 Material 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, 2025 | March 31, 2024 | April 1, 2023 |
| Receivables from contracts with customers | **¥ 513,070** | **¥ 537,707** | **¥ 534,987** |
| Contract assets | **281** | **7,383** | **1,826** |
| Contract liabilities | **25,210** | **22,593** | **16,736** |

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

Contract assets are primarily recognized for the right to receive 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 FY2024 and FY2023, the amounts included in current contract liabilities were ¥16,164 million and ¥8,613 million, respectively, of which, the amount that has not been recognized as revenue in FY2024 and FY2023 is not material.

Also, the amount of revenue recognized during FY2024 and FY2023 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 | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| Within 1 year | **¥ 27,582** | **¥ 32,426** |
| Later than 1 year | **27,802** | **29,787** |
| Total | **¥ 55,384** | **¥ 62,212** |

**(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 FY2024 and FY2023 are not material.

**30. Selling, General and Administrative Expenses**

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

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Research and development expenses | ¥ 141,734 | ¥ 179,062 |
| Employee benefit expenses | 184,531 | 204,004 |
| Freight and storage cost | 68,554 | 61,883 |
| Advertising and sales promotion expenses | 36,133 | 53,979 |
| Depreciation and amortization | 45,480 | 56,527 |
| Changes in fair value of contingent consideration | (2,427) | 1,562 |
| Others | 127,069 | 330,107 |
| Total | ¥ 601,074 | ¥ 887,124 |

Note: The amount of the impairment losses arising from patent of pharmaceuticals is ¥4,177 million for FY2024, and which is 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 ¥10,577 million, patent and goodwill of pharmaceuticals is ¥133,457 million and ¥35,858 million, respectively, and calcination demonstration facilities for cathode material is ¥11,566 for FY2023, and which are included in “Others” of the above table.

**31. Other Operating Income and Operating Expenses**

The breakdown of other operating income is as follows:

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Gains on business transfers | ¥ 56,653 | ¥ 15,014 |
| Gains on sales of property, plant and equipment, and intangible assets | 14,339 | 1,215 |
| Gains on fair value measurement of the residual interest | 12,238 | — |
| Subsidy income | 2,562 | 772 |
| Others | 11,549 | 10,934 |
| Total | ¥ 97,341 | ¥ 27,935 |

The breakdown of other operating expenses is as follows:

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Restructuring costs (Note 1) | ¥ 23,583 | ¥ 48,397 |
| Amortization of long-term prepaid expenses | 6,954 | 915 |
| Donation | 475 | 1,133 |
| Losses on transfer of shares of subsidiary (Note 2) | — | 6,114 |
| Others | 18,337 | 15,375 |
| Total | ¥ 49,349 | ¥ 71,934 |

Note 1: 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.

Note 2 : Losses on transfer of shares of subsidiary were recorded due to the transfer of all the shares of Spirovant Sciences LLC, Sumitomo Pharma’s consolidated subsidiary, to Ruagen Bio, Inc. during FY2023.

Note: The breakdown of gains (losses) on fair value measurement of the residual interest included in other operating income and operating expenses is as follows:

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Gains (losses) on fair value measurement of the residual interest | ¥ 12,238 | ¥ (2,477) |
| Of which resulting from recurring factors | 2,789 | — |
| Of which resulting from non-recurring factors | 9,449 | (2,477) |

(Change in presentation)

"Amortization of long-term prepaid expenses", which was included in "Others" under "other operating expenses" in the previous fiscal year, is presented separately in this fiscal year due to increased quantitative materiality. As a result, "Others" of ¥16,290 million has been reclassified as "Amortization of long-term prepaid expenses" of ¥915 million and "Others" of ¥15,375 million.

**32. Finance Income and Finance Expenses**

The breakdown of finance income is as follows:

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Interest income: | | |
| Financial assets measured at amortized cost | **¥ 6,238** | **¥ 10,057** |
| Financial assets measured at fair value through profit or loss | **4,640** | **6,677** |
| Dividend income: | | |
| Financial assets measured at fair value through other comprehensive income: | | |
| Financial assets derecognized during fiscal year | **252** | **799** |
| Financial assets held at fiscal year-end | **4,549** | **3,857** |
| Financial assets measured at fair value through profit or loss | **152** | **749** |
| Exchange gains | **—** | **49,254** |
| Others | **1,819** | **1,604** |
| Total | **¥ 17,650** | **¥ 72,997** |

The breakdown of finance expenses is as follows:

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Interest expenses: | | |
| Financial liabilities measured at amortized cost | **¥ 25,310** | **¥ 25,011** |
| Financial liabilities measured at fair value through profit or loss | **970** | **1,367** |
| Other liabilities | **2,424** | **2,856** |
| Exchange losses | **6,178** | **—** |
| Derivative losses | **4,768** | **16,772** |
| Loss on debt waiver for a loan | **109,791** | **—** |
| Others | **3,149** | **957** |
| Total | **¥ 152,590** | **¥ 46,963** |

## 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 2024

| | 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 | ¥ (51,238) | ¥ — | ¥ (51,238) | ¥ 18,767 | ¥ (32,471) |
| Remeasurements of defined benefit plans | (30,916) | — | (30,916) | 10,484 | (20,432) |
| Share of other comprehensive income of investments accounted for using the equity method | 1,255 | — | 1,255 | 487 | 1,742 |
| Total of items that will not be reclassified to profit or loss | (80,899) | — | (80,899) | 29,738 | (51,161) |
| Items that may be subsequently reclassified to profit or loss: | | | | | |
| Remeasurements of financial assets (debt instruments) measured at fair value through other comprehensive income | (597) | 539 | (58) | — | (58) |
| Cash flow hedge | (2,381) | 2,166 | (215) | 35 | (180) |
| Exchange differences on conversion of foreign operations | (44,813) | (4,555) | (49,368) | (314) | (49,682) |
| Share of other comprehensive income of investments accounted for using the equity method | 14,834 | (8,703) | 6,131 | (2,360) | 3,771 |
| Total of items that may be subsequently reclassified to profit or loss | (32,957) | (10,553) | (43,510) | (2,639) | (46,149) |
| Total | ¥ (113,856) | ¥ (10,553) | ¥ (124,409) | ¥ 27,099 | ¥ (97,310) |

Fiscal year 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 | ¥ 57,802 | ¥ — | ¥ 57,802 | ¥ (15,180) | ¥ 42,622 |
| Remeasurements of defined benefit plans | (5,833) | — | (5,833) | 2,446 | (3,387) |
| Share of other comprehensive income of investments accounted for using the equity method | 3,355 | — | 3,355 | 289 | 3,644 |
| Total of items that will not be reclassified to profit or loss | 55,324 | — | 55,324 | (12,445) | 42,879 |
| Items that may be subsequently reclassified to profit or loss: | | | | | |
| Remeasurements of financial assets (debt instruments) measured at fair value through other comprehensive income | (13) | 13 | — | — | — |
| Cash flow hedge | (1,831) | 3,083 | 1,252 | (327) | 925 |
| Exchange differences on conversion of foreign operations | 104,646 | (27) | 104,619 | — | 104,619 |
| Share of other comprehensive income of investments accounted for using the equity method | 26,406 | (4,737) | 21,669 | (6,646) | 15,023 |
| Total of items that may be subsequently reclassified to profit or loss | 129,208 | (1,668) | 127,540 | (6,973) | 120,567 |
| Total | ¥ 184,532 | ¥ (1,668) | ¥ 182,864 | ¥ (19,418) | ¥ 163,446 |

### 34. Earnings per Share

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

| | FY2024 | FY2023 |
|---|---|---|
| Net income (loss) attributable to owners of the parent (millions of yen) | **¥ 38,591** | **¥ (311,838)** |
| Amounts not attributable to ordinary shareholders of the parent (millions of yen) | — | — |
| Net income (loss) used to calculate basic earnings per share (millions of yen) | **¥ 38,591** | **¥ (311,838)** |
| Average number of ordinary shares (thousands of shares) | **1,635,928** | **1,635,352** |
| Basic earnings (losses) per share (yen) | **¥ 23.59** | **¥ (190.69)** |

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

| | FY2024 | FY2023 |
|---|---|---|
| Net income (loss) used to calculate basic earnings per share (millions of yen) | **¥ 38,591** | **¥ (311,838)** |
| Adjustments by dilutive potential ordinary shares of parent (millions of yen) | — | — |
| Net income (loss) used to calculate diluted earnings per share (millions of yen) | **¥ 38,591** | **¥ (311,838)** |
| Average number of ordinary shares (thousands of shares) | **1,635,928** | **1,635,352** |
| Restricted stock compensation plan (thousands of shares) | **587** | — |
| Average number of ordinary shares after dilution (thousands of shares) | **1,636,515** | **1,635,352** |
| Diluted earnings per share (yen) | **¥ 23.58** | **¥ —** |
| Stocks not included in the calculation of diluted earnings per share because they have anti-dilutive effect | — | **Restricted stock 456,230 shares** |

Note 1: For diluted earnings per share for FY2023, 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 from the end of fiscal year to the authorization date of the consolidated financial statements.

## 35. Share-Based Payment

### (1) Restricted stock compensation plan

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 FY2024 and 2023 are as follows:

| | FY2024 | FY2023 |
|---|---|---|
| Allotment date | **July 19, 2024** | **July 20, 2023** |
| Granted number of restricted stocks | **768,463 shares** | **588,938 shares** |
| Fair value per share on the allotment date | **¥ 313** | **¥ 435** |

### (2) Share-based payment expenses

In FY2024, expenses of ¥248 million are recorded related to the restricted stock compensation plan.

In FY2023, expenses of ¥256 million are recorded related to the restricted stock compensation 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 ¥8,926 million and ¥10,366 million as of March 31, 2025 and 2024, 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 to the general approach | | |
| | Financial assets applied by the simplified approach | Stage 1<br>Financial assets measured at an amount equal to the 12-month expected credit losses | Stage 2<br>Financial assets measured at an amount equal to the lifetime expected credit losses | Stage 3<br>Financial assets measured at an amount equal to the lifetime expected credit losses |
| March 31, 2025 | **¥ 522,312** | **¥ 312,037** | **¥ —** | **¥ 447** |
| March 31, 2024 | **¥ 552,067** | **¥ 306,741** | **¥ —** | **¥ 510** |

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 FY2024.

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Balance at the beginning of fiscal year | ¥ 7,501 | ¥ 6,027 |
| Increase | 3,782 | 1,187 |
| Decrease (provision used) | (1,372) | (436) |
| Others | (503) | 723 |
| Balance at the end of fiscal year | ¥ 9,408 | ¥ 7,501 |

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

**(4) Liquidity risk**

① Management of 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 ¥148,000 million with financial institutions. The balance of borrowings related to those commitment lines is zero as of March 31, 2025 and 2024.

In addition, the Company and its major consolidated subsidiaries are striving to minimize liquidity risk by improving the efficiency of funds within the Group through the cash management system introduced in FY2023 and group financing.

② The balance of financial liabilities (including derivative financial instruments) by contractual settlement date

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, 2025**

| | 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 | ¥ 488,132 | ¥ 488,132 | ¥ 488,132 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Short-term borrowings | 142,341 | 142,828 | 142,828 | — | — | — | — | — |
| Commercial paper | 37,000 | 37,016 | 37,016 | — | — | — | — | — |
| Long-term borrowings | 509,354 | 526,844 | 77,938 | 41,781 | 202,372 | 72,012 | 11,308 | 121,433 |
| Bonds | 597,433 | 644,788 | 8,293 | 48,236 | 27,724 | 27,234 | 25,508 | 507,793 |
| Lease liabilities | 101,879 | 110,732 | 18,637 | 14,683 | 11,694 | 9,401 | 6,310 | 50,008 |
| Deposits received | 50,249 | 50,249 | 45,436 | 32 | 33 | 32 | 32 | 4,684 |
| Others | 16,975 | 16,975 | 16,370 | 188 | 95 | 78 | 81 | 163 |
| Derivative liabilities | 2,521 | 2,521 | 2,521 | — | — | — | — | — |

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, 2024

| | 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 | **¥ 543,384** | **¥ 543,384** | **¥ 543,384** | **¥ —** | **¥ —** | **¥ —** | **¥ —** | **¥ —** |
| Short-term borrowings | **319,104** | **320,763** | **320,763** | **—** | **—** | **—** | **—** | **—** |
| Commercial paper | **74,000** | **74,094** | **74,094** | **—** | **—** | **—** | **—** | **—** |
| Long-term borrowings | **552,709** | **564,329** | **124,027** | **136,222** | **38,900** | **60,734** | **71,912** | **132,534** |
| Bonds | **617,673** | **655,830** | **25,892** | **4,993** | **44,936** | **24,424** | **23,934** | **531,651** |
| Lease liabilities | **111,169** | **123,043** | **19,256** | **16,041** | **12,973** | **10,829** | **8,927** | **55,017** |
| Deposits received | **40,166** | **40,166** | **36,089** | **34** | **33** | **33** | **32** | **3,945** |
| Others | **18,114** | **18,114** | **17,764** | **146** | **66** | **33** | **33** | **72** |
| Derivative liabilities | **4,991** | **4,821** | **4,821** | — | — | — | — | — |

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.
In addition, borrowings that were in conflict with financial covenants with due after one year within two years are presented as current liabilities in the Consolidated Statement of Financial Position. Details are described in Note 19 Bonds and Borrowings.

③ Supplier finance arrangement

The Group has entered into supplier finance arrangements relating to the purchase of raw materials, etc.
In the arrangements, finance providers pay amounts which the Group owes to its suppliers and the Group agrees to settle the amount with the finance providers under the terms and conditions of the arrangements on the same date or at a later date, which is within the Group's normal operating cycle.
The Group has not pledged any assets or provided any third-party guarantees concerning this supplier finance arrangements.

(i) The carrying amounts of the financial liabilities that are part of the supplier finance arrangements are shown below. These liabilities are included in trade and other payables in the consolidated statement of financial position.

| | March 31, 2025 | April 1, 2024 |
|---|---|---|
| The carrying amounts of the financial liabilities that are part of the supplier finance arrangements | **¥ 13,592** | **¥ 14,599** |

In FY2024, non-monetary changes in the carrying amounts of the financial liabilities that are part of the supplier finance arrangements include a decrease of ¥1,304 million due to foreign exchange rates.

(ii) Of the amounts in (i), the carrying amounts of the financial liabilities for which the supplier has already received payment from the finance providers are shown below. These liabilities are included in trade and other payables in the consolidated statement of financial position.

| | March 31, 2025 | April 1, 2024 |
|---|---|---|
| The carrying amounts of the financial liabilities for which the supplier has already received payment from the finance providers | **¥ 9,157** | **(Note)** |

(iii) The range of settlement dates of the financial liabilities in (i) and equivalent payables that are not part of the supplier finance arrangement are shown below.

| | March 31, 2025 | April 1, 2024 |
|---|---|---|
| The financial liabilities that are part of the supplier finance arrangements | **30 to 360 days after the invoice date** | **(Note)** |
| Equivalent payables that are not part of the supplier finance arrangements | **30 to 180 days after the invoice date** | **(Note)** |

Note: The Group has applied the transitional relief based on “Supplier Finance Arrangements” (amendments to IAS 7 and IFRS 7) and has not disclosed information as of the beginning of the year of initial application.

### (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, 2025 | March 31, 2024 |
| Net exposure | **$ 1,664,655** | **$ 965,405** |

#### Foreign exchange sensitivity analysis

For financial instruments denominated in foreign currencies held by the Group as of March 31, 2025 and 2024, 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, 2025 | March 31, 2024 |
| | **¥ (1,922)** | **¥ (1,133)** |

### (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, 2025 | March 31, 2024 |
| Net exposure | **¥ 288,420** | **¥ 209,399** |

#### Interest rate sensitivity analysis

For financial instruments held by the Group as of March 31, 2025 and 2024, 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, 2025 | March 31, 2024 |
| | **¥ (2,001)** | **¥ (1,455)** |

**(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, 2025 and 2024 would be ¥7,070 million and ¥14,950 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, 2025 | | March 31, 2024 | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Bonds | **¥ 597,433** | **¥ 530,974** | **¥ 617,673** | **¥ 538,325** |
| Long-term borrowings | **509,354** | **498,867** | **501,780** | **495,387** |

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:

**As of March 31, 2025**

| | Millions of yen | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Financial assets measured at fair value through profit or loss: | | | | |
| Loan receivables | ¥ — | ¥ — | ¥ — | ¥ — |
| Long-term accrued interests | — | — | — | — |
| Derivative assets designated as hedging instruments | — | **15** | — | **15** |
| Derivative assets not designated as hedging instruments | — | **1,010** | — | **1,010** |
| Other financial assets | **11,192** | **1,714** | **950** | **13,856** |
| Subtotal | **11,192** | **2,739** | **950** | **14,881** |
| Financial assets measured at fair value through other comprehensive income: | | | | |
| Shares and investments | **101,283** | — | **72,425** | **173,708** |
| Other financial assets | — | **40,127** | — | **40,127** |
| Subtotal | **101,283** | **40,127** | **72,425** | **213,835** |
| Total | **¥ 112,475** | **¥ 42,866** | **¥ 73,375** | **¥ 228,716** |
| Liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss: | | | | |
| Derivative liabilities designated as hedging instruments | — | **476** | — | **476** |
| Derivative liabilities not designated as hedging instruments | — | **2,045** | — | **2,045** |
| Contingent consideration | — | — | **897** | **897** |
| Other financial liabilities | — | — | **16,370** | **16,370** |
| Total | ¥ — | **¥ 2,521** | **¥ 17,267** | **¥ 19,788** |

As of March 31, 2024

| | Millions of yen | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Financial assets measured at fair value through profit or loss: | | | | |
| Loan receivables | ¥ — | ¥ — | ¥ 114,968 | ¥ 114,968 |
| Long-term accrued interests | — | — | 910 | 910 |
| Derivative assets designated as hedging instruments | — | 345 | — | 345 |
| Derivative assets not designated as hedging instruments | — | 411 | — | 411 |
| Other financial assets | 8,154 | 7,290 | 1,031 | 16,475 |
| Subtotal | 8,154 | 8,046 | 116,909 | 133,109 |
| Financial assets measured at fair value through other comprehensive income: | | | | |
| Shares and investments | 212,529 | — | 80,721 | 293,250 |
| Other financial assets | — | — | — | — |
| Subtotal | 212,529 | — | 80,721 | 293,250 |
| Total | ¥ 220,683 | ¥ 8,046 | ¥ 197,630 | ¥ 426,359 |
| Liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss: | | | | |
| Derivative liabilities designated as hedging instruments | — | 184 | — | 184 |
| Derivative liabilities not designated as hedging instruments | — | 4,807 | — | 4,807 |
| Contingent consideration | — | — | 3,314 | 3,314 |
| Other financial liabilities | — | — | 17,764 | 17,764 |
| Total | ¥ — | ¥ 4,991 | ¥ 21,078 | ¥ 26,069 |

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

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | FY2024 | | | FY2023 | | |
| | FVTPL Financial assets | FVTOCI Financial assets | FVTPL Financial liabilities | FVTPL Financial assets | FVTOCI Financial assets | FVTPL Financial liabilities |
| Balance at the beginning of fiscal year | **¥ 116,909** | **¥ 80,721** | **¥ 21,078** | **¥ 41,213** | **¥ 81,105** | **¥ 18,239** |
| Transfer from/to Level 3 | — | **(11)** | — | — | — | — |
| Total gains and losses | **(110,403)** | **(6,161)** | **(1,593)** | **1,220** | **690** | **2,188** |
| Profit or loss (Note 1) | **(110,403)** | — | **(1,593)** | **1,220** | — | **2,188** |
| Other comprehensive income (Note 2) | — | **(6,161)** | — | — | **690** | — |
| Increase (Note 3) | **224** | **1,819** | **998** | **66,128** | **4,048** | **669** |
| Decrease | **(224)** | **(2,498)** | **(1,496)** | — | **(180)** | **(1,803)** |
| Transfer to assets held for sale | — | **(267)** | — | — | **(4,990)** | — |
| Others (Note 4) | **(5,556)** | **(1,178)** | **(1,720)** | **8,348** | **48** | **1,785** |
| Balance at the end of fiscal year | **¥ 950** | **¥ 72,425** | **¥ 17,267** | **¥ 116,909** | **¥ 80,721** | **¥ 21,078** |

Note 1: 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. The decrease in FVTPL Financial assets for FY2024 is mainly due to the debt waiver issued to Petro Rabigh for loan receivables and long-term accrued interests.

Note 2: 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 3: “Increase” of FVTPL Financial assets for FY2023 is mainly due to the loan provided to Petro Rabigh.

Note 4: “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 5: 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 (¥164,712 million as of March 31,2024) and the discount rate (7.00% as of March 31,2024). In estimating future cash flows in relation to the fair value of loan receivables and long-term accrued interests to Petro Rabigh, assumptions regarding future sales prices and margins of major products and the overall capacity utilization rate of Petro Rabigh are made. In FY2024, the Company derecognized financial assets associated with loan receivables of $750 million and long-term accrued interests subject to debt waivers issued in August 2024 and January 2025.

・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:
Changes in the material assumptions have only a minor effect on the fair value of financial liabilities associated with these contracts with contingent consideration and are judged immaterial for the Group. Therefore, no sensitivity analysis has been performed.

| | | | Millions of yen | |
|---|---|---|---|---|
| | | | March 31, 2025 | March 31, 2024 |
| FVTPL Financial assets | Total future cash flow | 5% decrease | ¥ — | **¥ (5,794)** |
| | Discount rate | 0.5% increase | — | **(2,754)** |
| | | 0.5% decrease | — | **2,837** |

**(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, 2025 | March 31, 2024 |
| Carrying amount of transferred assets | **¥ 5,396** | **¥ 7,227** |
| Carrying amount of associated liabilities | **5,396** | **7,227** |

**(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.
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, 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 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 FY2024 and FY2023 are not material.

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

| | March 31, 2025 | March 31, 2024 |
|---|---|---|
| Interest rate fluctuation risk: | | |
| Interest rate swap contracts | | |
| Pay fixed rate, receive floating rate | － | **0.75%-0.81%** |
| Market price fluctuation risk: | | |
| Commodity future contracts | | |
| Aluminum future contract | － | **$ 2,428.03/MT** |

Note: There are no interest rate swap contracts or commodity future contracts in FY2024.

**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**

**Fiscal year 2024**

| 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 | ¥ － | ¥ － | ¥ － | ¥ － |
| Market price fluctuation risk: | | | | |
| Commodity future contracts | － | － | － | － |

Note: There are no interest rate swap contracts or commodity future contracts in FY2024.

Fiscal year 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 | **¥ 34,000** | ¥ － | ¥ － | **¥ 59** |
| Market price fluctuation risk: | | | | |
| Commodity future contracts | **7,132** | － | **237** | **90** |

### 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 2024**

| | 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, 2024 | **¥ (51)** | **¥ 106** |
| Other comprehensive income: | | |
| Gains (losses) arising for the year (Note 1) | **118** | **(2,903)** |
| Reclassification adjustments (Note 2) | **(49)** | **2,752** |
| Tax effect | **(18)** | **45** |
| As of March 31, 2025 | **¥ —** | **¥ —** |

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 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, 2023 | **¥ (317)** | **¥ (347)** |
| Other comprehensive income: | | |
| Gains (losses) arising for the year (Note 1) | **786** | **(1,957)** |
| Reclassification adjustments (Note 2) | **(397)** | **2,609** |
| Tax effect | **(123)** | **(199)** |
| As of March 31, 2024 | **¥ (51)** | **¥ 106** |

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 and household & public hygiene insecticides and manufacturing crop protection chemicals |
| Sumitomo Chemical America, Inc. | USD 690,092 thousand | 100.00 | Investment in related companies in the United States and sales of chemical products |
| Valent North America LLC | USD 409,574 thousand | 100.00 (100.00) | Provision of back-office 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 |
| Valent U.S.A. LLC | USD 81,691 thousand | 100.00 (100.00) | Development and sales of crop protection chemicals |
| 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 291,716 million | 100.00 | Manufacturing and sales of processing chemicals for semiconductors and displays, photoresists, optical functional films, touch screen sensor panels, etc. |
| Sumika Semiconductor Materials Texas Inc. | USD 130,000 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 PCS Pte. Ltd. |
| Sumitomo Pharma Co., Ltd. | JPY 22,400 million | 51.78 | Manufacturing and sales of pharmaceuticals |
| Sumitomo Pharma America, Inc. | USD 2,808,809 thousand | 100.00 (100.00) | Manufacturing and sales of pharmaceuticals |
| Sumitomo Pharma UK Holdings, Ltd. | USD 371,102 thousand | 100.00 (100.00) | Investment in related companies conducting research, development and management of production contractors of pharmaceuticals |
| Sumitomo Pharma Switzerland GmbH | USD 1,015,312 thousand | 100.00 (100.00) | Manufacturing and sales of pharmaceuticals |
| Urovant Sciences GmbH | USD 1,198,609 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 optical functional films sputtering targets, research, development and sales of color resists and sales of photoresists |
| 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 80,388 thousand | 100.00 | Sales, etc. of crop protection chemicals |
| Tanaka Chemical Corp. | JPY 9,155 million | 50.46 | Manufacturing and sales of positive electrode materials for rechargeable batteries |

| Company name | Capital | Ratio of voting rights (%) | Principal business |
|---|---|---|---|
| Sumitomo Chemical India Ltd. | INR 2,745,881 thousand | 75.00 | Development, promotion and sales of crop protection chemicals, feed additives and household & public hygiene insecticides and manufacturing crop protection chemicals |
| Koei Chemical Co., Ltd. | JPY 2,343 million | 56.03 (0.12) | Manufacturing and sales of chemical products for pharmaceutical and crop protection, and functional chemicals |
| Taoka Chemical Co., Ltd. | JPY 1,572 million | 50.90 (0.29) | 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, Valent U.S.A. LLC, CDT Holdings Ltd., Cambridge Display Technology Ltd., Sumika Semiconductor Materials Texas Inc., Sumitomo Pharma America, Inc., Sumitomo Pharma UK Holdings, Ltd., Sumitomo Pharma Switzerland GmbH and Urovant Sciences GmbH are shown as paid-in capital.

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

**(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, 2025 | March 31, 2024 |
| Non-controlling interest ownership ratios | **48.24%** | **48.24%** |
| Cumulative non-controlling interest amounts | **¥ 81,757** | **¥ 75,358** |

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

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Net income attributable to non-controlling interests | **¥ 11,402** | **¥ (151,901)** |
| Dividends paid to non-controlling interests | **—** | **1,353** |

### ③ Summarized financial information

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

| | Millions of yen | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| Current assets | ¥ 253,168 | ¥ 269,569 |
| Non-current assets | 489,436 | 637,937 |
| Total assets | ¥ 742,604 | ¥ 907,506 |
| Current liabilities | 240,603 | 515,474 |
| Non-current liabilities | 332,522 | 235,896 |
| Total liabilities | ¥ 573,125 | ¥ 751,370 |
| Total equity | 169,479 | 156,136 |
| Total liabilities and equity | ¥ 742,604 | ¥ 907,506 |

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

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Sales revenue | ¥ 398,832 | ¥ 314,558 |
| Net income (loss) | 23,635 | (314,929) |
| Total comprehensive income | 13,417 | (250,345) |

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

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Cash flows from operating activities | ¥ 16,500 | ¥ (241,893) |
| Cash flows from investing activities | 99,754 | 33,036 |
| Cash flows from financing activities | (108,836) | 77,851 |
| Effect of exchange rate changes on cash and cash equivalents | (177) | 15,440 |
| Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale | (13,172) | 1,135 |
| Net Increase (decrease) in cash and cash equivalents | (5,931) | (114,431) |
| Cash and cash equivalents at end of year | ¥ 23,116 | ¥ 29,047 |

#### (3) Loss of control over subsidiaries

During FY2023, Sumitomo Pharma Co., Ltd. transferred all of the shares that it held in its consolidated subsidiary, Spirovant Sciences LLC. During FY2024, the Company transferred all of the shares that it held in its consolidated subsidiary, Nihon Medi-Physics Co., Ltd. and a portion of the shares that it held in its consolidated subsidiary, Sumitomo Chemical Engineering Co., Ltd. The main breakdown of assets and liabilities at the time of loss of control, as well as the relationship between the transfer consideration and proceeds/expenses due to the loss of control, are as follows.

| | Millions of yen | |
|---|---|---|
| | FY2024 | FY2023 |
| Breakdown of assets at the time of loss of control: | | |
| Current assets | ¥ 43,930 | ¥ 2,725 |
| Non-current assets | 37,706 | 3,493 |
| Breakdown of liabilities at the time of loss of control: | | |
| Current liabilities | 31,635 | 1,078 |
| Non-current liabilities | 22,883 | 327 |
| Consideration for transfer | 53,426 | (217) |
| Cash and cash equivalents in assets at the time of loss of control | 26,191 | 2,252 |
| Net proceeds (expenses) from transfer of subsidiaries | 27,235 | (2,469) |

## 38. Related Parties

### (1) Related party transactions

Significant transactions with related parties are as follows:

**Fiscal year 2024**

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

| | Millions of yen | |
|---|---|---|
| | Sales amounts | Receivable balance |
| Joint ventures | **¥ 43,537** | **¥ 32,334** |
| Associates | **55,378** | **15,499** |

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

| | Millions of yen | |
|---|---|---|
| | Purchase amounts | Payable balance |
| Joint ventures | **¥ 514,692** | **¥ 46,507** |
| Associates | **26,961** | **3,155** |

**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 | Receipt of interest (Note 1) | **¥ 2,057** | Trade and other receivables (Accrued interests) (Note 1) | ― |
| | | Debt waiver of long-term accrued interests (Note 1) | **868** | Other financial assets (Long-term accrued interests) (Note 1) | ― |
| | | Debt waiver of loan receivables (Note 1) | **108,923** | Other financial assets (Loan receivables) (Note 1) | ― |
| | | Guarantee obligations (Note 2) | **206,330** | ― | ― |
| | | Pledged as collateral (Note 3) | **168,587** | ― | ― |

Note 1: Loans of funds are conducted based on market interest rates. In FY2024, the Company issued a debt waiver for the full amount of these loan receivables and long-term accrued interests. As a result, it recorded loss on debt waiver of ¥109,791 million and share of profit of investments accounted for using the equity method (non-recurring factor) of ¥86,093 million in Petro Rabigh due to debt forgiveness. From FY2025 onward, the Company plans to sell part of its shareholding in Petro Rabigh, representing an equity interest of approximately 22.5%, to Saudi Aramco for approximately $702 million, subject to certain conditions including regulatory and third-party approvals. Upon the completion of this sale of shares, the Company plans to contribute to Petro Rabigh the proceeds from the sale.

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.

Fiscal year 2023

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

| | Millions of yen | |
|---|---|---|
| | Sales amounts | Receivable balance |
| Joint ventures | **¥ 29,115** | **¥ 26,756** |
| Associates | **111,228** | **16,237** |

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

| | Millions of yen | |
|---|---|---|
| | Purchase amounts | Payable balance |
| Joint ventures | **¥ 448,218** | **¥ 50,430** |
| Associates | **51,354** | **4,975** |

### 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 (Note 1) | **¥ 74,834** | Other financial assets (Loan receivables) | **¥ 114,968** |
| | | Receipt of interest (Note 1) | **4,954** | Trade and other receivables (Accrued interests) | **1,997** |
| | | | | Other financial assets (Long-term accrued interests) | **910** |
| | | Guarantee obligations (Note 2) | **211,182** | — | — |
| | | Pledged as collateral (Note 3) | **197,136** | — | — |

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 FY2023.

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 | |
|---|---|---|
| | FY2024 | FY2023 |
| Basic remuneration and bonuses | **¥ 516** | **¥ 627** |
| Share-based payment | **103** | **129** |
| Total | **¥ 619** | **¥ 756** |

## 39. Commitments

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

| | Millions of yen | |
|---|---|---|
| | March 31, 2025 | March 31, 2024 |
| Purchase of property, plant and equipment | **63,797** | **93,660** |
| Purchase of intangible assets | **24,491** | **29,926** |
| Total | **88,288** | **123,586** |

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, 2025 | March 31, 2024 |
| Joint ventures | **¥ 207,412** | **¥ 212,503** |
| Employees (for their mortgage loans) | **13** | **19** |
| Others | **277** | **249** |
| Total | **¥ 207,702** | **¥ 212,771** |

**41. Subsequent Events**

(A Company Split (Simplified Absorption-Type Company Split) of the Asian Business and the Execution of a Share Transfer Agreement by the Company Subsidiary)

On April 1, 2025, the board of directors of Sumitomo Pharma Co., Ltd. resolved to execute agreements with Marubeni Global Pharma Corporation, a wholly-owned subsidiary of Marubeni Corporation. The agreements include a share transfer agreement, which stipulates that the Asian business of Sumitomo Pharma's wholly-owned subsidiaries, Sumitomo Pharma (China) Co., Ltd. and Sumitomo Pharma Asia Pacific Pte. Ltd., along with their subsidiaries, will be transferred to a wholly-owned subsidiary to be newly established by Sumitomo Pharma Co., Ltd. (hereinafter, "the New Company") through an absorption-type company split, and that 60% of the shares of the New Company will be transferred to Marubeni Global Pharma Corporation. The Company expects to record a gain of approximately ¥45.0 billion in other operating income for FY2025. However, this amount is an estimate, and it has not been fixed currently.

KPMG

# Independent auditor's report

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

## Report on the Audit of the Consolidated Financial Statements

### 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, 2025, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising material 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, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 312 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (IFRS Accounting Standards).

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, 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.

**Appropriateness of the accounting treatment and disclosure regarding debt waiver on a loan to Rabigh Refining and Petrochemical Company, the partial sale of its shares and additional contributions**

| The key audit matter | How the matter was addressed in our audit |
|---|---|

| | |
|---|---|
| As described in Note 38, "Related Parties" to the consolidated financial statements, Sumitomo Chemical Company, Limited (hereinafter, the "Company") waived a loan, in its entirety together with long-term accrued interest thereon, extended through its subsidiary, Sumika Finance Co., Ltd. (hereinafter, "Sumika Finance"), to Rabigh Refining and Petrochemical Company (hereinafter, "Petro Rabigh"), a joint venture.<br><br>In addition, the Company entered into a share sale and purchase agreement to sell certain of its equity interest, representing approximately 22.5%, in Petro Rabigh to The Saudi Arabian Oil Company (hereinafter, "Saudi Aramco") for approximately $702 million, subject to certain conditions including the approval of regulatory authorities. Furthermore, subject to the closing of the above share sale transaction, the Company has agreed that the consideration from the sale will be contributed to Petro Rabigh.<br><br>Among the debt waiver, the partial sale of its shares and additional contributions (hereinafter, "the series of restructuring transactions"), the debt waiver was completed by the end of the current fiscal year. Consequently, in the consolidated statement of income for the current fiscal year, the Company recognized a loss on debt waiver of ¥109,791 million (consisting of ¥108,923 million on the loan and ¥868 million on long-term accrued interest) and its share of profit of investments accounted for using the equity method of ¥86,093 million from Petro Rabigh as a result of debt waiver. The investment in Petro Rabigh at the end of the current fiscal year amounted to ¥175,929 million.<br><br>The series of restructuring transactions mentioned above were deemed to be significant unusual transactions. Accordingly, it was particularly important to ensure that the Company followed the necessary preapproval procedures and to ensure that the Company appropriately | The primary procedures we performed to assess the appropriateness of the accounting treatment and disclosure regarding debt waiver on the loan to Petro Rabigh, the partial sale of its shares and additional contributions included the following:<br><br>(1) We assessed the business objectives through inquiry of management and inspection of the relevant documents set forth below. Additionally, we assessed whether the terms and conditions in the agreements set forth below were consistent with the minutes of the board of directors' meetings.<br>● Minutes of the board of directors' meetings including supporting materials;<br>● Agreement regarding the partial sale of its shares and additional contributions executed between the Company and Saudi Aramco;<br>● Agreement regarding debt waiver executed between the Company, Sumika Finance, and Petro Rabigh; and<br>● Agreement regarding debt waiver executed between the Company and Sumika Finance.<br><br>In addition, we assessed the appropriateness of the accounting treatment and disclosure by performing the following procedures:<br>● Assessed whether the loan that was waived met the criteria for derecognition of financial assets;<br>● Assessed through recalculation whether the amount of its share of profit of investments accounted for using the equity method from Petro Rabigh as a result of debt waiver was accurately measured; and<br>● Assessed whether the series of restructuring transactions were appropriately disclosed in the Related Parties footnote.<br><br>(2) We confirmed, through inspection of the relevant minutes of the board of directors' meetings, that the business objectives were explained to external directors and audit & supervisory board members (including its external members) prior to execution. In addition, we confirmed that the Company's board of directors approved the series of restructuring transactions in accordance with the operating rules of the board of directors' meeting. |

| | |
|---|---|
| accounted for and disclosed the series of restructuring transactions.<br><br>We, therefore, determined that our assessment of the appropriateness of the accounting treatment and disclosure regarding debt waiver on the loan to Petro Rabigh, the partial sale of its shares and additional contributions was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | |

**Reasonableness of the estimate of the recoverable amount used in the impairment testing for goodwill attributable to the North America 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, 2025, Sumitomo Chemical Company, Limited. and its subsidiaries recognized goodwill of ¥197,406 million attributable to the North America business of Sumitomo Pharma Co., Ltd. (hereinafter, "Sumitomo Pharma"), which is the consolidated subsidiary within Sumitomo Pharma segment. The goodwill represents 6% of total assets in the consolidated financial statements.<br><br>Goodwill is tested for impairment annually or whenever there is an impairment indicator. 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.<br><br>As described in Note 16. "Impairment of Non-financial Assets" to the consolidated financial statements, an impairment loss was not recognized on the goodwill attributed to the North America business as a result of the impairment testing for the fiscal year ended March 31, 2025. | In order to assess whether the estimate of the recoverable amount used in the impairment testing for the goodwill attributed to the North America business was reasonable, we directed the component auditor of Sumitomo Pharma to perform an audit. We evaluated the report of the component auditor of Sumitomo Pharma and concluded on whether sufficient and appropriate audit evidence was obtained from the following procedures, among others:<br><br>(1) Internal control testing<br>Tested the design and operating effectiveness of certain internal controls relevant to measuring the fair value less costs of disposal used in the impairment testing for the goodwill attributable to the North America business with a particular focus on controls relevant to estimating future cash flows.<br><br>(2) Assessment of the reasonableness of the estimated fair value less costs of disposal<br>Inquired of management and of personnel responsible for the preparation of the business plan about the rationales for key assumptions adopted in developing the business plan of the North America business that formed the basis for the estimated future cash flows. In addition, we performed the following procedures, among others:<br><br>● compared the business plan that formed the basis for estimating the future cash flows with the business plan approved by management, for consistency;<br>● compared the key assumptions used to estimate the recoverable amount for the prior period and |

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| In the current fiscal year, Sumitomo Pharma used the fair value less costs of disposal as the recoverable amount in the impairment testing for the goodwill attributable to the North America business. The future cash flows used in measuring the fair value less costs of disposal were estimated based on the business plan of the North America business prepared by management, and in the preparation of the business plan, importance was placed on the revenue projection of products attributable to the North America business. The projected revenue was based on multiple key assumptions such as the sales price of the products, the market size and the market shares of the products in the relevant disease area, which involved a high degree of estimation uncertainty. Accordingly, management judgement thereon had a significant effect on the estimated future cash flows. Moreover, selecting the appropriate 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.<br><br>We, therefore, determined that our assessment of the reasonableness of the estimate of the recoverable amount used in the impairment testing for the goodwill attributed to the North America business was of most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. | the current period and assessed whether the reasons for the changes in the current period are appropriate in light of the situation in the current period;<br>● assessed whether the sales price of the products is set appropriately considering the impact of sales strategy and Inflation Reduction Act;<br>● compared with information from external professional research organizations and performed trend analysis using actual results in previous years for the market size and the market shares of the products in the relevant disease area;<br>● assessed the impact on the fair value less costs of disposal by performing sensitivity analysis on the sales price of the products, the market size and the market shares of the products in the relevant disease area; and<br>● involved valuation specialists within our firm 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. |

## 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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards 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 Accounting Standards, 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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, actions taken to eliminate threats or safeguards applied.

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.

## Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 1,512 million yen and 336 million yen, respectively.

## 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.

Ayumu Nakajima
Designated Engagement Partner
Certified Public Accountant

Ryohei Tomita
Designated Engagement Partner
Certified Public Accountant

Naoto Watanabe
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 20, 2025

**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.