Annual Financial Report

SUMITOMO CORPORATION AND SUBSIDIARIES

For the year ended March 31, 2023
Together with Independent
Auditors' Report

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MANAGEMENT'S DISCUSSION AND ANALYSIS

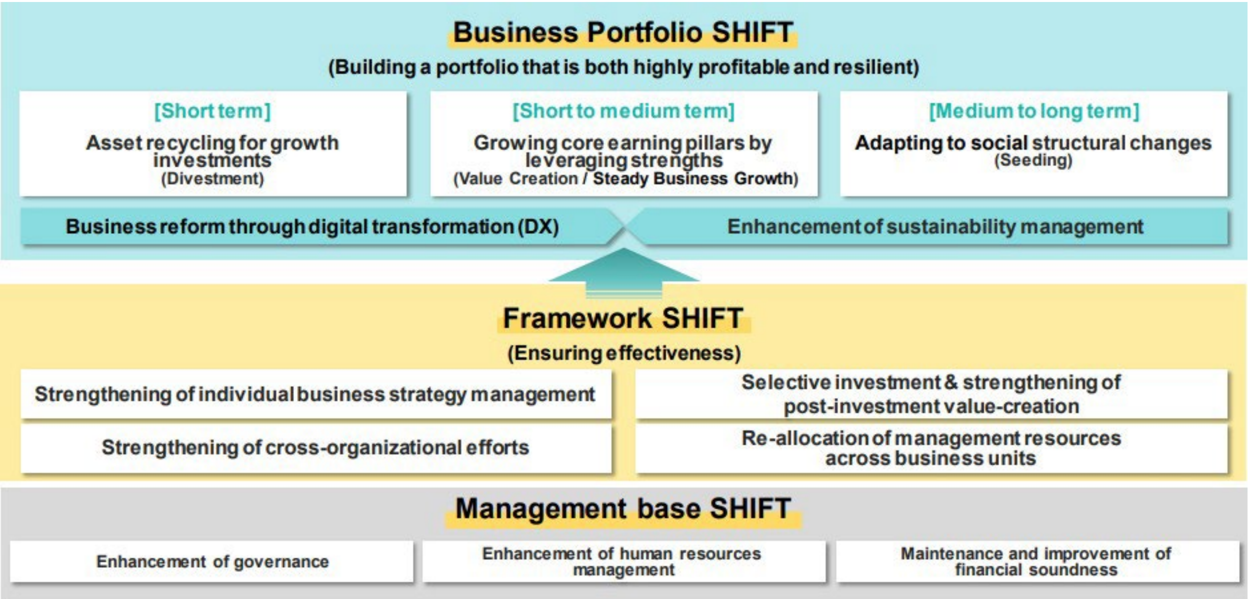
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Management Policies, Business Environment and Management Challenges

Medium-Term Management Plan

The progress of "SHIFT 2023" (from fiscal 2021 to fiscal 2023)

Under the medium-term management plan "SHIFT 2023", we are working on "Business Portfolio SHIFT", which aims to build a highly profitable and resilient business portfolio, as well as "Framework SHIFT" and "Management Base SHIFT" which ensures the effectiveness of such shift. The progress and the status of each shift is as below.



(1) Business Portfolio SHIFT

We grouped all our businesses into Strategic Business Units (SBU)s, regardless of the existing organizations and categorized them into four categories based on the two axes of "market potential" and "demonstration of strengths", and promoted the shift of reallocation of management resources (funds and human resources) to business domains in which we can demonstrate our strengths.

<Four categories>

- "Divestment" which aims for the strategic withdrawal of planned projects without missing opportunities and recovers management resources
- "Value Creation" which aims for improvement of profitability through value additions and efficiency enhancements
- "Steady Business Growth" which aims at to grow earning pillar through expansion of business scales
- "Seeding" which aims to grow new earning pillars through cultivation of next-generation businesses

(a) The progress of each category in fiscal 2022

Seeding

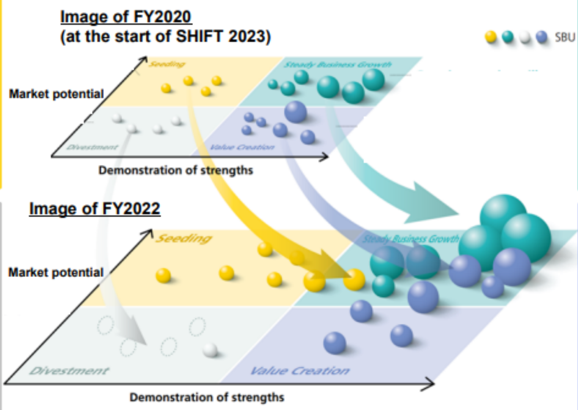
- Steadily building up the seeds of next-generation businesses from a longer-term perspective.
(next-generation steel pipe, large storage battery, etc.)

Results	FY2020	FY2022
Profit	¥-5.0 bil.	¥-10.0 bil.
Invested capital	¥35.0 bil.	¥150.0 bil.

Divestment

- Strategic exit of originally planned projects has been completed.
(Silver, zinc and lead business in Bolivia, copper and molybdenum mining business in Chile, oil and gas business in the U.K. North Sea, etc.)

Results	FY2020	FY2022
Profit	¥-25.0 bil.	¥20.0 bil
Invested capital	¥200.0 bil.	¥0.0 bil



Steady Business Growth

- Progress on initiatives for further growth, such as building up assets in each SBU.
(construction machinery, healthcare, agriculture, etc.)

Results	FY2020	FY2022
Profit	¥100.0 bil.	¥220.0 bil.
Invested capital	¥3.2 tri.	¥3.9 tri.

Value Creation

- Progress in strengthening resilience and expanding the earnings base by exiting from low-profitable businesses and taking value-up measures in each SBU.
(Tubular products in North America, media-related, basic chemicals, etc.)

Results	FY2020	FY2022
Profit	¥-210.0 bil.	¥330.0 bil
Invested capital	¥2.3 tri.	¥3.4 tri.

(b) Business reform through DX (Digital Transformation) and Enhancement of the Sustainability Management

As a measure to support the "Business portfolio SHIFT" and enhancing functions and profit margins of the existing businesses, and promoting the creation of new businesses, we conducted "Business reform through DX" and "Enhancement of sustainability management".

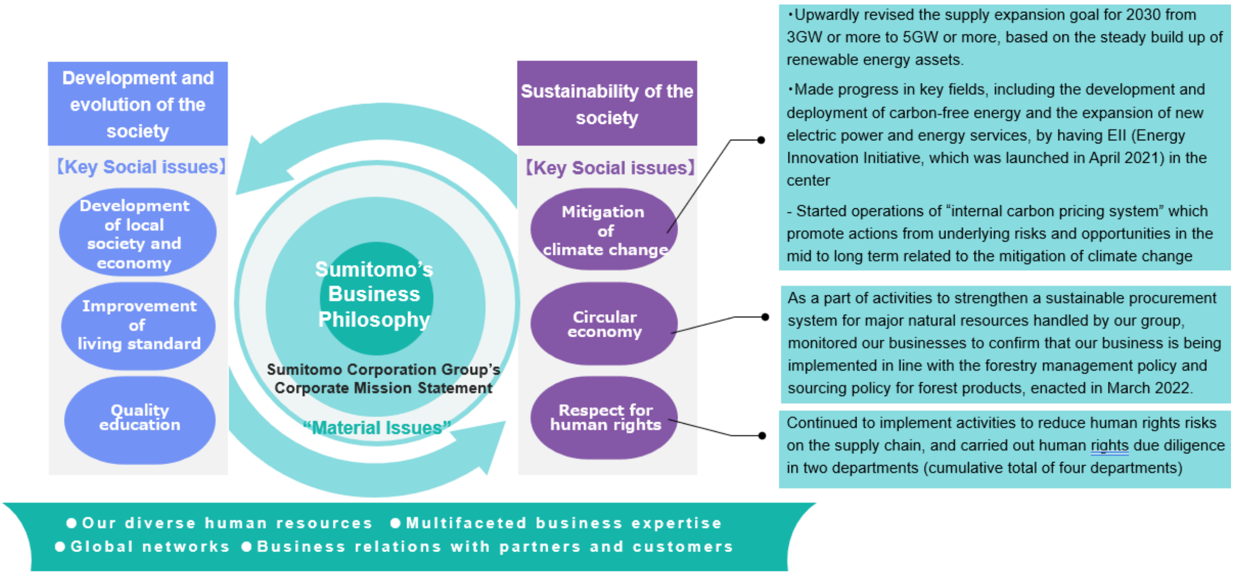
Business reform through DX

- Improve functionality and profitability through DX implementation in existing businesses: Progress in demand/supply forecasting in the domestic supermarket business, advanced data analysis in the healthcare businesses

- New business creation from next-generation growth fields x DX: Progress in decarbonization, mobile payment services, DX support services

Enhancement of Sustainability Management

Internal promotion and progresses have accelerated with respect to the six "Key Social Issues" to be pursued by our company in the interest of realizing a sustainable society (identified in 2020), such as the initiatives of each SBU and the start of the company wide operation system. The examples of the main initiatives in fiscal 2022 are as below



Please refer "Our Approach and Initiatives to Sustainability" for details.

(2) Framework SHIFT

In order to ensure the effectiveness of the "Business Portfolio SHIFT", we have also promoted the "Framework SHIFT". Specifically, we have conducted the following initiatives.

- Monitoring of the progress status of the strategies set by each SBU, conducting plan-do-check-act (PDCA) cycle to discuss the need for reviewing strategies
- Adoption of stricter investment discipline through the establishment of guidelines for selecting investments and, to increase the probability of successful business investment and maximize value
- Establishment and reinforcement of the structure regarding the growth strategy themes such as next-generation energy business, social infrastructure, retail and consumer, healthcare, and agriculture
- Revising the framework to a one which reallocates investment capital across business units in order to drive a more dynamic "Business Portfolio SHIFT"

(3) Management Base SHIFT

We made steady progress in reinforcing and expanding our management foundation to achieve medium to long-term growth and advancement.

<u>Enhancement of Governance</u>

- Fiscal 2022: Reformed the director remuneration system with the objective of strengthening motivation to improve corporate value and achieve management goals in the medium to long-term
(reviewed remuneration standards/remuneration composition ratio and reflected the stock price growth rate in the calculation of the total amount of payment of the performance-linked bonuses)
- Fiscal 2023: added non-financial indicators ("climate change," "promotion of women's active engagement" and "employee engagement") to the evaluation indicators the for the stock-based remuneration system

<u>Enhancement of Human Resources Management</u>

Promoted further "Diversity, Equity & Inclusion" by implementing measures such as promotions that are not restricted by age, promotions of female employees, active promotions of mid-career employees including promotions to the post of executive officers, and diversification/annualization of recruitment methods

Maintenance and Improvement of Financial Soundness

The debt-equity ratio (DER) was maintained at 0.7 at the end of the previous fiscal year, and risk-weighted assets stayed within our core risk buffer *1.

*1 Our core risk buffer represents the sum of “common stock,” “additional paid-in capital,” “retained earnings” and “exchange differences on translating foreign operations,” minus “treasury stock, at cost.” Our basic management policy is to keep risk-weighted assets, which are our maximum possible losses, within our core risk buffer.

Initiatives for the completion of Medium-Term Management Plan “SHIFT 2023”

Taking into account the progresses over the last two years as explained above, as fiscal 2023 being the final year of “SHIFT 2023”, we will focus on conducting the following priority actions.

Addressing businesses in turnaround	Profitability improvement of existing businesses	Monetization of next-generation growth fields
• Continuing to work on the value-up of Ambatovy, TBC, Fyffes and others.	• Profitability improvement in SBUs with ROIC below WACC.	• Monitoring from a company-wide perspective and providing the necessary support.
• Completion of the divestment of low-profit businesses.	• Asset replacement for businesses with poor growth potential.	• Growing core earning pillars through the focused allocation of management resources.

We will complete “SHIFT 2023” in order to further improve our growth potential and the stability of our earnings, and create a structure that will generate profit above the cost of shareholder’s capital regardless of the external environment, and enhance shareholder returns. In addition, we will endeavor to retain and upward trust from the market through constructive dialog.

(4) Quantitative Targets

1. Business environment

Overview

Amidst financial instability originating in the U.S. and continuing uncertainty in the Russian Ukrainian situation, the prospect is the slowdown of global economic growth. Monetary tightening as well as high prices caused by rising prices for raw materials due to soaring resource and energy prices has become a burden on corporate and household economic activity. Among developed countries, the U.S. economy will maintain positive growth, although at a slower pace, supported by consumer spending, while a gradual recovery is expected to continue in the Japanese economy. In contrast, the slump in the Euro-zone economy is expected to continue as a result of effects from a delayed recovery in external demand and unstable energy supplies. Among emerging countries, economic activity in China is expected to continue recovering as a result of the abolishment of zero-COVID policies, the recovery of the real estate market, and other factors. Many other emerging and developing countries are expected to continue recovering at a gradual pace. Risks include turmoil in the financial industry, intensification of the conflict in Ukraine, a potential rebounding of COVID-19, prolonged high prices and effects from the accompanying financial tightening, intensification of debt problems in emerging economies, and heightened geopolitical risks in Northeast Asia, the Middle East, North Africa, and other regions.

Metal Products Business Unit

This Business Unit handles a broad range of metal products such as steel sheets and tubular products.

In the steel products sector, while demand in the automotive, consumer electronics, and construction fields is currently flat or weakening, steel market entered correction phase after price hike due to rising production costs and other factors. Furthermore, in China, the domestic market is declining due to the imbalance of supply and demand, and the export volume outside of China is expanding, that we are paying close attention to further global supply and demand balance.

In the tubular products sector, in the United States, developers are adjusting orders as a reaction to the extremely tight supply and demand environment of the previous year and tubular prices are turning downwards at this point. However, demand for steel pipes especially for gas exploration is expected to remain firm that tubular prices are expected to gradually recover after a period of adjustment, and demand for non-U.S. markets is expected to remain strong too.

In addition, from the perspective of energy security in countries around the world, the movement toward energy transitions for decarbonization is expected to accelerate.

Given this environment, the Business Unit will complete it's restructuring to a business model that can ensure sustainable growth from a medium- to long-term perspective. And at the same time, it will provide new value through DX, and focus on improving sustainability management, by supplying metal products and services that contribute to the carbon neutralization of society such as renewable energy and CCS.

Transportation & Construction Systems Business Unit

This Business Unit is engaged in various transactions and business investment, focused on the leasing and financing business, the global reach of our value chains in the automotive, construction equipment and ship businesses and advanced expertise in the aerospace-related businesses.

In the environment currently surrounding the Business Unit, we observe the recovery and expansion in global mobility demand, while we are closely monitoring the trends as increasing geopolitical risks in some regions, the impact of semiconductor shortages on supply chains, and concerns about economic slowdown due to rising raw material costs, labor costs, and interest rates. In addition, the need to contribute to the realization of a decarbonized society and a circular economy is increasing in each segment.

Considering this environment, our Business Unit will complete structural reforms, including withdrawal from low-profit businesses, and focus on improving the profitability and expanding the foundation of our core business. Specifically, we will work on improving asset efficiency and increasing high-quality assets in growth areas in the lease and finance businesses, expanding the business foundation and capturing demand in growth markets in the construction equipment businesses. Moreover, we will seize new social needs as opportunities to create and nurture new projects that will become our future pillars such as the development of next-generation fuel ships, aircraft part-out business, and a business that combines electric vehicles and energy management in the automotive space.

Infrastructure Business Unit

This Business Unit is engaged in social infrastructure businesses (water supply/sewerage systems, railway projects, etc.), electric power infrastructure businesses (EPC business, IPP business, etc.), and logistics infrastructure businesses (overseas industrial parks, insurance, etc.).

In the environment currently surrounding the Business Unit, although several EPC projects have completed and the IPP business generally also remains robust, domestic retail electricity business has been impacted by increasing cost of power due to soaring price of fuel.

Given this environment, the Business Unit will further strengthen market risk management including contract renewals with the clients and it will accelerate new initiatives to take advantage of business opportunities brought by the arrival of a low-carbon society due to heightened global environmental awareness and the strong demand of infrastructure, especially in the emerging countries.

Specifically, in order to provide high-quality infrastructure that meets the needs of the whole community, the Business Unit will actively engage in social infrastructure projects, including water supply/sewerage projects, smart city development, and railway/airport/seaport businesses. In addition, to achieve carbon neutrality by 2050, the Business Unit will focus on renewable energy generation business and promote low-carbonization of its power generation portfolio. Furthermore, the Business Unit will promote the commercialization of new electric power and energy services such as renewable energy power generation and domestic electricity retail business that contribute to environmental value through co-creation with the Energy Innovation Initiative.

Media & Digital Business Unit

This Business Unit is engaged in media businesses (cable television, TV shopping, 5G-related business, etc.), digital businesses (ICT platforms, digital solutions, digital media etc.) and smart communications platform businesses (mobile phone sales, overseas telecommunications business, etc.).

In the environment surrounding this Business Unit, in the media business, along with lifestyles and consumer behavior change, it is expected that there will be needs for diversification of TV viewing styles and sales process in a non-face-to-face and non-contact manner. In the 5G-related business, installation of base stations by mobile carriers is progressing due to growing demand for high-speed, large-capacity communications. In the digital business, there is a rising demand for digital solution such as expansion of opportunities to resolve social issues with digital technologies and to transform customer's businesses. In the mobile phone sales business, market changes are accelerating, including raising the mobile phone price and the introduction of online-only contract forms by all telecommunications carriers in Japan.

In addition, in the overseas telecommunications business, while there are geopolitical risks in Myanmar and Ethiopia, to which we newly entered, customer demands are expected to grow as the region develops.

Given the environment, in the media business, we will provide new TV viewing-styles and expand lifestyle-related services such as telemedicine service, as well as we will work on early expansion of base station sharing service in the 5G-related business. In the digital business, we will accelerate new DX-related businesses and the co-creation with start-up companies through collaboration with SCSK. In the mobile phone sales business, we will work on creating new businesses that respond to changes in the mobile phone distribution market. We will also take a cautious approach in overseas telecommunications business while keeping a close eye on the situation in Myanmar and Ethiopia.

Living Related & Real Estate Business Unit

This Business Unit is engaged in business in the retail, food, healthcare, construction materials, and real estate sectors.

In the retail sector, the supermarket business was currently sluggish due to the impact of a slowdown in the demand for at-home dining and rising electricity and other costs. In the food sector, the business was also affected by rising transportation, material, and other costs due to the effect of the Russia-Ukrainian situation. Although high costs remain a concern, these businesses continue to be of high importance as it support people's daily lives.

In the healthcare sector, business opportunities are expected to expand in the areas of dispensing medical costs, at-home nursing care, and online medical services as the aging population of Japan is increasing.

In the construction materials and real estate sector, overseas business remained sluggish due to higher financing costs associated with rising U.S. interest rates, while domestic business remained strong. Going forward, the impact of policy interest rate trends and rising construction costs needs to be closely monitored.

Given the environment, this Business Unit will continue to implement the measures necessary for business continuity and future growth, while carefully monitoring the market. In the retail and healthcare sector, we will promote DX initiatives aimed at solving issues in the field and upgrading functions, such as the use of data unique to the retail business and the introduction of fully automated medicine dispensing in drugstores. In the food sector, we will strive to secure earnings by capturing firm demand from mass retailers and diversification of production areas. In the real estate sector, we will continue to strengthen our stable earnings base by promoting portfolio management that handles various asset types.

Mineral Resources, Energy, Chemical & Electronics Business Unit

This Business Unit is engaged in developing, producing, and selling metal resources and energy interests in the mineral resources and energy field, and developing, manufacturing and selling basic chemical products, agricultural inputs, pharmaceuticals, animal health products, cosmetics and electronics materials/products in the chemical and electronics field.

In fiscal year 2022, the upstream and trading business in the mineral resources and energy field showed strong performance, capturing surges in mineral resources and energy prices. In the chemical and electronics field, business overall performed well, capturing growing demand such as agricultural inputs and electronics materials/products. In fiscal year 2023, the market has been showing softening trend not only in mineral resources and energy prices, but also in grains and basic chemicals, which shall be paid close attention to.

Based on the above business environment, in the mineral resources and energy field, the Business Unit will continue stable operations of upstream mineral resources business and thoroughly manage market risks, and work on restructuring the portfolio of mineral resources and energy interests, and develop next-generation energy businesses, in order to achieve the Sumitomo Corporation Group carbon neutral in 2050. In the chemical and electronics field, the Business Unit will focus on strengthening existing business foundation such as agribusiness, and developing new businesses in the green chemical field to promote a circular economy.

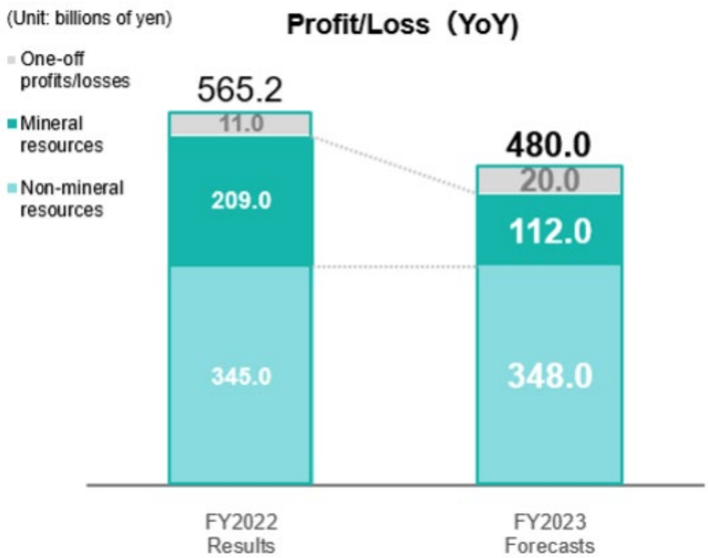
2. Quantitative Plan and shareholder return policy

The details of our quantitative plan and shareholder return policy onward are as below.

Quantitative Plan

- Earnings forecasts

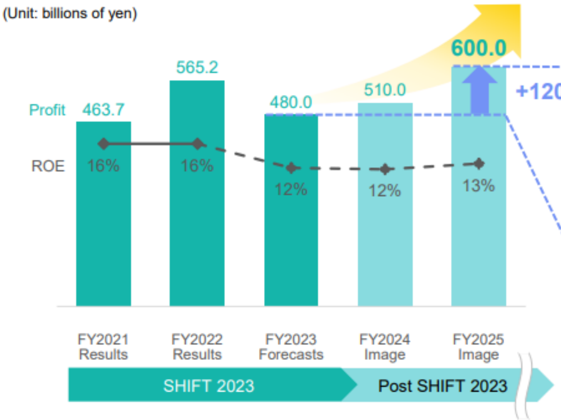
In light of the current situation, we have set our earnings forecasts as follows



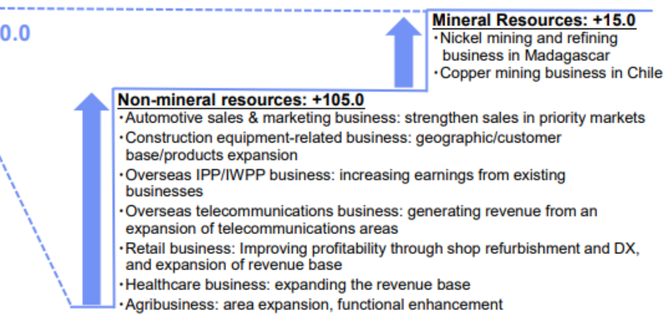
Although uncertainty of the outlook of the word economy is increasing, at present, we foresee that the present business environment will continue, and thus we forecast the profit for fiscal 2023 as ¥480.0 billion. Compared to the previous year, we are expecting that mineral resources businesses will decrease due to the softening of resource and energy prices and the non-mineral resources businesses will remain flat. As we engage in strategic discussions while always maintaining concrete quantitative views for not only the period covered by “SHIFT 2023” but also the next three years towards the implementation of the “Business Portfolio SHIFT”, through the optimal allocation of management resources, the profit plans for up to fiscal 2025 are presented below.

Annual profit and ROE

(Unit: billions of yen)



Profit driver from FY2023 to FY2025



- Cashflow plan

We will keep the policy of achieving positive free cash flow after dividends under "SHIFT 2023" and will continue to implement thorough investments and asset recycling to conduct "Business Portfolio SHIFT" with high profitability and strong resiliency of our portfolio.

(Unit: billions of yen)

	SHIFT 2023		
	Results (Apr.2021-Mar.2023)	FY2023 Plans	3-year Total Plan (May 2023)
Basic profit cash flow*1	+868.9	+400.0	+1,270.0
Depreciation and amortization (After netting repayments of lease liabilities)	+214.2	+110.0	+320.0
Asset replacement	+380.0	+220.0	+600.0
Others	-580.0	±0.0	-580.0
Investment & loan (New investment & loan)	-650.0	-500.0	-1,140.0
Free cash flow (adjusted*2)	**+244.5**	**+230.0**	**+470.0**
Shareholder return	-291.1	-180.0	-470.0
Free cash flow (post-shareholder return)(adjusted*2)	**-46.6**	**+50.0**	**Ensure Positive**

*1 Basic profit cash flow = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + dividends) × (1-tax rate) + dividend from investments accounted for using the equity method

*2 Repayments of lease liabilities categorized in financing activities is adjusted

*3 Annual dividend (24/3) included in FY2023 plans is based on our plan ¥120 per share.

(5) Shareholder Return Policy

Sumitomo Corporation aims to increase dividends by achieving medium and long-term earnings growth while adhering to its fundamental policy of paying shareholders a stable dividend over the long term.

2. Our Approach and Initiatives to Sustainability

Approach and initiatives to sustainability of the Sumitomo Corporation Group are as follows.

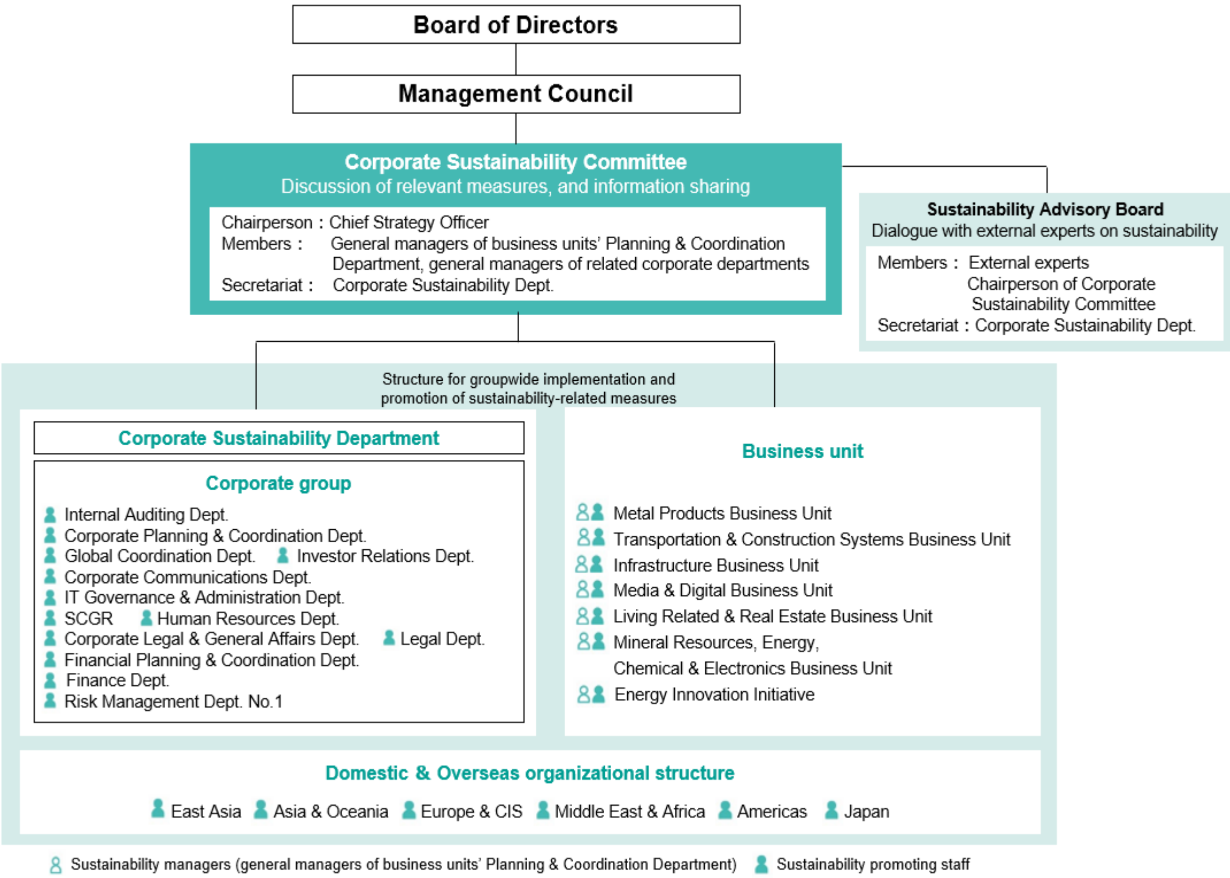
Governance

Important initiatives relating to sustainability including the planning of measures, implementation throughout the organization and improvement of monitoring system are referred to the Management Council and the Board of Directors. The important initiatives are subject to the decisions of the Management Council and the supervision of the Board of Directors.

Organization for Promoting Sustainability

Sumitomo Corporation has established the Corporate Sustainability Department, which is responsible for the planning of measures to promote sustainability and ensuring their implementation throughout the organization. Meanwhile, the department coordinates with general managers, who are responsible for promoting sustainability within each business unit, and with the sustainability promoting staff of each business unit's Planning & Coordination Department. The department also works with the sustainability promoting staff of relevant corporate departments and overseas regional organizations to ensure that sustainability promotion measures are fully implemented groupwide and also that the different business units/initiative and regional organizations pursue measures tailored to the specifics of their business or region.

The Corporate Sustainability Committee acts as an advisory body to the Management Council and discusses important policies, measures, and initiatives relating to the promotion of sustainability. Important initiatives relating to sustainability promotion are referred by the committee to the Management Council and the Board of Directors for further discussion. Some important initiatives are subject to the decisions of the Management Council and the supervision of the Board of Directors. In addition, we have established the Sustainability Advisory Board, which is organized by external experts, to provide advice and recommendations on overall sustainability management.



Also, important HR management policies, strategies, and measures are discussed at meetings of the Management Council and the HR Management System Committee, which is an advisory body to the Management Council. The Board of Directors defines directions and engages in supervision and monitoring accordingly.

Strategy

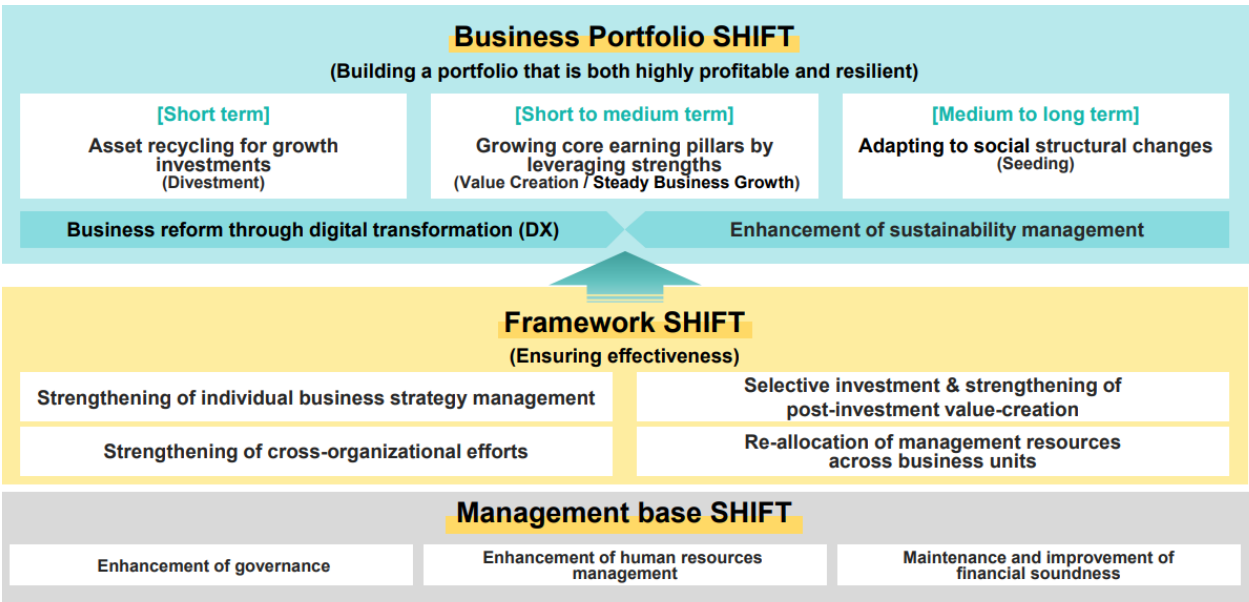
The Enhancement of Sumitomo Corporation Group's Sustainability Management

In addition to clear commitment to the role we play in achieving a sustainable society, it is necessary that we focus on the optimal status of companies and their business that will be needed in a sustainable society, such as carbon neutrality, circular economy and zero violation of human rights. We need to recognize the paths to achieve them and the challenges to be overcome, and consider the strategies and allocation of management resources that we should implement from a long-term perspective.

We believe that capturing and pursuing the ideal state of society will bring more business opportunities. The Sumitomo Corporation Group's sustainability management is about perfectly aligning the vision of a sustainable society with the Group's value creation and sustainable growth.

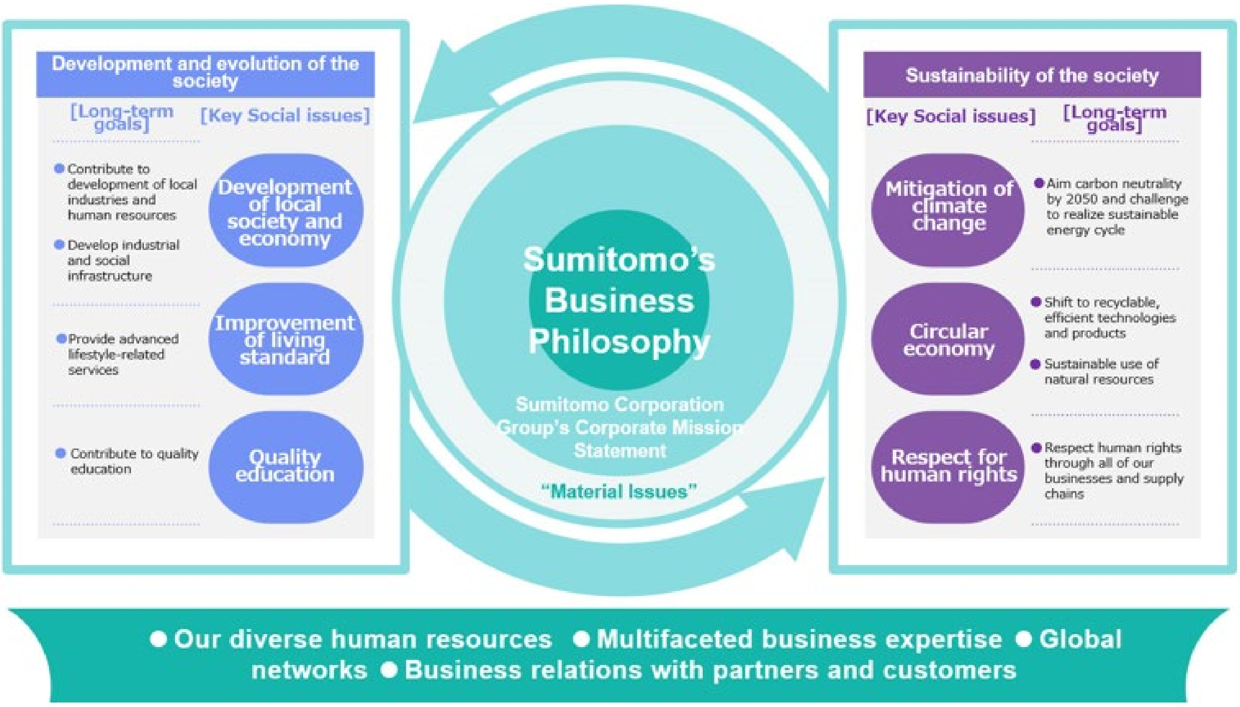
Positioning in the Medium-Term Management Plan SHIFT 2023

Within the Medium-Term Management Plan "SHIFT 2023" that we formulated in May 2021, we have identified three "SHIFTs": Business Portfolio SHIFT, Framework SHIFT, and Management Base SHIFT. In particular, we consider "enhancement of sustainability management" along with DX important elements to be incorporated in promoting Business Portfolio SHIFT to one that is both highly profitable and resilient to changes in the business environment while firmly grasping the two major social trends of digitization and the demand for sustainability.



Identification of Sumitomo Corporation Group's Key Social Issues

As Sumitomo Corporation works to enhance its sustainability management, it has identified "Mitigation of climate change", "Circular economy", "Respect for human rights", "Development of local society and economy", "Improvement of living standard" and "Quality education" as the six key social issues it needs to address, and has set long-term goals and medium-term goals for each issue. For more details, please refer to the ［Metrics and Targets］ as below.



Risk Management

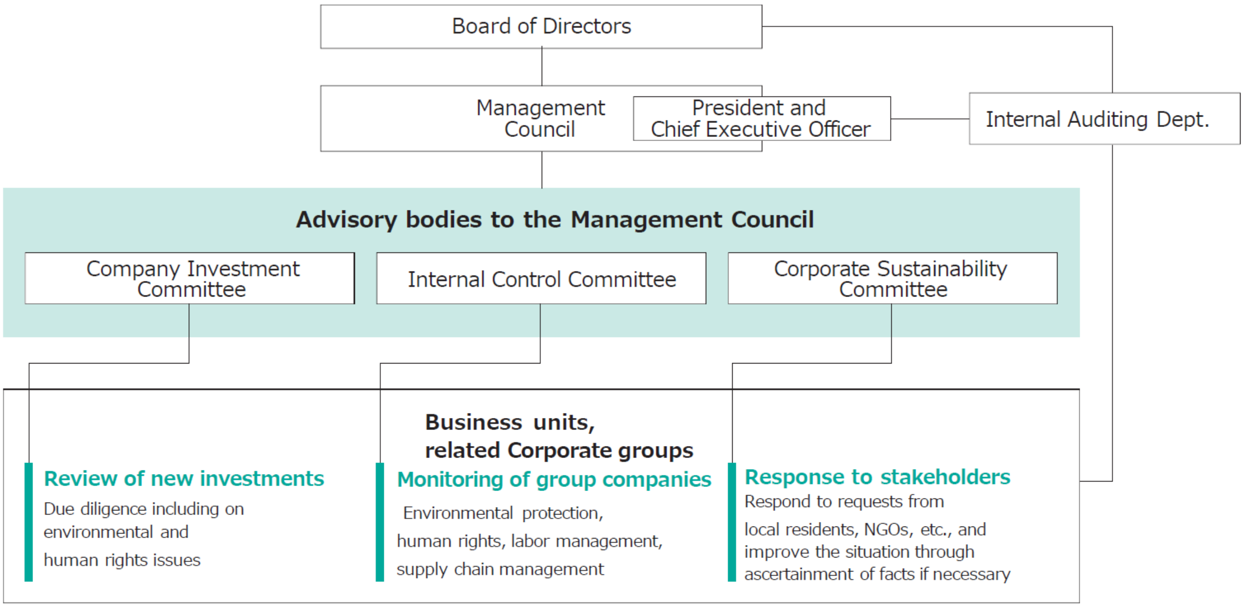
Framework for Social and Environmental Risk Management

The Sumitomo Corporation Group has established a companywide framework to perform regular and appropriate monitoring of the social and environmental impact of the Group's entire business activities when opening new businesses.

We have prepared a self-assessment sheet on relevant social and environmental risks to be used at the time of investment application to identify anticipated risks and opportunities in terms of the nature and regional characteristics of each business. Decision-making is then carried out considering impacts on society and the environment. This includes having the Corporate Sustainability Department participate in discussions as a specialist organization that addresses social issues depending on the risk. Depending on nature of business and risks, we also engage outside experts to check that the business is soundly managed and does not have serious impacts on stakeholders by using environmental assessment by an environmental consultant and assessment of human rights and labor issues by a law firm, considering the specifics and risks of each business.

As follow-up to the investment, the responsible business department and related corporate departments work together through dialogue with group companies to carry out regular monitoring from the viewpoint of the environment, human rights, labor management, the supply chain, and other aspects. If an issue arises, remedial action is taken in line with the specifics of the case. Internal audits that take into account special characteristics of the business are used to confirm that management operations are legally compliant and meet international standards on social and environmental issues. When a case relating to the impact of the Sumitomo Corporation Group's business activities is referred to by a local community, a non-governmental organization (NGO), or another stakeholder, we ascertain the facts and engage in dialogue and discussion toward improvement.

If, as a result of this process of review and monitoring of investments, an important social or environmental risk is identified, the individual response is reported or referred for further discussion to the Management Council and the Board of Directors through the relevant internal committees.



<u>Metrics and Targets</u>

Setting Long-term and Medium-term Goals to Address Key Social Issues

We, Sumitomo Corporation Group have identified six key social issues to be addressed. We have established medium- and long-term goals for each of the issues and aim to resolve them. The progress of the medium-term goals set for each issue are monitored by the Corporate Sustainability Committee.

	Key social issues	Long-term goals	Medium-term goals (newly set)
Sustainability of society	Mitigation of climate change	■ Aim for carbon neutrality by 2050 and challenge to realize sustainable energy cycle	■ **Reduce the Group's CO_2 emissions 50% or more by 2035 (compared to 2019)** – Reduce CO_2 emissions of the power generation business by 40% or more by 2035 (of which reduce 60% or more for coal-fired power generation business); power generation portfolio in 2035 to comprise 20% coal-fired, 50% gas-fired and 30% renewables (*1) in terms of net ownership generation capacity. – Reduce indirect CO_2 emissions (*2) associated with the fossil fuel upstream business by 90% or more by 2035. – Reduce CO_2 emissions in all other businesses (*3). ■ **Establish businesses that will form the foundation for a sustainable energy cycle in society** – Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy (5GW or more by 2030)(*4), and expand new power and energy services. – Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation. – Capture, store and utilize CO_2 via carbon recycling, forestry business, CCS, and emissions credit trading, etc.
Sustainability of society	Circular economy	■ Shift to recyclable, efficient technologies and products	■ **Use renewable and recyclable raw materials, collect waste, and promote improved efficiency of product usage** – Expand use of raw materials derived from recycled or renewable resources. – Improve efficiency of product usage and expand businesses that promote longer product life (sharing, sales of used items, leasing, rentals, etc.) .
		■ Sustainable use of natural resources	■ **Reinforce the sustainable procurement system for major natural resources used by the Group** – Identify major natural resource-related commodities requiring sustainable procurement, establish procurement policy, promote certification, and strengthen voluntary auditing system.
Sustainability of society	Respect for human rights	■ Respect human rights through all of our businesses and supply chains	■ **Promote and ensure respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and Sumitomo Corporation Group's Human Rights Policy** – By 2023, achieve 100% participation rate in human rights education based on the Guiding Principles, and 100% implementation rate in regional organizations and subsidiaries. – Strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including the supply chain, and implement risk mitigation measures by 2025. Establish a more effective grievance mechanism(*5) based on assessment results. ■ **Ensure a safe workplace environment** – Strengthen efforts to achieve zero accidents at major business workplaces, focusing on manufacturing, processing, and projects involving large-scale construction. ■ **Achieve a diverse organization grounded in mutual respect** – Provide a safe working environment that is free from discrimination and harassment. – Promote human resource management that enables individuals to demonstrate their abilities regardless of nationality, age, gender, sexual orientation, gender identity, or any other attributes or values.
Development and evolution of society	Development of local society and economy	■ Contribute to development of local industries and human resources	■ **Develop local industries, create jobs, and develop human resources through the Group's global business operations** – Promote sustainable, highly productive and value-added industries, and coexist with local communities through business. – Create employment and develop management and highly skilled human resources at the Group's business sites.
		■ Develop industrial and social infrastructure	■ **Establish industrial and social infrastructure that contributes to the sustainable development of society** – Promote infrastructure that enables access to high-quality energy, water, transportation, logistics, communications, and financial services, as well as businesses that enhance urban functions.
Development and evolution of society	Improvement of living standard	■ Provide advanced lifestyle-related services	■ **Deliver advanced lifestyle services that help to solve social issues such as urbanization and aging populations** – Provide more advanced services and new functions that improve the standard of living, such as mobility, media and telecommunications, healthcare services, and smart city development, based on new technologies and concepts.
Development and evolution of society	Quality education	■ Contribute to quality education	■ **Provide quality and equal learning opportunities through 100SEED(*6) activities** – Quantitatively expand the scope of learning opportunities. – 100% satisfaction of beneficiaries. – Continue to have at least 5% of all employees participate annually (scope is Sumitomo Corporation, regional organizations and Group companies).

(*1) As of 2020：coal 50%, gas 30%, renewables 20%

(*2) Indirect CO2 emissions generated by others with the use of fossil fuel

(*3) Contribute to CO2 reduction by setting targets for individual businesses

(*4) As of 2020：1.5GW (1GW=1 billion W)

(*5) A process that employees, local residents or other stakeholders can use to lodge complaints regarding human rights violations and other issues related to enterprise's business activities including its supply chain, for resolving such issues

(*6) Social contribution activity program with employee participation at Sumitomo Corporation Group

［Disclosure by Theme］

■Disclosure on Climate Change Initiatives

The issue of climate change is an important issue that must be overcome to realize a sustainable society. Global efforts towards the faster realization of a carbon neutral society are accelerating. We value the global consensus of the Paris Agreement, and in order to play a more active role in achieving the carbon neutralization goals of society set forth in the agreement, we reviewed our "Policies on Climate Change Issues" in May 2021. We have set medium-term goals that show a clearer action plan for "Climate Change Mitigation" and its long-term goals, one of our six key social issues. (For medium-term goals, please refer to above) Subsequently, in February 2022, we reviewed our "Policies on Climate Change Issues", and we now state that we will not be involved in any new coal-fired power generation business neither IPP (Independent Power Producer) nor EPC (Engineering, Procurement, Construction).

Policies on Climate Change Issues

Basic Policy

- Aim to make the Sumitomo Corporation Group carbon neutral in 2050*1.
  Develop technologies and business models for creating a sustainable energy cycle by reducing CO_2 emissions and achieving negative emissions*2 for society as a whole.
- In addition to reducing and absorbing CO_2 emissions from our business, we will contribute to the carbon neutralization of society through cooperative initiatives and recommendations made with business partners and public institutions.

Policy on Business Activities

- Promote renewable energy, efficient energy utilization and fuel conversion that contributes to reducing CO_2 emissions throughout society. We will also work to offer new energy management and mobility services utilizing renewable energy and also to materialize hydrogen technologies and applications.
- In the power generation business, we provide a stable supply of the energy, essential for the economic and industrial development of local communities. At the same time, we continuously shift management resources to renewables and other energy sources with low environmental burden in the power generation portfolio. (in 2035: 20% for coal-fired, 50% for gas-fired, and 30% for renewables in terms of net ownership generation capacity*3)
- Regarding the development of thermal power generation and fossil energy concession, we will work on the premise of carbon neutralization in 2050.
  We will not be involved in any new coal-fired power generation business neither IPP (Independent Power Producer) nor EPC (Engineering, Procurement, Construction).
  For IPP business, we aim to reduce CO_2 emissions by 60% or more by 2035 (compared to 2019) and we will end all the coal-fired power generation business in the late 2040s.
  We will not make any further investment in the thermal coal mining interest and aim to achieve zero production from thermal coal mines by 2030.

*1 The scope of business targeted for carbon neutralization is as follows
[Scope1・2] Direct CO_2 emissions from Sumitomo Corporation and its subsidiaries, as well as indirect CO_2 emissions from the generation of energy used by each company (however, for power generation businesses, emissions from those affiliated companies under the equity method are also included)
[Scope3] Indirect CO_2 emissions associated with the use of energy resources produced by fossil energy concession of Sumitomo Corporation Group, its subsidiaries, and affiliated companies under the equity method.
Carbon neutrality means net-zero CO_2 emissions that combine CO_2 emissions from our business and our contributions to CO_2 emission reduction.
*2 Negative emission refers to the absorption, capturing, and removal of CO_2 emitted in the past and accumulated in the atmosphere.
*3 As of 2020：coal 50%, gas 30%, renewables 20%

Sumitomo Corporation Group has disclosed the Climate Change Initiatives based on the TCFD (Task Force on Climate-related Financial Disclosures). For details of disclosure for the fiscal year 2021, please refer to the ESG Communication Book 2022 (pages 24-43).

ESG Communication Book 2022（Published in September 2022）：
ESG Disclosure Book
(https://www.sumitomocorp.com/jp/-/media/Files/hq/sustainability/report/esg/esg-all.pdf?la=en)

Furthermore, the TCFD-based disclosure for fiscal year 2022 is scheduled to be included in the ESG Communication Book 2023, which is planned to be published in September 2023.

Governance

The system of governance for the Climate Change Initiatives is incorporated into the governance for Sumitomo Corporation Group's sustainability initiatives. The important initiatives relating to the Climate Change are subject to the decisions of the Management Council and the supervision of the Board of Directors.

Strategy

Steady Advancement of the Business Portfolio SHIFT

To overcome the issues of climate change, it is necessary to realize a carbon neutral cycle by shifting to decarbonization technology and renewable energy across the industry and utilizing CO_2 emitted. We will respond to the risks caused by changes in various technologies and business models due to decarbonization as we globally develop businesses in a wide range of industries. At the same time, we will steadily advance the Business Portfolio SHIFT by meeting new social needs that arise in response to these changes and cultivating diverse business opportunities.

Transition Risks and Opportunities Related to Climate Change

We are analyzing the impact on businesses including power generation/energy and resource-related businesses, automobiles, aircraft, shipping business, steel, chemicals, cement, aluminum smelting, and real estate, which are presumed to be fields that face a relatively high risk of change in the business environment. These include changes in technology related to climate change mitigation and the introduction of regulations. It is assumed that there are risks that affect business activities in these fields. By recognizing the magnitude of the risks through regular scenario analysis and considering appropriate countermeasures, we are working to keep the negative impact on business performance to a minimum. We are also strengthening initiatives that contribute to the development of business opportunities, such as the construction of carbon-free and recyclable energy systems. For details and results of the scenario analysis, please refer to ESG Communication Book 2022 (pages 28-39).

Risk Management

Our Group's activities cover businesses across a broad range of fields and regions and involve various social issues. We always attach great importance to these social issues, and in order to appropriately control the social and environmental impact of the entire Group's business activities, establish policies and publicize and thoroughly enforce them within the Group.

We evaluate social and environmental risk and confirm response measures as part of our deliberation processes when considering and implementing new business from a broad perspective. In particular, with regard to climate change, we confirm the following with regard to risks (and opportunities) related to business continuity being impeded by the inability to appropriately respond to changes in the business environment resulting from social and environmental problems such as climate change.

- The impact of climate change such as the frequent occurrence of natural disasters and abnormal weather
- The impact of the introduction of regulations
- The impact of technology changes, etc.
- The potential for the expansion of business or the improvement of business performance through advances in climate change mitigation and adaptation to climate change

With regard to our existing business, as well, we regularly monitor the overall management status of these risks to each business, including social and environmental risks. In addition to managing risk related to individual businesses, we assess the status of companywide social and environmental risks and develop systems that enable these assessments to be used to make strategic management decisions.

With regard to the handling of the risks of climate change, each business organization assesses the introduction of regulations and market changes for related business sectors and conducts business activities, and as a part of companywide portfolio management, the Corporate Sustainability Department summarizes the status of major risks to the Group, taking into consideration global efforts relating to climate change and regulatory trends. The results are periodically reported to the Management Council and the Board of Directors. If there are any unacceptable risks from the perspective of the portfolio as a whole, measures including reduction of exposure are investigated with organizations responsible for risk management.

Metrics and Targets

The results of Greenhouse Gas (GHG) Emissions for fiscal year 2022 are as below. For the results of GHG Emissions up to fiscal year 2021, please refer to ESG Communication Book2022 (page 112)

＜GHG Emissions (Scope1/2)＞ (Boundary(*1))

	FY2022 (Unit: thousand t-CO2e)
Scope1<Energy-related CO2>	1,268
Scope1 ＜GHG Emissions except energy-related CO2＞	260
Scope2	553
Total amount	2,081

Furthermore, the amounts shown above are preliminary. The fixed amounts are planned to be included in the ESG Communication Book 2023, scheduled to be published in September 2023.

(*1) The boundary is non-consolidated, consolidated subsidiaries and Joint operations. For Joint operations, the amount equivalent to the investment ratio as of the end of March of the reporting period is included in the environmental data. Group companies emitting more than 3,000 t-CO2e for each gas per year are subject to the aggregation of Scope1＜GHG Emissions except energy-related CO2＞, under the Greenhouse Gas Emissions Accounting, Reporting, and Disclosure System in Japan.

The results of CO2 emissions by activity, calculated as the target of the Sumitomo Corporation Group's carbon neutrality are as below. For the results of CO2 emissions by activity up to fiscal year 2021, please refer to ESG Communication Book2022 (page 112).

＜Sumitomo Corporation Group's CO2 Emissions targeted for Carbon Neutrality＞(Boundary(*2))

	FY2019 (The base year) (Unit: thousand t-CO2e)	FY2022 (Unit: thousand t-CO2e)	Rate of reduction
Business other than power generation	1,005	757	(24.7%)
Power generation business (*3)	43,126	42,613	(1.2%)
Fossil energy concession	15,808	9,203	(41.8%)
Total amount	59,939	52,572	(12.3%)

Furthermore, the amounts shown above are preliminary. The fixed amounts are planned to be included in the ESG Communication Book 2023, scheduled to be published in September 2023.

(*2) Sumitomo Corporation Group established the "Policies on Climate Change Issues" in 2019 and we aim to achieve carbon neutrality by 2050. The scopes of business targeted for carbon neutralization are as follows.

＜Scope1・2＞

Direct CO2 emissions from Sumitomo Corporation and its subsidiaries, as well as indirect CO2 emissions from the generation of energy used by each company (however, for power generation businesses, emissions from those affiliated companies under the equity method are also included)

＜Scope3＞

Indirect CO2 emissions associated with the use of energy resources produced by fossil energy concession of Sumitomo Corporation

Group, its subsidiaries, and affiliated companies under the equity method.

Carbon neutrality means net-zero CO2 emissions that combine CO2 emissions from our business and our contributions to CO2 emission reduction.

(*3) The estimates for projects under construction are included in the amount of power generation business.

■Disclosure on Human Capital

Strategy

Policies on Human Resources Development and Maintenance of Working Environment (Including the Ensurance of Diversity)

The Sumitomo Corporation Group, through our "Global HR Management Policy" established in September 2020, presents a vision for global human resources management. With this as the foundation of all HR initiatives, we will implement HR management to foster an environment that creates new value.

The visions for SC people and the SC organization to be achieved by this policy are as follows.

Vision for SC People (Top-Tier Professionalism) A group of individuals "creating new value on a global scale, sharing SC Group's vision and mission, and maintaining high aspirations and a continuous intrinsic motivation with Enterprising Spirit".
Vision for SC Organization (Great Place to Work) An organization recognized for nurturing talent that continuously take on new challenges throughout the world by building a Great Place to Work on a global scale, where individuals continuously and passionately create new value.

The Sumitomo Corporation Group has a diverse workforce made up of people who have different lifestyles and values in addition to differences in gender and nationality. The Global HR Management Policy therefore defines "Diversity, Equity & Inclusion" as "the core enabler for value creation, innovation and competitiveness", and we strive to eliminate all barriers to diversity, equity and inclusion and leverage our mix of diverse wisdom to pursue the realization of our shared vision.

We are promoting respective measures in accordance with the following four principles, set in the Medium-Term Management Plan "SHIFT 2023".

- Human resources management reform to realize the Global HR Management Policy
- Promotion of Diversity, Equity & Inclusion
- Promotion of the right talent to the right assignments on a global basis
- Health and productivity management and work style reform

Initiatives based on these principles are deployed based on the new HR system introduced by the Company (non-consolidated) in FY2021. Such initiatives include the creation of an environment in which employees can demonstrate their capabilities to the fullest, from various aspects such as recruitment, retention, development and assignment of talent, the introduction of a job grading system for managers, and the maximization of organizational performance by optimally allocating the best talent with an emphasis on expertise and skills, including expanded mid-career recruitment and the active promotion of locally hired employees to executive positions at overseas locations. The Global HR Management Policy declares that the Sumitomo Corporation Group "values the fundamental significance of talent development" and "encourages individuals to grow proactively by continuously learning with a heightened sense of awareness." Since we regard talent as important management capital for the Group, we offer opportunities for all individuals, regardless of their age or job position, to continuously and proactively learn and acquire knowledge and skills required in their respective global fields. More specifically, we offer career development training programs at the Company (non-consolidated) to help employees raise their level of professionalism and demonstrate it in work performance, and training programs to strengthen “people management skills” to ensure that supervisors can communicate closely with and motivate each subordinate and lead a group of diverse individuals for the growth of both the organization and individuals. In addition, to provide employees with opportunities to acquire knowledge and skills required for business management, we operate long-term or selective training programs on an ongoing basis. We are striving to strengthen our initiatives for talent development, to support individuals to enhance their performance in their respective fields and contribute to the growth of the Sumitomo Corporation Group’s value.

We also promote HR management without any bias based on nationality, age, gender, sexual orientation, gender identity or any other individual attributes and without being restricted by any conventional values. Our Diversity, Equity & Inclusion measures at our head office in Japan as well as at our Japan and overseas regional offices are developed and implemented according to their respective local circumstances. As part of continuous awareness-building to establish Diversity, Equity & Inclusion in the organizations, from FY2021, we set up a specific period to intensively hold Diversity, Equity & Inclusion related programs such as messaging from top management, various training programs and roundtable discussion workshops with employees (called Diversity Weeks). The Company (non-consolidated) regards encouraging active involvement of women in business as an important pillar of Diversity, Equity & Inclusion. We are simultaneously promoting intangible initiatives such as reducing long working hours, encouraging employees to take paid leave, and raising employee awareness, in addition to tangible initiatives, such as establishing various systems that exceed legal requirements, from the perspective of supporting a balance between life events and career development. Since these continued efforts were highly acclaimed, the Company (non-consolidated) was awarded Platinum “Kurumin” certification by the Minister of Health, Labour and Welfare and certified by the Minister of Health, Labour and Welfare as an “Eruboshi” company of the second-highest class.

<Specific Examples of Efforts>

- Introduction of a support program for employees with overseas assignments to accompany only their children
- Creation of a handbook for employees to support the balance between work and childcare or family care
- Introduction of childcare consultation services
- Collaboration with childcare facilities
- Implementation of training related to unconscious bias and various other seminars

In addition, the Company adopted the “Declaration of Iki-iki Waku-waku Health and Productivity Management” based on the concept that a healthy mind and body are essential for each employee to perform at his or her highest level and are the foundation for the continuous creation of new value.

Furthermore, the Company has introduced a teleworking system and a super-flextime system to encourage employees to have high-value added, output-oriented work styles in pursuit of work styles that allows diverse individuals to maximize their abilities and maximize the output of the organization. Owing to company-wide efforts to entrench these systems and to raise employee awareness, the Company (non-consolidated) was selected as one of the “Top Hundred Telework Pioneers” by the Ministry of Internal Affairs and Communications in 2019, and was given the Shining Telework Awards presented by the Minister for Health, Labor and Welfare in 2020.

In FY2022, we replaced our employee awareness survey (conducted once every three years) with an engagement survey (conducted once a year) to investigate the connection between individuals and the organization as well as employee willingness to make voluntary contributions. We also established a cross-organizational working group of employees to identify and begin addressing areas requiring improvement.

Throughout all of the foregoing measures, we will leverage the power of our diverse talent as a source of competitive strength and will continuously create new values and seek further growth and corporate value enhancement for the entire Sumitomo Corporation Group.

Metrics and Targets

Indicator Goal

Indicator	Goal
1. Employee engagement index and employee enablement index	Improvement year-on-year
2. Female manager ratio, Female Department General Manager ratio, and Female Director and Audit & Supervisory Board Member ratio	<Goals to be achieved by FY2030> Female Manager ratio: 20% or more (8.4% as of April 2023) Female Department General Manager ratio: 10% or more (1.4% as of April 2023) Female Director and Audit & Supervisory Board Member ratio (*): 30% or more (18.8% as of April 2023)

(*) These numerical targets are based on the Company's support for "Challenge toward 30% by 2030" announced by KEIDANREN (Japan Business Federation) in March 2021.

1. Employee engagement index and employee enablement index

We believe that by implementing measures based on the Policies on Human Resources Development and Maintenance of Working Environment (Including the Ensurance of Diversity) above, we will realize the "Vision for SC People (Top Tier Professionalism)" and "Vision for SC Organization (Great Place to Work)" stated in the Global HR Management Policy. In this process, we believe that the Employee engagement index and employee enablement index, which are assessed by the engagement survey (once a year), will improve, and have set the goals for the Company (non-consolidated) as shown in the table above. The engagement survey was conducted only for the Company (non-consolidated) in FY2022 but will be conducted on a global basis from FY2023, including Sumitomo Corporation's Japan and overseas regional offices.

2. Female manager ratio, Female Department General Manager ratio, and Female Director and Audit & Supervisory Board Member ratio

To foster female professionals active in various fields globally on an ongoing basis, the Company (non-consolidated) has set the above goals to be achieved by FY2030 in light of the present circumstances.

3. Risk factors

The following is a list of risks related to our business that may have a significant impact on the decisions of investors.

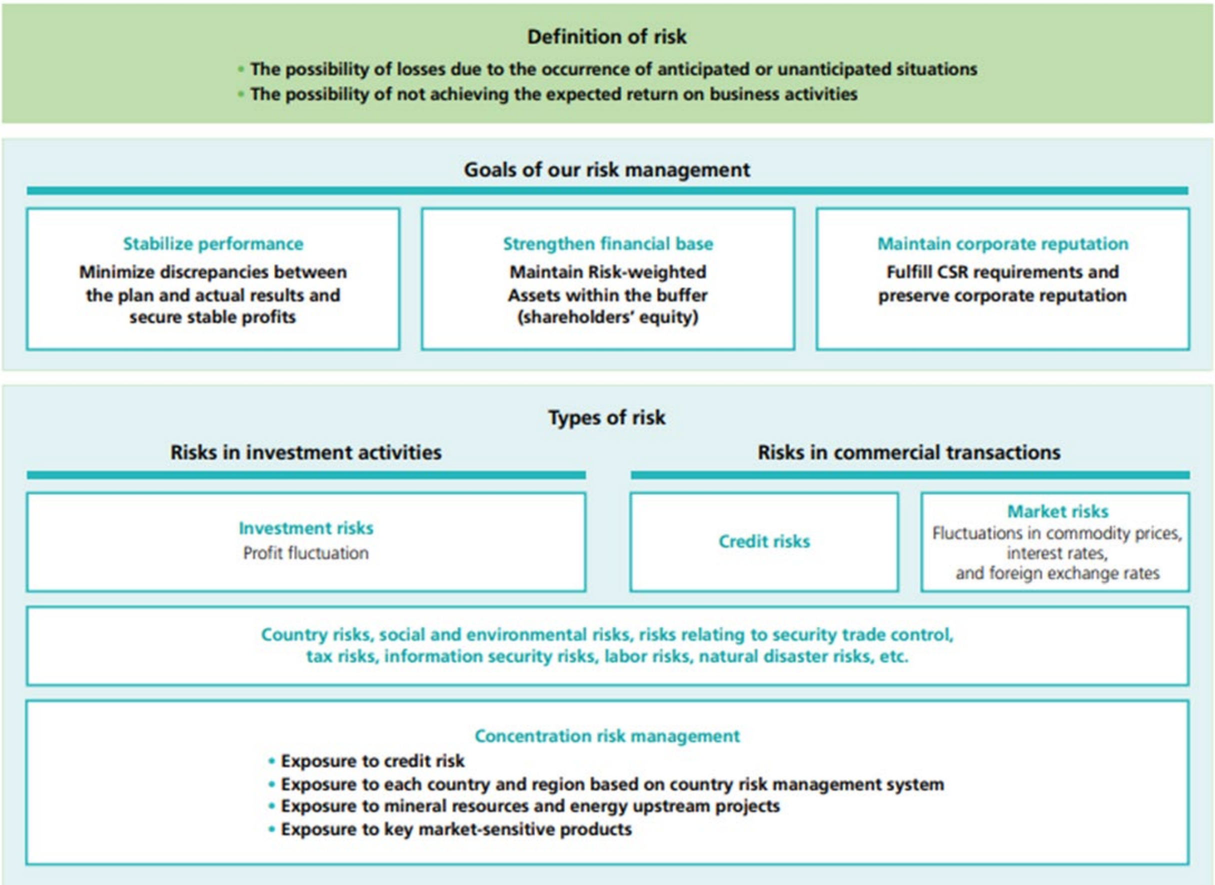
Unless otherwise stated, the future information is based on the Company's judgments, plans and forecasts based on certain assumptions as of the end of the current consolidated fiscal year, and may not be realized due to various factors. There is also a possibility that the Medium-Term Management Plan, which is formulated based on some forecasts, may be revised or may not be achieved.

(1) Basic Risk Management Policies and Systems of the Company’s business

We define “risk” as “the possibility of losses due to the occurrence of anticipated or unanticipated situations,” and also as “the possibility of not achieving the expected return on business activities.” We have set the following three items as the goals of our risk management activities.

1. Stabilize performance
2. Strengthen financial base
3. Maintain corporate reputation

We categorize our business activities into investments and commercial transactions, identify both common and category-specific risk factors and analyze and evaluate probability and impact of the risk factors.



(2) Risks pertaining to business investment

1. Overall

The Company has 636 consolidated subsidiaries and 250 equity-accounted investees as of the end of this consolidated fiscal year. The Company faces the potential risk of being unable to reap the expected gains from investments made in consolidated subsidiaries and equity-accounted investees or to recover the invested funds due to technological innovations and other environmental changes or due to poor business performance by partners, and of being forced to assume additional financial burdens when withdrawing from these investments. To manage these risks, the Company has introduced a number of programs that can be broadly divided into monitoring when making new investments and monitoring after investments have been made.

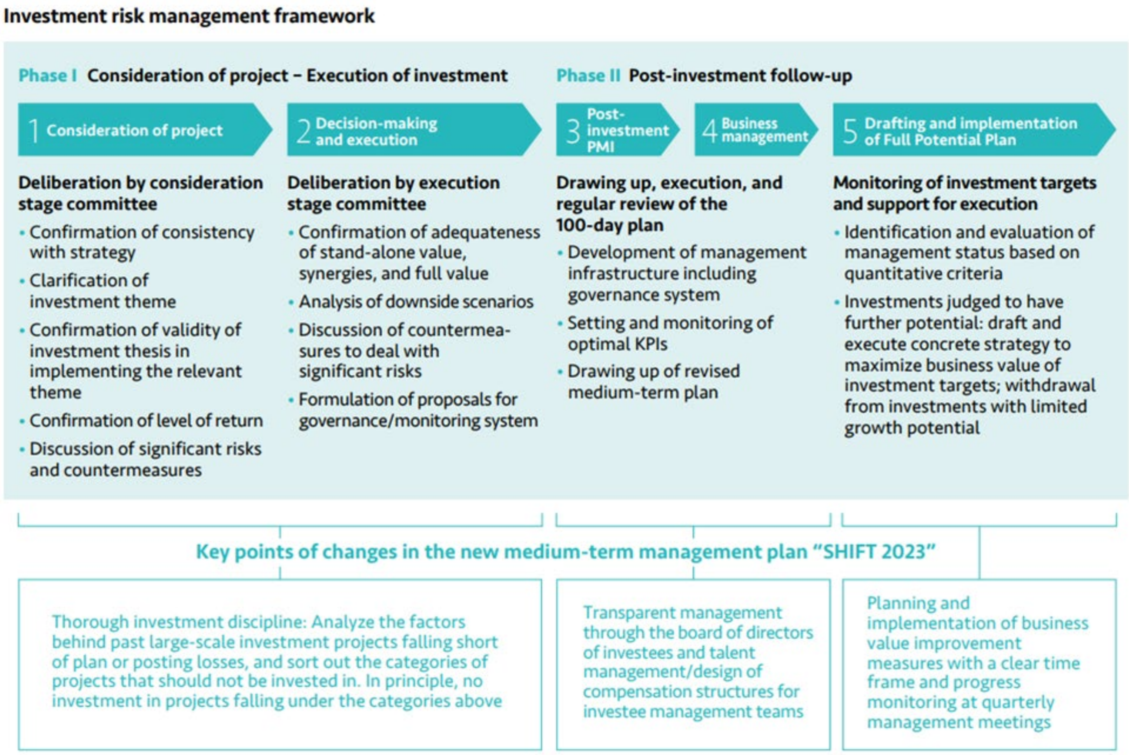
(a) When making new investments

The Company identifies “investment topics” from the initial stages of investments and verifies them on a prioritized basis through due diligence. In addition, the Company makes both qualitative and quantitative assessments by, evaluating investment opportunities through strict investment discipline, as well as calculating the “fair price” of investment targets through the application of discount rates corresponding to these business risks. Decisions on investment matters at each stage of consideration and execution are made at meetings of business unit investment committees, or the Company’s Investment Committee in keeping with the scale and importance of these matters. These committees convene early on to conduct in-depth discussions on the strategic positioning of investments, the background/reasons for investment selections, and the conditions determining the success or failure of investments.

(b) After making investments

With regard to post-investment execution support, issues are clarified before the decision to invest is made, and a system has been established to work on resolving smoothly any issues that emerge after the investment has been made. For especially important projects, in addition to the “100-day plan *1 execution support system,” which provides integrated support functions, a “Focused Follow Up System” has been established that consists of plans to improve performance, and following up of project execution, provided by the Company Investment Committee. In addition, we introduced a “full potential plan” investment monitoring system that is intended to improve the quality of the investment portfolio in fiscal 2018. Investment targets are evaluated mainly using quantitative indicators, such as ROIC/WACC that measures whether a return on invested capital (ROIC) exceeds the weighted cost of capital (WACC), and categorized into “Satisfactory,” “Not Satisfactory,” and “Not Good.” As for “Focused Follow Up,” as defined by the “Focused Follow Up System,” “Not Satisfactory” and “Not Good,” we monitor the ongoing performance, the progress of turnarounds, and the status of efforts to exit on a quarterly basis. On the other hand, if it is judged that the turnaround is not sufficiently certain to be realized, the turnaround roadmap will be reviewed, and if it is still judged that a turnaround will be too difficult to achieve, the investment will be designated as "Exit.”
We are working to reposition (“shift”) our business portfolio as stated in our Medium-Term Management Plan "SHIFT 2023” through these value-creation measures based on a clear time frame. In addition, with the aim of "Enhancement of group governance" as stated in the Medium-Term Management Plan, we are working to improve the quality of operations at group companies by making management more visible via the setting of appropriate KAIs and KPIs, forming optimal management teams, and designing compensation for management that promotes the enhancement of business value.
Furthermore, to enhance commitment of our people in charge to value-up of the investment portfolio, a new incentive plan linked to performance of each of new invested companies was implemented.

*1 Activities, performed mainly in the first 100 days immediately after the investment has been executed, to construct and develop management infrastructure aimed at drawing up a medium-term plan that seeks to maximize business value, including management of the investment, and which management and financial indicators should be used as targets.



2. Risks pertaining to mineral resource and gas development/production

The Company is involved in numerous countries in developing mineral resources, gas and other resources, and it thereby assumes risks such as those described below. Should these risks surface, the Company's business performance and financial standing could be adversely affected.

(a) Increases in development costs above those anticipated in the plan, or construction delays

(b) Changes in reserves identified after the star of a project despite suitable geological surveys having been conducted by hired experts prior to the project

(c) Production volumes failing below, or production costs rising above, planned figures due to technical issues encountered during operations, etc.

(d) Plans not being realized for reasons attributable to the project host country's government, including delays in acquiring/renewing licenses and other authorizations, changes to tax regimes, confiscation of business assets and infringements of rights

The Company has established a Project Management Department for Mining & E&P staffed by personnel highly knowledgeable about resource development who strive to bolster project management in these businesses. Efforts are also being made to control the aforementioned risks through portfolio management, e.g., setting out investment ceilings for individual projects and keeping the percentage of projects that have not yet started production below a stipulated level within resource/energy portfolios.

(3) Risks by type

1. Credit risks

The Company extends credit to its business partners via trade receivables, advance payments, loans, guarantees and other means, and thus bears credit risks. The Company mainly uses derivative trading for hedging purposes, and such trading also entails counterparty credit risks.

The Company strives to manage such risks by checking the creditworthiness of its customers based on its own internal rating system, acquiring collateral and guarantees, and diversifying customers. In preparation against the aforementioned credit risks, allowances for credit losses are set based on the creditworthiness of its customers, the value of collateral and certain other assumptions, estimates and evaluations. However, the Company's business performance and financial standing could be adversely affected if these customers or counterparties were to fall into insolvency, default, etc.

2. Risks pertaining to changes in commodity market conditions

The Company group trades various commodities such as metals and energy, and thus bears the risk of fluctuations in the prices of those commodities.

The Company strives to reduce risks by establishing a management system that sets quotas for each commodity, by engaging in hedging and by setting position and loss limits for mainstay commodities, and it ensures a separation of duties by creating middle back offices.

In addition, the Company group directly or indirectly holds interests in mineral, crude oil and gas resources, and thus bears the risk of commodity price fluctuations. The Company has established a hedging policy and, if judged necessary, controls the risk of a downturn in business performance by hedging with derivatives or other means.

3. Country risks

The Company engages in commercial transactions and business activities in more than 60 countries, including Japan, and business delays and suspensions resulting from changes in the business environment stemming from political, economic and social conditions in the countries concerned may have an adverse impact on the Company's business performance and financial standing. The Company takes steps to avoid these risks, such as acquiring insurance coverage for each endeavor, setting target upper limits for exposure in line with in-house country ratings, and carefully maintaining an appropriate diversification of its business portfolio by applying exposure management to each country.

The Company has put the utmost importance on the safety and security of its stakeholders, including Sumitomo Corporation Group's officers and employees, their families, and business partners operating in the region related to Russia and Ukraine.

In addition, the Company's management council, headed by the President and CEO, is making decisions following discussions with its business partners and stakeholders, pursuant to the Company's crisis response policy.

4. Risks pertaining to changes in interest/ exchange rates

The Company procures business funds by borrowing from financial institutions or issuing corporate bonds and commercial paper. It may also extend credit to its business partners in the form of trade receivables, advance payments, loans, guarantees and other means. The revenues and expenses resulting from these transactions as well as the fair values of assets and liabilities may be affected by interest rate fluctuations.

The revenues and expenses arising from foreign currency-denominated investments and transactions carried out by the Company, the yen equivalents of foreign-currency denominated receivables and payables as well as the yen equivalents listed in the financial statements of overseas consolidated companies prepared in foreign currencies may be affected by fluctuations in exchange rates.

The Company uses derivatives to avoid the risks of interest rate and foreign exchange rate fluctuations, but there is no guarantee that these risks can be fully avoided.

5. Risks pertaining to changes in stock markets

Investments in stocks issued by Japanese companies account for a large percentage of the marketable securities held by the any, and future declines in Japanese stock markets could cause fluctuations in the fair value of these securities that could adversely affect its business performance and financial standing. The Company's corporate pension fund also manages some of its pension assets with marketable securities, so there is the risk that a decline in stock prices could reduce pension assets.

6. Risks pertaining to price drops for real estate and other fixed assets

The Company is engaged in developing, leasing, maintaining and managing office buildings, commercial facilities, and residential

real estate both inside and outside Japan, so the Company's business performance and financial standing could be adversely affected if real estate market conditions were to worsen.
If land prices and rental prices decline, it may become necessary to recognize impairment losses for the carrying amount of land and buildings for rent as well as land for development and other real estate owned by the Company.
In addition to real estate, other fixed assets owned by the Company are also exposed to the risk of impairment, which could adversely affect the Company's business performance and financial standing.

7. Risks pertaining to information security

The Company recognizes the importance of information security, and it strives to manage information assets by establishing relevant regulations, educating executives and employees, and adopting technical measures to ensure information security. The Company is also working to strengthen information security in response to the diversification of information system usage environments, such as telework environments. Moreover, since most of the Company's business activities depend on information system functions, the Company is also working to ensure security in operating its information systems. Nevertheless, as cyber attacks become more sophisticated year by year, the Company's business activities could be adversely affected to a significant degree by information leaks, loss or damage or temporary suspensions of its business activities due to unexpected cyberattacks or unauthorized access from outside, virus or malware infections, information system malfunctions, etc.
To respond appropriately to these risks, efforts have been made as advocated as "enhancement of governance" in the Medium-Term Management Plan called "SHIFT 2023", primarily by the IT Strategy Committee chaired by the Chief Information Officer, to suitably manage information assets in line with the "Information Security Policy" established in October 2017. In addition, the Company is introducing system measures to counter external cyberattacks and unauthorized access and working in cooperation with outside expert organizations to obtain the latest information and respond appropriately and promptly.

8. Legal/compliance risks

The Company is subject to a wide range of laws and regulations as it engages in a broad range of business activities both in Japan and overseas. These laws and regulations span a wide spectrum—business and investment authorizations, import/export activities (including national security regulations), competition legislation, corruption/graft prevention, foreign exchange control, financial instrument transactions, personal information/data protection, human rights protection, environmental protection, consumer protection, tariffs and other taxes, etc.— and the Company could in future become subject to additional or new laws and regulations enacted by individual countries. The Company may face increasing burdens for legal compliance in emerging countries due to the lack of laws, unforeseen changes in laws, and changes in regulatory practices by judicial and administrative agencies.
The Company has a Chief Compliance Officer serving as the top corporate official responsible for compliance. The Chief Compliance Officer receives advice from the Compliance Committee on planning, drafting and implementing compliance measures, and formulates/ executes appropriate compliance measures. The Sumitomo Corporation Group Compliance Policy, based on the Company's existing Compliance Guiding Principles, was prepared to stipulate the basic compliance approaches applicable to the entire Sumitomo Corporation Group, and efforts are being made to forestall compliance issues by inculcating awareness of the need to "give first priority to compliance" into the Group as a whole through seminars and other continuing educational activities as well as by thoroughly encouraging Group personnel to "report compliance issues immediately," meaning that, should compliance issues arise, employees must report these without delay to their superiors or to the relevant in-house organizations and then implement the best measures.
However, if officers or employees of the Company or the Group fail to comply with current or future laws and regulations, the Company/Group may be subject to fines or other penalties, restrictions in our businesses (operations) or damage to our credit, and this could have a seriously adverse impact on the Company's/Group's business development, business performance, financial standing and credit.

9. Risks relating to litigations, etc.

The Company is involved in litigation and other disputes in Japan and overseas, and litigation or claims not developing to that level may arise suddenly in the course of doing business.

Due to the inherent uncertainty of lawsuits and other disputes, it is not possible to predict the ultimate outcome of the lawsuits and other disputes in which we are involved at this time. There is no assurance that we will prevail in any lawsuits and other disputes or that the Company's/Group's business performance, financial standing or credit will not be materially adversely affected by such actions in the future.

10. Social/environmental risks

The Group is engaged in business across multiple domains in different countries and regions around the world, and its business activities have various impacts on the global environment and local communities as well as on customers, executives, employees and other stakeholders. Accordingly, if the Group's business activities were to have a negative impact on people's human rights or the global environment, the Group could see its financial standing undermined, its credit damaged or other consequences incurred due to the additional costs that might arise in the course of eliminating or mitigating the impacts, paying compensation for damages, etc. and business suspensions.

The Group has established an "Environmental Policy," a "Human Rights Policy" and "CSR Action Guidelines for Supply Chain Management" that take social and environmental considerations into account with the aim of achieving sustainable growth alongside society as a whole and thereby clarified its approaches to social and environmental issues. We have also established and are practicing on separate policies for major natural resources that require sustainable procurement. To adequately control the social and environmental impacts of its business activities, the Company examines the social and environmental implications and impacts of each business as well as the management of these before making new investments, and a Group-wide framework for social and environmental risk management inclusive of regular monitoring has been put in place for use after investments have been made.

To address the important global issues of climate change, policies have been set out to help resolve climate change issues that must be addressed for the sake of sustainable social development and to realize a carbon-neutral society through the Group's business activities. For instance, efforts are being undertaken to continually shift the management resources of the Group's power generation business to create a more eco-friendly power generation portfolio that places greater focus on renewable energies. In addition, regarding respect for human rights, we have begun a human rights due diligence covering all of our businesses and supply chains with the goal of ensuring that human rights are respected in all of our group's businesses and supply chains. Through this initiative, we will identify human rights risks and then work to minimize and prevent the potential risks.

11. Risks pertaining to natural disasters, etc.

Natural disasters such as earthquakes, tsunamis, torrential rains, or flooding as well as infectious diseases such as new strains of influenza in countries or regions in which the Company operates could adversely affect its businesses. In preparation for earthquakes and other disasters, the Company has put together disaster countermeasure manuals and Business Continuity Plan (BCP), developed an employee safety confirmation system, stockpiled disaster supplies, conducted disaster drills, made buildings/systems earthquake resistant, backed up data and taken other needed measures, but there is no guarantee that damage from a disaster can be fully avoided through such measures.

12. Operational risks

The Company is engaged in business across a wide range of domains through its business units, regional organizations in Japan and overseas, and Group companies around the world, making it necessary to establish suitable internal controls for each organization. Nevertheless, establishing proper internal controls will not guarantee that administrative errors, misconduct on the part of executives and employees or other operational risks can be completely prevented. The Company may see its financial standing deteriorating, its credit be undermined or its operations otherwise adversely affected by such administrative errors or misconduct. To minimize these risks as far as possible, the Company has advocated "enhancing governance" in the Medium-Term Management Plan "SHIFT 2023" and is working to develop appropriate internal controls and step up Group governance.

13. Risks pertaining to fund liquidity

The Company procures business funds by borrowing from financial institutions or issuing corporate bonds and commercial paper.

Should turmoil strike financial markets or financial institutions reduce lending or should the Company's credit rating be significantly downgraded by rating agencies, the Company could see its fund procurement restricted, e.g., being unable to procure needed funds at the time needed with the desired conditions or facing higher procurement costs, and this could adversely affect the Company's business performance and financial standing. For this reason, the Company is working to secure sufficient liquidity by utilizing cash and deposits, commitment lines, etc., and to diversify its procurement sources and methods, aiming thereby to "enhance financial soundness" as advocated in the Medium-Term Management Plan "SHIFT 2023."

14. Risks pertaining to deferred tax assets

The Company and its consolidated subsidiaries assess the recoverability of deferred tax assets by utilizing all currently available information about the future, including the feasibility and timing of tax-free amortization of taxable assets as well as the future taxable income of the Company and its consolidated subsidiaries. The Company and its consolidated subsidiaries have booked those deferred tax assets they deem to be recoverable, but the recoverable amounts could fluctuate due to future tax system revisions, such as changes in taxable income estimates and changes in statutory tax rates. If future taxable income forecast falls below the current tax planning forecast because worsened business conditions prevent achievement of business plan targets, the recoverable amounts of deferred tax assets will decrease, as will the value of the deferred tax assets, and this could adversely affect the business performance and financial standing of the Company and its consolidated subsidiaries.

15. Risks related to human capital

The regions, fields, and business models in which the Group operates are dramatically diversifying, and the environment is changing unforeseeably at a substantial pace. There is always the possibility that business expansion will require talent with a high level of expertise and experience in a particular field. In order to secure top-tier internal and external professionals, we strive to create a more attractive work environment through measures such as hiring year-round, promoting health management and work style reforms, and fostering a culture and awareness of Diversity, Equity & Inclusion that accepts and leverages diverse values and ideas. However, our business may be adversely affected if there is a rapid increase in demand for a particular expertise due to rapid changes in business models, or if the labor market for such expertise is not fully mature and our efforts to recruit and train talent do not go as planned.

(4) Concentration risks

There is a risk that the Group's business dealings and investment activities will concentrate its exposure in specific countries, sectors or business partners. The Group's business performance and financial standing could be adversely affected if it is unable to obtain the expected returns or if it suffers losses due to a worsening business environment, etc.

The Company has in place a country risk management system to prevent excessive concentration of risk exposure in specific countries/regions. To avoid excessive concentration in specific business domains and build a well-balanced business portfolio, the Strategy Conference as well as the Investment Committee, a deliberative body for large-scale and important projects, engage in suitable discussions on the amount of risk assets to be allocated to specific business units and business lines. The Group regularly monitors the status of business partners with whom the Group has a large number of contracts or high loan balances in the following specific ways:

- Operations in countries in which the Company has a significant exposure are carefully managed using the country risk management system mentioned above.
- Exposure ceilings are set for upstream resource and energy projects, and project values are regularly monitored.
- Transactions with business partners with whom the Group has a large number of contracts or high loan balances, the financial standing of these business partners and other relevant information is regularly monitored and managed.

4. Analysis of Financial Condition and Results of Operations

(1) Corporate Environment

In the fiscal year under review (fiscal 2022), although the global economy was seeing modest recovery underpinned by support from monetary, fiscal and other policies following the COVID-19 pandemic, it turned out to be sluggish owing from a rapid rise in the cost of goods and tighter monetary policy to constrain inflation. Prices soared for a wide range of goods, mainly energy and food products, on the back of a squeeze on supply and demand overall due to a production capacity shortage and supply chain congestion as well as the global divide that has become more pronounced triggered by the Russia - Ukrainian situation. Moreover, coupled with upward pressure on wages due to tighter supply and demand for labor, primarily in the service industry, the world is grappling with the highest inflation rates seen in around 40 years. However, many countries and regions are tightening their monetary policy to control prices, and therefore the uptick has gradually become moderate. Meanwhile, some financial institutions experienced financial instability as a result of rising interest rates, causing turmoil in the United States, where medium-sized banks went bankrupt, and in Europe, where major banks were absorbed and merged by governmental initiatives. In international commodity markets, due to negative impact from the Russia - Ukrainian situation, price levels rose substantially mainly for major exports from Russia, including crude oil and petroleum products, natural gas, coal and wheat. Also, the degree of price fluctuations in markets was larger than ever, forcing the suspension of future trading due to skyrocketing nickel prices in the short term. Reflecting these soaring commodity prices, governments have taken measures, including releasing stockpiles into the market, securing distribution safety and setting a ceiling on energy prices. On top of this, there has been an ease up on the supply and demand for energy, mainly liquefied natural gas, owing to the warm winter in Europe. Accordingly, commodity prices, primarily for energy and agricultural goods, are returning to levels seen prior to the Russian-Ukrainian situation. However, the environment surrounding the commodities market yet remains unstable, given the various divides around the world which have deepened over the past year Meanwhile, the economy in Japan continued to go up and down. Reflecting the rise in commodity prices globally and the ongoing depreciation in the value of the yen to levels that have not been seen for the first time in about 25 years, domestic prices have substantially risen. This weighed heavily on economic activities which had been trending toward recovery as the daily lifestyle of Japanese citizens were transitioning to a phase of “co-existing with COVID-19.” Also, although the current account balance remained in the black, the balance of goods and services posted an unprecedented deficit due to a sharp rise in import prices reflecting soaring prices for resources, mainly petroleum and coal, and a rapid increase in the import of services from overseas, including online advertising

(2) Operating Results

Revenues for the fiscal year ended March 31, 2023, amounted to ¥6,817.9 billion, representing an increase of ¥1,322.9 billion compared to¥ 5,495.0 billion in the previous fiscal year.

Gross profit totaled ¥1,234.8 billion increased by ¥225.1 billion compared to ¥1,009.6 billion in the previous fiscal year. This was due mainly to strong performance in the tubular products business in North America and the mineral resources & energy trade business. Selling, general and administrative expenses totaled ¥811.7 billion increased by ¥97.8 billion compared to ¥713.9 billion in the previous fiscal year.

Gain (loss) on property, plant and equipment was profit of ¥13.3 billion, an increase of ¥25.9 billion compared to loss of ¥12.6 billion in the previous fiscal year. This was mainly due to an increase in profit in the real estate business as a result of the delivery of large-scale properties.

Share of profit (loss) of investments accounted for using the equity method totaled profit of ¥252.2 billion increased by ¥75.4 billion compared to profit of ¥176.8 billion in the previous fiscal year. This was due to the absence of a loss in the aircraft leasing business related to the Russian-Ukrainian situation in the previous fiscal year, in addition to increase in earnings accompanied by higher mineral resource prices. As a result, profit for the year attributable to owners of the parent totaled ¥565.2 billion, representing an increase of ¥101.5 billion compared to profit of ¥463.7 billion in the previous fiscal year.

(3) Operating Segment

We conduct business through six industry-based business operating segments (business units).

Our six business segments consist of Metal Products; Transportation & Construction Systems; Infrastructure; Media & Digital, Living

Related & Real Estate; Mineral Resources, Energy, Chemical & Electronics.

On April 1, 2022, precision agriculture business was transferred from Transportation & Construction Systems Business Unit to Mineral Resources, Energy, Chemical & Electronics Business Unit and digital health business was transferred from Media & Digital Business Unit to Living Related & Real Estate Business Unit. Accordingly, the segment information of the previous year has been reclassified.

The following tables set forth our operating results by operating segments for the years ended March 31, 2023 and 2022.

Breakdown of Gross profit by operating segment

	Billions of Yen				Millions of U.S. Dollars
	2023	2022	Increase/ Decrease	Increase/ Decrease (%)	2023
Metal Products	¥ 220.4	¥ 140.3	¥ 80.2	57.2	$ 1,657
Transportation & Construction Systems	261.0	189.4	71.7	37.9	1,963
Infrastructure	59.8	71.5	(11.7)	(16.3)	450
Media & Digital	121.3	111.0	10.3	9.3	912
Living Related & Real Estate	242.8	222.7	20.1	9.0	1,825
Mineral Resources, Energy, Chemical & Electronics	329.7	271.2	58.5	21.6	2,479
Segment Total	1,235.0	1,006.0	229.0	22.8	9,286
Corporate and Eliminations	(0.2)	3.6	(3.9)	－	(2)
Consolidated	¥ 1,234.8	¥ 1,009.6	¥ 225.1	22.3	$ 9,284

Breakdown of Profit (loss) for the year attributable to owners of the parent by operating segment

	Billions of Yen				Millions of U.S. Dollars
	2023	2022	Increase/ Decrease	Increase/ Decrease (%)	2023
Metal Products	¥ 110.4	¥ 55.2	¥ 55.2	100.0	$ 830
Transportation & Construction Systems	92.0	34.9	57.0	163.2	691
Infrastructure	20.8	33.3	(12.5)	(37.4)	156
Media & Digital	13.0	39.3	(26.3)	(66.9)	98
Living Related & Real Estate	59.0	44.2	14.8	33.5	444
Mineral Resources, Energy, Chemical & Electronics	266.9	247.3	19.6	7.9	2,007
Segment Total	562.0	454.2	107.8	23.7	4,226
Corporate and Eliminations	3.2	9.5	(6.3)	(66.8)	23
Consolidated	¥ 565.2	¥ 463.7	¥ 101.5	21.9	$ 4,249

Fiscal Year Ended March 31, 2023 Compared to Fiscal Year Ended March 31, 2022

Metal Products

Gross profit totaled ¥220.4 billion, an increase of ¥80.2 billion, or 57.2%, from ¥140.3 billion in the year ended March 31, 2022. Profit (loss) for the year attributable to owners of the parent totaled profit of ¥110.4 billion, an increase of ¥55.2 billion, or 100.0%, from loss of ¥55.2 billion in the year ended March 31, 2022. This is due mainly to favorable performance in market conditions for the tubular products business in North America and stable performance in overseas steel service center business.

Transportation & Construction Systems

Gross profit totaled ¥261.0 billion, an increase of ¥71.7 billion, or 37.9%, from ¥189.4 billion in the year ended March 31, 2022. Profit (loss) for the year attributable to owners of the parent totaled profit of ¥92.0 billion, an increase of ¥57.0 billion, or 163.2%, from profit of ¥34.9 billion in the year ended March 31, 2022. This is due to stable performance in the automobile distribution business, despite an impairment loss in the automobile manufacturing business, in addition to stable performance in the construction equipment related business, particularly in North America, and the leasing business, and the absence of a loss related to the Russian-Ukrainian situation in the aircraft leasing business in the previous fiscal year.

Infrastructure

Gross profit totaled ¥59.8 billion, a decrease of ¥11.7 billion, or 16.3%, from ¥71.5 billion in the year ended March 31, 2022. Profit (loss) for the year attributable to owners of the parent totaled profit of ¥20.8 billion, a decrease of ¥12.5 billion, or 37.4%, from profit of ¥33.3 billion in the year ended March 31, 2022. This is due mainly to the impact of soaring electricity procurement prices in the domestic electricity retail business, while the overseas IPP/IWPP business had shown stable performance.

Media & Digital

Gross profit totaled ¥121.3 billion, an increase of ¥10.3 billion, or 9.3%, from ¥111.0 billion in the year ended March 31, 2022. Profit (loss) for the year attributable to owners of the parent totaled profit of ¥13.0 billion, a decrease of ¥26.3 billion, or 66.9%, from profit of ¥39.3 billion in the year ended March 31, 2022. This is due mainly to an impairment loss on equity method investment in the telecommunications business in Myanmar and increased start-up costs in the telecommunications business in Ethiopia, while major domestic group companies had shown stable performance.

Living Related & Real Estate

Gross profit totaled ¥242.8 billion, an increase of ¥20.1 billion, or 9.0%, from ¥222.7 billion in the year ended March 31, 2022. Profit (loss) for the year attributable to owners of the parent totaled profit of ¥59.0 billion, an increase of ¥14.8 billion, or 33.5%, from gain of ¥44.2 billion in the year ended March 31, 2022. This is due mainly to delivery of large-scale properties in the real estate business, while the domestic supermarket business posted a decrease in profit.

Mineral Resources, Energy, Chemical & Electronics

Gross profit totaled ¥329.7 billion, an increase of ¥58.5 billion, or 21.6%, from ¥271.2 billion in the year ended March 31, 2022. Profit (loss) for the year attributable to owners of the parent totaled profit of ¥266.9 billion, an increase of ¥19.6 billion, or 7.9%, from gain of ¥247.3 billion in the year ended March 31, 2022. This is due mainly to higher mineral resource and energy prices, strong performance in mineral resources and energy trading, and stable performance in the chemical products and electronics business.

(4) Purchases, Sales Contracts and Trading Transactions

① Purchases

As purchases are generally linked to trading transactions, this item is omitted.

② Sales Contracts

As sales contracts are generally linked to trading transactions, this item is omitted.

③ Trading Transactions

Revenues for the fiscal year ended March 31, 2023 significantly increased from the previous fiscal year, owing mainly to higher sales prices and volumes in tubular products business in North America and rising mineral resources prices, etc.

Please refer to “(2) Operating Results” and “Note 4. Segment Information to our consolidated financial statements.”

(5) Certain Line Items in Our Consolidated Statement of Comprehensive Income

The following is a description of certain line items in our Consolidated statement of comprehensive income:

Revenues.

We categorize our revenues into sales of tangible products and sales of services and others. We generate revenues from sales of tangible products:

- in connection with our wholesale, retail, manufacturing and processing operations;
- in connection with our real estate operations; and
- under long-term construction contracts.

We generate revenues from the sale of services and others in connection with:

- services related to customized software development; and
- loans, finance leases and operating leases of commercial real estate, vessels, etc.

Gross Profit.

Gross profit primarily consists of:

- gross profit on transactions for which we act as a principal; and
- fees and commissions received on transactions for which we act as an agent.

To the extent revenues are recorded on a gross basis, any expenses or commissions or other payments to third parties that are directly attributable to the sales are recorded as cost of sales. Gross profit reflects the net amount of gross revenues after cost of sales. As a part of sales of services and others, we recognize revenues from fees and commissions on a net basis. As a result, sales of services and others contribute a larger portion of our gross profit than they do of our revenues. For the year ended March 31, 2023, sales of services and others accounted for 8.5% of our total revenues, and the gross profit from sales of services and others accounted for 22.3% of our gross profit.

Impairment Reversal (Loss) on Long-Lived Assets.

At the end of each reporting period, the carrying amounts of non-financial assets, excluding inventories, deferred tax assets, and biological assets are assessed whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial asset is estimated. Regarding goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, the recoverable amount is estimated at the same time every year. If the carrying amount of an asset or a cash-generating unit ("CGU") exceeds the recoverable amount of it, an impairment loss is recognized in profit (loss). Impairment losses on long-lived assets include reversals of impairment losses when applicable.

Gain (Loss) on Sale of Long-Lived Assets, Net.

As a result of strategic and active replacement of our asset portfolio, we may, at times, recognize gains and losses on sales of some of our real estate assets.

Dividends.

Dividends reflect dividends declared by companies in which we hold interests other than our consolidated subsidiaries or equity-accounted investees.

Gain (Loss) on Securities and Other Investments, Net.

We maintain a significant level of investments in order to supplement our trading activities. Among those investments, financial assets measured at fair value through profit and loss ("FVTPL") are initially measured at fair value. Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in profit (loss). Financial assets measured at amortized cost are initially measured at fair value (including directly attributable transaction costs). Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment losses when necessary. We recognize gains and losses on sales of our financial assets measured at amortized cost and investments in our consolidated subsidiaries or equity-accounted investees when we elect to sell investment holdings.

Share of Profit (Loss) of Investments Accounted for Using the Equity Method.

In connection with our investment strategy and the development of business opportunities, we may, from time to time, acquire or make investments in newly established or existing companies, enter into joint ventures with other entities or form strategic business alliances with industry participants, in each case in a variety of business segments. In general, we account for the profits or losses of any such investee under the equity method when the level of the investment is between 20% and 50% of the total voting equity of the investee.

Financial Assets Measured at Fair Value Through Other Comprehensive Income.

Financial assets measured at fair value through other comprehensive income ("FVTOCI") are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value, and changes in fair value are recognized in other comprehensive income.

Remeasurements of Defined Benefit Pension Plans.

The Companies recognize remeasurements of the net defined benefit liability (asset) in other comprehensive income.

Exchange Differences on Translating Foreign Operations.

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average spot exchange rates for the period.

Exchange differences arising from translation of financial statements of foreign operations are recognized in other comprehensive income. These differences are presented as "Exchange differences on translating foreign operations" in other components of equity after the date of transition to IFRSs.

Cash-Flow Hedges.

When derivatives are designated as hedging instruments to hedge the exposure to variability in cash flows that are attributable to particular risks associated with recognized assets or liabilities or highly probable forecast transactions which could affect profit (loss), the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income.

(6) Critical Accounting Policies and estimates

The preparation of our consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, which are based on historical experience and various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions. For a summary of our significant accounting policies, including the critical accounting policies discussed below, please refer to "Note 3. Significant Accounting Policies to our consolidated financial statements."

The followings are the critical accounting policies that are important to our financial condition and results of operations and require significant management judgments and estimates:

Impairment of Financial Assets

For financial assets measured at amortized cost, lease receivables, contract assets, and debt instruments measured at fair value through other comprehensive income, we recognize loss allowance based on the expected credit losses for the financial asset. Credit risk change and calculation of expected credit losses are mainly based on original credit rating model, the Sumisho Credit Rating ("SCR"). "SCR" includes the debtor's past bad debts experience, current financial condition and reasonably available forecast information.

Financial Assets Measured at Fair Value

We carry financial assets measured at fair value such as marketable securities, and other investments. We have decided to classify equity instruments into FVTOCI or FVTPL. Financial assets classified as FVTOCI are held for objective, such as expansion of the medium and long-term revenue through maintenance and reinforcement of relationships with investees. Their changes in fair values are not included in the assessment of business performance. Financial assets classified as FVTPL are held to make profits from the changes in fair values and are included in the assessment of business performance. Fair values of these assets are based on market prices or determined by the discounted future cash flow method, profitability and net assets of the investees, and other valuation approaches.

Recoverability of Non-current Assets

We maintain significant non-current assets in the operation of our global business. We review non-current assets, such as Investments accounted for using the equity method and intangibles assets, for impairment whenever events or changes in circumstances suggest that the carrying amount of such assets may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining whether cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. We also review goodwill and other intangible assets with indefinite useful lives for impairment at least annually, or more often if events or circumstances, such as adverse changes in the business climate, indicate that there may be impairment. In turn, we estimate the recoverable amount at the impairment tests. The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In assessing 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. We derive cash flow estimates from our historical experience and our internal business plans, and discount them by applying an appropriate discount rate. Changes in strategy or in market conditions could significantly affect these estimates. The significant accounting estimates related to Recoverability of Non-current Assets are as follows. For the details of accounting estimates related to Recoverability of Non-current Assets, please refer to "Note 11. Investments Accounted for Using the Equity Method and Note 13. Intangible Assets to our consolidated financial statements."

1. Nickel mining and refining business in Madagascar

   We recognize Share of profit (loss) of investments accounted for using the equity method, if there is indication of impairment related to fixed assets of Ambatovy Minerals S.A. and Dynatec Madagascar S.A. (hereinafter Project Companies) and its recoverable amount is less than its carrying amount as a result of the impairment test. We define the recoverable amounts of fixed assets in Project Companies as the higher of an asset's or CGU's fair value less costs of disposal and its value in use. We use key assumptions, including the state of production at the Project Companies, future natural resources prices (mainly mid-long term price outlook of nickel and cobalt), the recoverable reserves, on which the business plan of the Project Companies was based, as well as the discount rates for the judgments regarding indications of impairment of fixed assets and the estimating of its recoverable amounts.

2. Fresh produce business in Europe and the Americas

   For the impairment test of goodwill and intangible assets with indefinite useful lives, they are allocated across multiple CGUs and their recoverable amounts are calculated based on the value in use. The value in use is estimated by using the present value of future cash flows, with support of an independent appraiser. Future cash flows are calculated based on the business plan that was used as the basis of consideration paid, amended to reflect the recent business environment. The key assumptions with significant impact on the calculation of the value in use are sales volume, the margin of trading, the discount rate, etc. for Banana & Pineapple business.

3. Parking Business in Nordic countries

   For the impairment test of goodwill and intangible assets with indefinite useful lives, they are tested for impairment using the entire parking business as a single cash generating unit group, and the recoverable amounts are calculated based on the value in use. The value in use is estimated by using the present value of future cash flows, with support of an independent appraiser. Future cash flows are calculated based on the business plan that was used as the basis of consideration paid, amended to reflect the recent business environment. The key assumptions with significant impact on the calculation of the value in use are future short term parking revenue, the discount rate, etc.

Tax Asset Valuation

We reduce deferred tax assets when, in management's judgment, it is more likely than not that the deferred tax assets, or a portion thereof, will not be realized. In assessing the realizability of deferred tax assets, we must determine whether we will be able to generate adequate future taxable income in the tax jurisdictions that give rise to the deferred tax assets during the periods in which the underlying temporary differences become deductible or before net operating loss carry forwards expire. We consider all available evidence, both positive and negative, in making this assessment. Determination of the deferred tax assets is based on estimates and judgment. A change in the ability of our operations to generate future taxable income in the tax jurisdictions that give rise to the deferred tax assets could change our assessment as to the realizability of these assets.

Calculation of Provision

Provisions are recognized when the Companies have present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. Provisions are discounted to their present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability.

Measurement of Defined Benefit Obligations

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Companies' net defined benefit obligations are calculated separately for each plan by estimating the future amount of benefit that employees have earned in exchange for their service for the previous and current years. The benefits are discounted to determine the present value, and fair value of plan assets is deducted.

The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturity terms approximating those of the Companies' obligations. These calculations are performed annually by qualified actuaries using the projected unit credit method.

(7) Total Assets, Liabilities, and Equity

Fiscal Year Ended March 31, 2023 Compared to Fiscal Year Ended March 31, 2022

Total assets stood at ¥10,106.3 billion, representing an increase of ¥524.1 billion compared to ¥9,582.2 at the previous fiscal year-end, due mainly to the impact of yen's depreciation, the increase of working capital and investments accounted for using the equity method.

Equity attributable to owners of the parent totaled ¥3,779.5 billion, representing an increase of ¥581.7 billion compared to ¥3,197.8 at the previous fiscal year-end, due mainly to the impact of yen's depreciation and the profit attributable to owners of the parent posted in the fiscal year ended March 31, 2023, while dividend payment and share repurchase were executed.

Interest-bearing liabilities (net) (*1) totaled ¥2,484.4 billion increased by ¥210.7 billion compared to ¥2,273.7 billion at the previous fiscal year-end. In consequence, the net debt-equity ratio (Interest-bearing liabilities (net)/ Equity attributable to owners of the parent) was 0.7.

(*1) Interest-bearing liabilities = Sum of bonds and borrowings (current and non-current) (excluding lease liabilities)

(8) Cash Flows

Net cash provided by operating activities totaled ¥232.8 billion as basic profit cash flow (*2) totaled an inflow of ¥509.3 billion because our core businesses performed well in generating cash, while working capital increased.

Net cash used in investing activities totaled ¥91.5 billion. We have invested in domestic and overseas real estate and also executed a tender offer for Sumitomo Precision Products Co., Ltd. On the other hand, we have recovered funds through asset replacement, such as the sale of domestic real estates, the sale of silver, zinc and lead business in Bolivia, and the sale of oil and gas business in the British territories of U.K. North Sea. As a result, free cash flows, representing sum of net cash provided by operating activities and net cash used in investing activities, totaled an inflow of ¥141.3 billion.
Net cash used in financing activities totaled ¥250.5 billion due mainly to dividend payment, share repurchase, and repayments of lease liabilities, while execution of borrowings. In consequence of the foregoing and consideration of the impact such as foreign exchange fluctuation, cash and cash equivalents stood at ¥656.9 billion as of March 31, 2023, representing a decrease of ¥77.0 billion compared to ¥733.8 billion at the previous fiscal year-end.

(*2) Basic profit cash flow = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) × (1-Tax rate) + Dividend from investments accounted for using the equity method

(9) Capital Resources and Liquidity

Our basic policy for fund raising activities is to maintain and enhance financial soundness, and we are committed to secure stable, medium-to long-term low-interest rate funds and liquidity for our operations. We have implemented a group financing policy for our fund management on a consolidated basis in which funds are raised principally by the Company, finance subsidiaries and overseas regional entities and efficiently utilized through our cash management system within Group.
As of March 31, 2023, we had ¥3,152.1 billion of bonds and borrowings. Our short-term debt, excluding current maturities of long-term debt, was ¥341.4 billion, an increase of ¥77.7 billion from March 31, 2022. Our short-term debt consisted of ¥248.9 billion of loans, principally from banks, and ¥92.5 billion of commercial paper.
As of March 31, 2023, we had bonds and long-term debt of ¥2,810.7 billion, an increase of ¥53.0 billion from March 31, 2022, including current maturities of ¥344.0 billion. As of March 31, 2023, the balance of our borrowings from banks and insurance companies was ¥2,317.6 billion, an increase of ¥49.0 billion from March 31, 2022, and the balance of notes and bonds was ¥493.1 billion, an increase of ¥4.1 billion from March 31, 2022.
Most of our loans from banks contain covenant provisions customary in Japan. We do not believe those provisions materially limit our operating or financial flexibility. However, several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Under some agreements, principally with government-owned financial institutions, we may be required to make early repayments of an outstanding amount if the lender concludes that we are able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and makes such a prepayment request. Certain agreements provide that the banks may require the borrower to obtain bank approval prior to the payment of dividends and other appropriations of earnings. We have not been asked to make any such prepayments and currently do not anticipate any prepayment requests.
Please refer to "3 Risk factors (3) Risks by type13. Risks pertaining to fund liquidity".
We have maintained a stable funds procurement by extending fundraising periods to diversify the maturity dates. Our basic policy is to maintain the appropriate balance between funds mainly obtained through indirect financing including bank loans based on our sound relationship with broad range of financial institutions and funds obtained through direct financing such as commercial paper and corporate bonds. With an aim to diversify the sources of funds, we procure foreign currency funds not only through bank loans, bonds issued in foreign currencies, currency swaps, but also through commercial paper issued by finance subsidiaries and overseas regional entities, and Euro medium-term note (“MTN”). In addition, we developed the Sumitomo Corporation Green Finance Framework in March 2022, and based on this framework, the Company issued 20 billion in Green Bonds in May 2022.

As of March 31, 2023, our long-term and short-term credit ratings are Baa1/P-2 (stable outlook) from Moody’s Investors Service, BBB+/A-2 (stable outlook) from Standard & Poor’s and A+/a-1 (stable outlook) from Rating and Investment Information, Inc. (As of the filing date, our long-term and short-term credit ratings are A-(stable outlook)/A-2 from Standard & Poor’s.)
In order to facilitate our direct access to capital markets for funding, we have established several funding programs, including:

- ¥300.0 billion Japanese and Overseas shelf registration for primary debt offerings;

- ¥500.0 billion commercial paper program in Japan;
- $1,500 million commercial paper program, established by our U.S. subsidiary, Sumitomo Corporation of Americas;
- U.S.$3,000 million Euro Medium Term Note program jointly established by us, Sumitomo Corporation Capital Europe, Sumitomo Corporation of Americas and Sumitomo Corporation Capital Asia; and
- U.S.$1,500 million Euro-denominated commercial paper program established by Sumitomo Corporation Capital Europe.

In addition, we continuously determine various worst case scenarios, including the current financial market turmoil, to maintain adequate levels of liquidity in any market condition. As of March 31, 2023, we maintain cash and deposits and committed lines of credit with major Japanese and overseas financial institutions in the aggregate amount of $1,210 million, as well as the following long-term committed line of credit in the amount up to ¥285.0 billion, which should secure sufficient liquidity to provide funds required for the operation of the Company and its subsidiaries and repayments of borrowings and bonds that will become due within one year. By the filing date, we have not drawn on any of these lines of credit. These lines of credit do not contain any material covenants, ratings triggers or other restrictions that could potentially impair our ability to draw down the funds. We also have several uncommitted lines of credit.

These lines of credit consist of:

- $1,060 million multi-borrower and multi-currency line of credit provided by a syndicate of major European and U.S. banks, under which we can obtain loans for Sumitomo Corporation or any of our subsidiaries in the United Kingdom, the United States and Singapore;
- $100 million U.S. dollar-denominated line of credit provided to Sumitomo Corporation of Americas by a major U.S. bank;
- $50 million multi-currency line of credit provided to Sumitomo Corporation Capital Europe by a major European bank;
- ¥150.0 billion line of credit provided by a syndicate of major Japanese banks, including ¥79 billion multi-currency facility; and
- ¥135.0 billion line of credit provided by a syndicate of Japanese regional banks.

Capital resources and liquidity

As of March 31, 2023 and 2022			Billions of Yen		Millions of U.S. Dollars
			2023	2022	2023
Short-term			¥ 341.4	¥ 263.7	$ 2,567
	Loans, principally from banks		248.9	199.7	1,871
	Commercial paper		92.5	64.0	696
Long-term, including current maturities of long-term debt			2,810.7	2,757.7	21,133
	Secured long-term debt				
		Loans	227.9	235.3	1,713
	Unsecured long-term debt				
		Loans	2,089.7	2,033.4	15,712
		Bonds and notes	493.1	489.0	3,708
Interest-bearing liabilities (gross)			3,152.1	3,021.4	23,700
Cash and cash equivalents & time deposits			667.7	747.7	5,020
Interest-bearing liabilities (net)			2,484.4	2,273.7	18,680
Total assets			10,106.3	9,582.2	75,987
Equity attributable to owners of the parent			3,779.5	3,197.8	28,418
Equity attributable to owners of the parent ratio (%)			37.4	33.4	

Debt-Equity Ratio (gross) (times)	0.8	0.9	
Debt-Equity Ratio (net) (times)	0.7	0.7	

As of March 31, 2023, our contractual cash obligations for the periods indicated are as follows:
Payments due by period

	Billions of Yen	
	Bonds and borrowings	Lease liabilities
Less than 1 years	¥ 685.4	¥ 76.1
1-2 years	409.6	64.2
2-3 years	275.5	53.7
3-4 years	355.8	40.9
4-5 years	313.4	34.4
More than 5 years	1,112.5	228.5
Total	¥ 3,152.1	¥ 497.8

	Millions of U.S. Dollars	
	Bonds and borrowings	Lease liabilities
Less than 1 years	$ 5,153	$ 572
1-2 years	3,080	483
2-3 years	2,071	404
3-4 years	2,675	307
4-5 years	2,356	259
More than 5 years	8,365	1,718
Total	$ 23,700	$ 3,743

As of March 31, 2023, we had financing commitments in connection with loans and investments in equity capital and contracts for the use of equipment of which the aggregate amount is ¥ 875.7 billion.
As of March 31, 2023, we have no material commitments for capital expenditures.
In addition to our commitments above, in connection with our businesses, we incur various contingent liabilities, such as guarantees of our customers' obligations. Furthermore, we are subject to contingent liabilities arising from litigation. Details of these contingent liabilities are discussed in "(10) Contingencies" and "(11) Litigation and Others" described below. Although we currently do not believe that our cash needs under such contingent liabilities will be significant, if, contrary to expectations, defaults under guarantees are substantial, or there is a significant adverse outcome in our litigation, such contingent liabilities may cause significant new cash needs.

We require continuous financing for our cash needs for working capital, capital investments in new and existing business ventures and debt service. Our growth strategy contemplates the making of investments, in the form of acquisitions, equity investments and loans. We invested ¥114.6 billion in acquisitions of property, plant and equipment and investment property and ¥131.7 billion in acquisitions of other investments in the year ended March 31, 2023. We are currently contemplating acquisitions of companies complementary to our existing businesses and related business areas in all business segments.
These investments, however, are either at a preliminary evaluation stage or are subject to a number of conditions; accordingly, there are possibilities that these investments could not be completed. Additionally, although we believe our existing cash, current credit arrangements, and cash flows from operations will be sufficient to meet our cash needs for the foreseeable future, it is not guaranteed. If our future cash flows from operations are less than we expect, we may need to incur additional debt, pursue other sources of liquidity, or modify our investment plans.

(10) Contingencies

In connection with our businesses, from time to time, we incur various contingent liabilities, such as guarantees of our customers' obligations. We conduct business with counterparties around the world, and we make an effort to control the related trade receivables and guarantees in order to minimize concentrations of credit risk. We do not anticipate material losses on the commitments and guarantees discussed below in excess of established allowances.

As of March 31, 2023, we are contingently liable for guarantees (continuing through 2048) in the aggregate amount of ¥157.2 billion, including ¥75.9 billion relating to our equity-accounted investees and ¥81.3 billion to third parties. The guarantees are primarily to enhance the credit standings of our equity-accounted investees, suppliers and customers.

(11) Litigation and Others

The Companies are involved in certain legal actions and claims incidental to its business. In the opinion of management, none of these actions or claims will have a material adverse effect on the financial position or results of operations of the Companies.

(12) New Standards and Interpretations Not Yet Applied

The new standards, interpretations, and amendments that have been issued as of the date of the approval for the consolidated financial statements, which the Companies have not yet applied as of March 31, 2023, are as follows. The impact caused by the application of those is being determined and cannot be estimated at this time.

IFRSs	Title	Reporting periods on or after which the applications are required	Reporting periods of the application by the Companies (The reporting period ended)	Summaries of new IFRSs and amendments
IAS 12	Income Taxes	January 1, 2023	March 31, 2024	Clarification of deferred tax related to assets and liabilities arising from a single transaction and requirements of disclosure of Pillar Two income taxes
IAS 1	Presentation of Financial Statements	January 1, 2024	March 31, 2025	Clarification of requirements for classification of liabilities as current or non-current liabilities and requirements of disclosure of information on non-current liabilities with covenants
IAS 7	Cash Flows	January 1, 2024	March 31, 2025	Requirements of disclosure of information on supplier finance arrangements
IFRS 7	Financial Instruments: Disclosures			
IFRS 16	Leases	January 1, 2024	March 31, 2025	Clarification of subsequent measurement requirements for sale and leaseback transactions
IFRS 10	Consolidated Financial Statements	To be determined	To be determined	Amendments of accounting for the sale or contribution of assets between an investor and its associate or joint venture
IAS 28	Investments in Associates and Joint Ventures			

(13) Quantitative and Qualitative Disclosure about Market Risk

In the normal course of business, we are exposed to risks arising from fluctuations in interest and currency exchange rates, commodity prices and equity prices. In order to manage these risks, we use financial and commodity derivative instruments including: foreign exchange forwards, currency swaps and options; interest rate swaps, futures and options; and commodity futures, forwards, swaps, and options. To a lesser degree, we also use derivative commodity instruments for trading purposes within prescribed position limits and loss limits imposed under the risk management structure described below.

Interest Rate Risk

Our business activities expose us to market risks arising from changes in interest rates, which we monitor and for which we take measures to minimize through the departments which Chief Financial Officer of the Corporate Group manages. In particular, interest rate fluctuations will impact our borrowing costs because a portion of our outstanding debt instruments is floating rate instruments and because we have short-term borrowings that we refinance from time to time. However, the impact on our borrowing costs will be partially offset by increased returns on certain of our assets, which will also be impacted by interest rate fluctuations. To manage this risk, we enter into interest rate swap agreements, future contracts and option contracts that serve to modify and match the interest rate characteristics of our assets and liabilities.

Foreign Currency Exchange Rate Risk

The nature of our global operations expose us to market risks caused by fluctuations in foreign currency exchange rates related to imports, exports and financing in currencies other than the local currency. In order to mitigate foreign currency exchange rate risks, except for certain risks including the risk associated with foreign investments considered to be permanent, we use derivative instruments including foreign exchange forward contracts, currency swap agreements and currency option contracts with third parties in addition to borrowing and deposit transactions denominated in foreign currencies.

Commodity Price Risk

We trade in commodities such as physical precious and base metals, energy products (crude oil and refined oil products) and agricultural products (wheat, coffee, sugar and others), and engage in investments in metal mining, and oil and gas development. As a result of these activities, we are exposed to commodity price risks. We intend to reduce commodity price risks by hedging sales, matching the volume and timing of selling and purchasing commodities, or using derivatives. We use derivatives for trading purposes within well-defined position limits and loss limits.

Equity Price Risk

We are exposed to equity price risk inherent in stock we hold in financial institutions and our customers and suppliers for strategic purposes and in the other investments held by us. We do not engage in continuous hedging measures against the market exposures on those securities. As of March 31, 2023, we had fair value exposure on our marketable equity securities in the aggregate amount of ¥225.6 billion.

Risk Management Structure

Any business department wishing to enter into a derivative transaction or any other type of transaction exposing us to market risk must obtain approval from the President or General Manager, depending on the magnitude of the transaction, before entering into the transaction. The President or General Manager, as the case may be, reviews requests with the assistance of staff members who have expertise in derivative contracts. The request must identify the counterparty, the applicable market and credit risks and state the objectives of the transaction, the trading limit, and the loss limit amount.

The departments which Chief Financial Officer manages provide the following with respect to the execution and monitoring of transactions:

- back office support services for financial and derivative commodity transactions, such as opening accounts, confirming the execution of contracts, processing settlement and delivery of funds, and maintaining accounting records for the transactions;

- confirmation of balances of each transaction position; and
- monitoring of the status of positions and analyzing and calculating the risks of related transactions on a company-wide basis, and issuing periodic reports to our senior management.

Our subsidiaries are required to comply with the risk management structure described above when they execute commodity market transactions.

Consolidated Statement of Financial Position
Sumitomo Corporation and Subsidiaries
As of March 31, 2023 and 2022

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
ASSETS			
Current assets:			
Cash and cash equivalents (Note 9)	¥ 656,859	¥ 733,824	$ 4,939
Time deposits	10,783	13,847	81
Marketable securities (Notes 6, 9 and 27)	1,741	2,308	13
Trade and other receivables (Notes 7 and 9, 11 and 27)	1,678,995	1,621,862	12,624
Contract assets (Note 27 and 28)	426,369	300,539	3,206
Other financial assets (Note 27)	123,827	250,892	931
Inventories (Notes 9 and 10)	1,390,559	1,058,003	10,455
Advance payments to suppliers	135,177	116,795	1,016
Assets classified as held for sale (Note 9)	6,574	33,815	50
Other current assets (Note 16)	442,073	513,598	3,324
Total current assets	4,872,957	4,645,483	36,639
Non-current assets:			
Investments accounted for using the equity method (Notes 9 and 11)	2,642,504	2,356,984	19,868
Other investments (Notes 6, 9 and 27)	388,767	416,667	2,923
Trade and other receivables (Notes 7, 9, 11 and 27)	207,201	215,941	1,558
Other financial assets (Note 27)	190,736	204,415	1,434
Property, plant and equipment (Notes 8, 9 and 12)	1,046,316	1,023,733	7,867
Intangible assets (Notes 8, 9 and 13)	284,790	254,966	2,141
Investment property (Notes 8, 9 and 14)	346,355	339,336	2,604
Biological assets (Note 15)	36,891	40,241	277
Deferred tax assets (Note 16)	30,790	26,660	232
Other non-current assets	58,945	57,740	444
Total non-current assets	5,233,295	4,936,683	39,348
Total assets (Note 4)	¥ 10,106,252	¥ 9,582,166	$ 75,987

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings (Notes 17, 18 and 27)	¥ 685,356	¥ 608,031	$ 5,153
Trade and other payables (Notes 11, 19 and 27)	1,648,976	1,612,480	12,398
Lease liabilities (Notes 8, 11 and 18)	76,058	73,820	572
Other financial liabilities (Note 27)	119,170	292,185	896
Income tax payables	48,060	63,373	361
Accrued expenses	137,190	119,979	1,032
Contract liabilities (Note 28)	119,603	155,651	899
Provisions (Note 20)	12,152	6,429	91
Liabilities associated with assets classified as held for sale	5,487	16,917	41
Other current liabilities	113,103	127,925	851
Total current liabilities	2,965,155	3,076,790	22,294
Non-current liabilities:			
Bonds and borrowings (Notes 17, 18 and 27)	2,466,733	2,413,343	18,547
Trade and other payables (Notes 11, 19 and 27)	57,575	50,651	433
Lease liabilities (Notes 8, 11 and 18)	421,759	410,027	3,171
Other financial liabilities (Note 27)	57,243	95,764	430
Accrued pension and retirement benefits (Note 21)	21,841	20,742	164
Provisions (Note 20)	39,996	55,969	301
Deferred tax liabilities (Note 16)	98,491	77,595	741
Total non-current liabilities	3,163,638	3,124,091	23,787
Total liabilities	6,128,793	6,200,881	46,081
Equity:			
Common stock (Note 22)	220,047	219,894	1,654
Additional paid-in capital (Note 23)	254,114	255,996	1,911
Treasury stock	(39,563)	(1,871)	(297)
Other components of equity (Note 24)	637,538	454,136	4,794
Retained earnings (Note 23)	2,707,382	2,269,661	20,356
Equity attributable to owners of the parent	3,779,518	3,197,816	28,418
Non-controlling interests	197,941	183,469	1,488
Total equity	3,977,459	3,381,285	29,906
Total liabilities and equity	¥ 10,106,252	¥ 9,582,166	$ 75,987

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2023 and 2022

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Revenues:			
Sales of tangible products	¥ 6,238,706	¥ 4,997,278	$ 46,908
Sales of services and others	579,166	497,737	4,355
Total revenues (Notes 4, 8, 14, 27, 28 and 31)	6,817,872	5,495,015	51,263
Cost:			
Cost of tangible products sold	(5,278,970)	(4,219,322)	(39,692)
Cost of services and others	(304,150)	(266,090)	(2,287)
Total cost (Notes 12, 13, 14, 21, 27 and 31)	(5,583,120)	(4,485,412)	(41,979)
Gross profit (Note 4)	1,234,752	1,009,603	9,284
Other income (expenses):			
Selling, general and administrative expenses (Notes 12, 13 and 30)	(811,737)	(713,941)	(6,103)
Impairment reversal (loss) on long-lived assets (Notes 12, 13 and 14)	(6,861)	(17,887)	(52)
Gain (loss) on sale of long-lived assets, net	20,152	5,244	152
Other, net (Note 31)	(3,241)	55,881	(24)
Total other income (expenses)	(801,687)	(670,703)	(6,027)
Finance income (costs):			
Interest income	48,340	28,989	363
Interest expense	(59,791)	(30,194)	(450)
Dividends	20,068	27,255	151
Gain (loss) on securities and other investments, net (Note 27)	29,050	48,238	218
Finance income (costs), net (Note 31)	37,667	74,288	282
Share of profit (loss) of investments accounted for using the equity method (Notes 4 and 11)	252,186	176,831	1,896
Profit (loss) before tax	722,918	590,019	5,435
Income tax expense (Note 32)	(123,830)	(105,452)	(931)
Profit (loss) for the year	599,088	484,567	4,504
Profit (loss) for the year attributable to:			
Owners of the parent (Note 4)	¥ 565,178	¥ 463,694	$ 4,249
Non-controlling interests	33,910	20,873	255

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	4,735	14,188	36
Remeasurements of defined benefit pension plans	8,885	10,577	67
Share of other comprehensive income of investments accounted for using the equity method	769	(1,646)	6
Total items that will not be reclassified to profit or loss	14,389	23,119	109
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	123,559	246,071	929
Cash-flow hedges	26,175	19,354	197
Hedging cost	(1,596)	(2,209)	(12)
Share of other comprehensive income of investments accounted for using the equity method	48,835	20,363	367
Total items that may be reclassified subsequently to profit or loss	196,973	283,579	1,481
Other comprehensive income, net of tax (Note 24)	211,362	306,698	1,590
Comprehensive income for the year	810,450	791,265	6,094
Comprehensive income for the year attributable to:			
Owners of the parent	¥ 774,262	¥ 765,330	$ 5,822
Non-controlling interests	36,188	25,935	272

Earnings per share (Note 33):	Yen		U.S. Dollars
Basic	¥ 452.51	¥ 370.79	$ 3.40
Diluted	452.15	370.53	3.40

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity
Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2023 and 2022

For the year ended March 31, 2023 Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock (Note 22)	Additional paid-in capital (Note 23)	Treasury stock	Other components of equity (Note 24)	Retained earnings (Note 23)	Total		
Balance, beginning of year	¥219,894	¥255,996	¥(1,871)	¥454,136	¥2,269,661	¥3,197,816	¥183,469	¥3,381,285
Profit for the year					565,178	565,178	33,910	599,088
Other comprehensive income for the year (Note 24)				209,084		209,084	2,278	211,362
Comprehensive income for the year				209,084	565,178	774,262	36,188	810,450
Transaction with owners:								
Share-based payment transactions (Note 26)	153	559				712		712
Acquisition and disposal of non-controlling interests, net		(2,578)				(2,578)	1,839	(739)
Acquisition and disposal of treasury stock, net (Note 26)			(37,692)			(37,692)		(37,692)
Cash dividends to owners of the parent (Note 25)					(153,139)	(153,139)		(153,139)
Cash dividends to non-controlling interests							(23,555)	(23,555)
Others		137				137		137
Transfer to retained earnings				(25,682)	25,682	—		—
Balance, end of year	¥220,047	¥254,114	¥(39,563)	¥637,538	¥2,707,382	¥3,779,518	¥197,941	¥3,977,459

For the year ended March 31, 2022 Millions of Yen

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Common stock (Note 22)	Additional paid-in capital (Note 23)	Treasury stock	Other components of equity (Note 24)	Retained earnings (Note 23)	Total		
Balance, beginning of year	¥219,781	¥251,781	¥(2,063)	¥187,041	¥1,871,411	¥2,527,951	¥167,599	¥2,695,550
Profit for the year					463,694	463,694	20,873	484,567
Other comprehensive income for the year (Note 24)				301,636		301,636	5,062	306,698
Comprehensive income for the year				301,636	463,694	765,330	25,935	791,265
Transaction with owners:								
Share-based payment transactions (Note 26)	113	113				226		226
Acquisition and disposal of non-controlling interests, net		3,967				3,967	643	4,610
Acquisition and disposal of treasury stock, net (Note 26)			192			192		192
Cash dividends to owners of the parent (Note 25)					(99,985)	(99,985)		(99,985)
Cash dividends to non-controlling interests							(10,708)	(10,708)
Others		135				135		135
Transfer to retained earnings				(34,541)	34,541	—		—
Balance, end of year	¥219,894	¥255,996	¥(1,871)	¥454,136	¥2,269,661	¥3,197,816	¥183,469	¥3,381,285

For the year ended March 31, 2023 Millions of U.S. Dollars

	Equity attributable to owners of the parent						Non--controlling interests	Total equity
	Common stock (Note 22)	Additional paid-in capital (Note 23)	Treasury stock	Other components of equity (Note 24)	Retained earnings (Note 23)	Total		
Balance, beginning of year	$ 1,653	$ 1,925	$ (14)	$ 3,414	$ 17,065	$ 24,043	$ 1,379	$ 25,422
Profit for the year					4,249	4,249	255	4,504
Other comprehensive income for the year (Note 24)				1,573		1,573	17	1,590
Comprehensive income for the year				1,573	4,249	5,822	272	6,094
Transaction with owners:								
Share-based payment transactions (Note 26)	1	4				5		5
Acquisition and disposal of non-controlling interests, net		(19)				(19)	14	(5)
Acquisition and disposal of treasury stock, net (Note 26)			(283)			(283)		(283)
Cash dividends to owners of the parent (Note 25)					(1,151)	(1,151)		(1,151)
Cash dividends to non-controlling interests							(177)	(177)
Others		1				1		1
Transfer to retained earnings				(193)	193	–		–
Balance, end of year	$ 1,654	$ 1,911	$ (297)	$ 4,794	$ 20,356	$ 28,418	$ 1,488	$ 29,906

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2023 and 2022

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Operating activities (Note 34)**:**			
Profit (loss) for the year	¥ 599,088	¥ 484,567	$ 4,504
Adjustments to reconcile Profit for the year to net cash provided by operating activities:			
Depreciation and amortization	183,749	170,363	1,382
Impairment reversal (loss) on long-lived assets	6,861	17,887	52
Finance income, net	(37,667)	(74,288)	(282)
Share of (profit) loss of investments accounted for using the equity method	(252,186)	(176,831)	(1,896)
(Gain) loss on sale of long-lived assets, net	(20,152)	(5,244)	(152)
Income tax expense	123,830	105,452	931
Changes in Inventories	(264,356)	(148,056)	(1,988)
Changes in trade and other receivables	(9,911)	(200,792)	(76)
Changes in prepaid expenses	(10,599)	(28,476)	(80)
Changes in trade and other payables	(39,662)	251,924	(298)
Other, net	(118,258)	(249,621)	(889)
Interest received	20,728	13,601	156
Dividends received	205,786	142,767	1,547
Interest paid	(46,483)	(22,650)	(349)
Income tax paid	(107,967)	(86,537)	(812)
Net cash provided by operating activities	232,801	194,066	1,750

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Investing activities (Note 34)**:**			
Proceeds from sale of property, plant and equipment	15,140	5,300	114
Purchase of property, plant and equipment	(70,295)	(69,716)	(529)
Proceeds from sale of investment property	32,119	22,327	242
Purchase of investment property	(44,333)	(7,576)	(333)
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	31,530	63,737	237
Acquisition of subsidiaries, net of cash and cash equivalents Acquired	(13,565)	(1,792)	(102)
Proceeds from sale of other investments	85,241	102,280	641
Acquisition of other investments	(131,653)	(93,946)	(990)
Collection of loan receivables	20,273	50,492	152
Increase in loan receivables	(15,982)	(22,067)	(120)
Net cash provided by (used in) investing activities	(91,525)	49,039	(688)
Financing activities (Note 34)**:**			
Net increase (decrease) in short-term debt (Note 18)	72,247	55,708	543
Proceeds from issuance of long-term debt (Note 18)	381,151	354,709	2,866
Repayments of long-term debts (Note 18)	(415,156)	(369,915)	(3,122)
Repayments of lease liabilities (Notes 8 and 18)	(71,509)	(68,365)	(538)
Cash dividends paid (Note 25)	(153,139)	(99,985)	(1,151)
Capital contribution from non-controlling interests	663	758	5
Payment for acquisition of subsidiary's interests from non-controlling interests	(3,247)	(2,178)	(24)
Payment of dividends to non-controlling interests	(23,555)	(10,708)	(177)
Acquisition and disposal of treasury stock, net	(37,914)	52	(285)
Net cash used in financing activities	(250,459)	(139,924)	(1,883)
Net increase (decrease) in cash and cash equivalents	(109,183)	103,181	(821)
Cash and cash equivalents at the beginning of year	733,824	599,013	5,517
Effect of exchange rate changes on cash and cash equivalents	26,959	40,668	203
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets classified as held for sale	5,259	(9,038)	40
Cash and cash equivalents at the end of year	¥ 656,859	¥ 733,824	$ 4,939

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements
Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2023 and 2022

1. Reporting Entity

Sumitomo Corporation (the "Company") is a company incorporated in Japan. The consolidated financial statements of the Company as at and for the year ended March 31, 2023 comprise the financial statements of the Company and its subsidiaries (together, the "Companies"), and the interests in associates and joint arrangements. The Companies are engaged in a wide range of business activities on global basis. The Companies' business foundation consists of trust cultivated over the years, a global network in Japan and overseas, global relations with business partners in all sectors around the world, intellectual capital, and advanced functions in business development, logistic solutions, financial services, IT solutions, risk management and intelligence gathering and analysis. Through the integration of these elements, the Companies provide a diverse array of value to our customers.

2. Basis of Preparation

(1) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(2) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis except for the following significant items:

- Derivatives are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Financial instruments at fair value through other comprehensive income are measured at fair value;
- Defined benefit liabilities (assets) are the present value of the defined benefit obligation less the fair value of plan assets;
- Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell;
- Biological assets are measured at fair value less costs to sell; and
- Non-current assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency. All financial information presented in Japanese yen has been rounded to the nearest million. The translation of Japanese yen amounts into United States dollars for the year ended March 31, 2023 is included solely for the convenience of readers and has been made at the rate of ¥133 = U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2023. Such translation should not be construed as a representation that the Japanese yen amounts have been or could in the future be converted into United States dollars at that or any rate.

(4) Use of Estimates and Judgments

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods in which the revision affects.

Judgments made by management in the application of accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Note 3 (9) - Accounting for Arrangement containing a Lease
- Note 11 - Scope of associated companies and joint ventures

The following notes include information in respect of uncertainties of assumptions and estimates which have a risk to cause material adjustment in the next fiscal year:

- Note 27 - Impairment of Financial Assets

- Note 27 - Financial Assets Measured at Fair Value
- Notes 11, 12, 13 and 14 - Recoverability of Non-current Assets
- Notes 16 - Tax Asset Valuation
- Notes 20 and 37 - Calculation of Provision
- Note 21 - Measurement of Defined Benefit Obligations

(5) Changes in Accounting Policies

The Companies have applied the Standards and Interpretations required to be adopted from the year ended March 31, 2023. These applications had no material effect on the consolidated financial statements. The amendment to International Accounting Standard No.12 Income Taxes clarifies that deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development shall not be recognized. Based on this amendment, the Companies do not recognize such deferred tax assets and liabilities.

3. Significant Accounting Policies

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

(1) Basis of Consolidation

1. Business combinations

The Companies have applied International Financial Reporting Standard No. 3 *Business Combinations* ("IFRS 3") and International Financial Reporting Standard No. 10 *Consolidated Financial Statements* to all business combinations.

The Companies have applied the acquisition method to business combinations disclosed in Note 5.

The Companies control an investee when the Companies are exposed, or have rights, to variable returns from their involvement with the investee and have the ability to affect those returns through their power over the investee. The acquisition date is the date when the control is transferred to the acquirer. Judgments may be required in deciding the acquisition date and as to whether the control is transferred from one party to another.

Goodwill is measured at the fair value of the considerations transferred, including the recognized amount of any non-controlling interests in the acquiree at the date of acquisition, less the net recognized amount of the identifiable assets acquired and the liabilities assumed at the acquisition date (ordinarily measured at fair value).

The considerations transferred include the fair value of the assets transferred from the Companies to the former owners of the acquiree, assumed liabilities, and equity interest issued by the Companies. The considerations transferred also include the fair value of contingent consideration.

The contingent liabilities of the acquiree are recognized in the business combinations if, and only if, they are present obligations that arose from past events and their fair value can be measured with sufficient reliability.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' 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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Acquisition-related costs incurred by the Companies in connection with business combinations such as finder's and legal fees, due diligence, and other professional or consulting fees are recognized as expenses when incurred.

Additional acquisitions of non-controlling interests are accounted for as equity transactions, and no goodwill is recognized.

If the initial accounting for business combinations is incomplete by the end of the reporting period in which the business combinations occur, the Companies report provisional amounts for the items for which the acquisition accounting is incomplete. Those provisional amounts are retrospectively adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the amounts recognized at that date. Additional assets or liabilities are recognized if new information, if known, would have resulted in the additional recognition of assets or liabilities. The measurement period does not exceed one year.

2. Subsidiaries

Subsidiaries are entities which are controlled by the Companies. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost. The accounting policies of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company, when necessary.

The consolidated financial statements include the financial statements of certain subsidiaries, of which the end of the reporting period is different from that of the Company because it is impracticable to unify the end of the reporting period of the subsidiaries with that of the Company. Due to the requirement of local laws and regulations, it is impracticable to unify the closing dates with that of the Company. It is also impracticable to prepare additional financial statements as of the same date as the financial statements of the Company due to the characteristics of the local business and the IT environment for the accounting system. The difference between the end of the reporting period of subsidiaries and that of the Company does not exceed three months.

When the financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared as of the dates different from the end of the reporting period of the Company, adjustments are made for the effects of significant.

transactions or events that occur between the end of the reporting period of the subsidiaries and that of the Company. On the disposal of interests in subsidiaries, if the Companies retain control over the subsidiaries, they are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration received is recognized directly in equity as “Equity attributable to owners of the parent.”

3. Business combinations of entities under common control

Business combinations of entities under common control are business combinations in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Companies have consistently accounted for all such transactions based on carrying amounts.

4. Associates and joint arrangements

Associates are entities over which the Companies have significant influence but do not have control to govern the financial and operating policies. Significant influence is presumed to exist when the Companies hold between 20% and 50% of the voting power of another entity.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Companies account for the assets, liabilities, revenues and expenses relating to their interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

Investments in associates and joint ventures (“equity-accounted investees”) are accounted for using the equity method, and recognized at cost on acquisition. The investments include goodwill identified on acquisition (net of accumulated impairment losses).

The Companies’ share of the income and expenses of the equity-accounted investees and changes in the Companies’ share in equity are included in the consolidated financial statements from the date when significant influence or joint control is obtained until the date when it is lost. The accounting policies of equity-accounted investees have been adjusted when necessary to ensure consistency with those applied by the Company. The consolidated financial statements include some equity-accounted investees, of which the end of the reporting period is different from that of the Company because it is impracticable to unify the end of the reporting date of those equity-accounted investees with that of the Company in connection with other shareholders and for other reasons. The end of the reporting period of those equity-accounted investees is mainly the end of December. Adjustments are made for the effects of significant transactions or events that occur due to differences in the end of the reporting period.

5. Transactions eliminated in consolidation

All inter-company transactions, balances, and any unrealized gains and losses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains on transactions with equity-accounted investees are eliminated to the extent of the Companies’ interest in the investees. Unrealized losses are eliminated in the same way as unrealized gains unless there is evidence of impairment.

(2) Foreign Currencies

1. Foreign currency transactions

Foreign currency transactions are translated into functional currencies of individual companies using the spot exchange rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated into functional currencies using the spot exchange rate at the reporting date. Exchange differences on monetary items are the differences between the amortized costs denominated in functional currencies at the beginning of the reporting period adjusted by effective interest and interest payments during the year, and the amortized costs denominated in foreign currencies translated using the spot exchange rate at the reporting date. Non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are retranslated using the spot exchange rates at the date when the fair value was determined. Exchange differences arising from retranslation are recognized in profit or loss. However, exchange differences arising from FVTOCI financial assets, hedges of a net investment in foreign operations (see 3. below) and cash-flow hedges are recognized in other comprehensive income. Non-monetary items measured at historical cost in foreign currencies are translated using the spot exchange rate at the date of the transaction.

2. Foreign operations

Assets and liabilities of foreign operations (including goodwill and fair value adjustments arising on the acquisition of foreign operations) are translated into Japanese yen using the spot exchange rate at the reporting date. Income and expenses are translated into Japanese yen at the average exchange rate for the period.

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

These differences are presented as "Exchange differences on translating foreign operations" in Other components of equity after the date of transition to IFRSs. On disposal of the entire interest in foreign operations and on the partial disposal of the interest involving loss of control, significant influence or joint control, the cumulative amount of the exchange differences is reclassified to profit or loss as a part of gains or losses on disposal.

3. Hedges of a net investment in foreign operations

The Companies apply hedge accounting to a part of the exchange differences arising between the functional currencies of foreign operations and the Company's functional currency (Japanese Yen), regardless of whether investments in foreign operations are held directly by the Company or indirectly through its subsidiaries.

Exchange differences arising from the retranslation of financial instruments designated as hedging instruments for a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented as "Exchange differences on translating foreign operations" in Other components of equity. The ineffective portion of the gains or losses on the hedging instruments is recognized in profit or loss. On disposal of hedged portion of net investments, the cumulative amount of exchange differences is reclassified to profit or loss as a part of gains or losses on disposal.

(3) Financial Instruments

1. Non-derivative financial assets

The Companies recognize trade and other receivables on the date they are originated.

All other financial assets are recognized on the contract date when the Companies become a party to the contractual provisions of the instrument.

The following is a summary of the classification and measurement model of the non-derivative financial assets;

Financial assets measured at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value (plus directly attributable transaction costs). Trade and other receivables that do not contain a significant financing component are measured at their transaction price. Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss when necessary.

Debt instruments measured at FVTOCI

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments measured at FVTOCI are initially measured at fair value plus directly attributable transaction costs.
They are subsequently measured at fair value, and changes in fair value are included in Other components of equity as "Financial assets measured at FVTOCI."
When debt instruments measured at FVTOCI are derecognized, the accumulated amount of Other components of equity is reclassified to profit or loss.

Financial assets measured at FVTPL

Financial assets other than equity instruments that do not meet the above conditions in relation to amortized cost and FVTOCI measurement are measured at FVTPL. Those financial assets include financial assets held for trading.
Equity investments are measured at fair value with gains or losses on re-measurement recognized in profit or loss unless the Companies make an irrevocable election to measure equity investments at FVTOCI on initial recognition.
Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized in profit or loss when they occur.

Equity instruments measured at FVTOCI

On initial recognition, the Companies may make an irrevocable election to measure investments in equity instruments at FVTOCI. The election is made only for the equity investment other than held for trading.
Equity instruments measured at FVTOCI are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in other comprehensive income and presented as "Financial assets measured at fair value through other comprehensive income" in Other components of equity.
The amount of Other components of equity is transferred directly to Retained earnings, not to profit or loss, when the equity investment measured at FVTOCI is derecognized or the decline in its fair value compared to its acquisition cost is significant and other-than-temporary.
However, dividends on equity instruments measured at FVTOCI are recognized in profit or loss as finance income.

Derecognition of financial assets

The Companies derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or when the Companies transfer the contractual rights to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. Any interests in transferred financial assets that qualify for derecognition that is created or retained by the Companies are recognized as a separate asset or liability.

2. Cash and cash equivalents

Cash and cash equivalents are cash and highly liquid investments that are readily convertible to known amounts of cash, including short-term time deposits with original maturities of three months or less.

3. Non-derivative financial liabilities

Debt securities issued are initially recognized on the issue date. All other financial liabilities are recognized when the Companies become a party to the contractual provisions of the instruments.
The Companies derecognize financial liabilities when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expired.
The Companies classify borrowings, corporate bonds, trade payables and other payables as non-derivative financial liabilities, and initially measure them at fair value (minus directly attributable transaction costs).
Non-derivative financial liabilities held for trading are measured at fair value after initial recognition and the change in fair value is recognized in profit or loss.
Non-derivative financial liabilities held for other than trading are measured at amortized cost using the effective interest method after initial recognition.
Even if the modification or exchanges of financial liabilities do not result in derecognition due to the terms not being substantially different, the gains or losses arising from such modifications are recognized in profit or loss at the date of the modification or exchange.

4. Equity

Common stock

Proceeds from issuance of equity instruments by the Company are included in “Common stock” and “Additional paid-in capital.” The direct issue costs (net of tax) are deducted from “Additional paid-in capital.”

Treasury stock

When the Companies reacquire treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Companies sell treasury stocks, the consideration received is recognized as an increase in equity.

5. Derivatives including hedge accounting

The Companies utilize derivatives to manage interest rate risk, foreign currency risk and the risk of the price fluctuation of commodity inventories and trading commitments. The primary derivatives used by the Companies include foreign exchange forward contracts, currency swaps, interest rate swaps and commodity future contracts.

At the initial designation of the hedging relationship, the Companies document the relationship between the hedging instrument and the hedged item, along with their risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument’s effectiveness in offsetting the hedged risk will be assessed, and the analysis of ineffective portion.

In order to ascertain whether the change in the fair value or cash flow of the hedging instrument is highly effective in offsetting with the change in the fair value or cash flow of the hedged item, at the beginning and throughout the period for which hedge is designated, the Companies confirm the existence of an economic relationship between the hedged item and the hedging instrument through qualitative assessment and quantitative assessment.

To qualify as a cash flow hedge of a forecast transaction, the transaction must be highly probable.

Derivatives are initially recognized at fair value with transaction costs recognized in profit or loss when they occur. Subsequently, derivatives are measured at fair value, and gains and losses arising from changes in fair value are accounted for as follows:

Fair value hedges

The changes in the fair value of the hedging instrument are recognized in profit or loss. The carrying amounts of the hedged items are measured at fair value and the gains or losses on the hedged items attributable to the hedged risks are recognized in profit or loss.

Cash flow hedges

When derivatives are designated as hedging instruments to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or highly probable forecast transactions which could affect profit or loss, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income as "Cash-flow hedges" and included in other components of equity. Foreign currency basis spread on cross currency interest rate swaps is excluded from hedging instruments, and changes in the fair value are recognized in other comprehensive income as "Hedging cost" and included in other components of equity. The balances accumulated in other components of equity are reclassified to profit or loss over the periods when the cash flows of hedged items affect profit or loss. The ineffective portion of changes in the fair value of derivatives is recognized immediately in profit or loss. Hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting, or when the hedging instrument expires or is sold, terminated or exercised, or when the designation is revoked.

When hedge accounting is discontinued, the balances of cash flow hedges remain in equity until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

6. Derivatives held for trading and others

The Companies hold derivatives for hedging purposes which do not qualify for hedge accounting. The Companies also hold derivatives for trading purposes as opposed to hedging purposes. Any changes in fair value of these derivatives are recognized immediately in profit or loss.

7. Presentation for financial instruments

Financial assets and liabilities are offset and the net amounts are presented in the Consolidated statement of financial position when, and only when, the Companies currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(4) Inventories

Inventories mainly consist of commodities, materials/work in progress, and real estate held for development and resale. Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated costs of completion and the estimated costs necessary to make the sale.

Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, and changes in fair value are recognized in profit or loss.

The cost of inventories other than acquired with the purpose of generating profits from short-term fluctuations in price is determined based on either specific identification basis when inventories are not ordinarily interchangeable, or mainly moving average basis when inventories are ordinarily interchangeable.

(5) Non-current assets held for sale and discontinued operations

If the carrying amount of non-current assets or disposal groups will be recovered principally through a sale transaction rather than through continuing use, the Companies classify such non-current assets or disposal groups as held for sale, and reclassify them into current assets. For this to be the case, the assets or disposal group must be available for immediate sale subject only to terms that are usual and customary for sales of such assets or disposal group and its sale must be highly probable. Management must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

(6) Property, Plant and Equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses. The cost of items of property, plant and equipment comprises costs directly attributable to the acquisition, costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

When the useful life of each part of an item of property, plant and equipment varies, it is accounted for as a separate item of property, plant and equipment.

2. Depreciation

Depreciation is calculated based on the depreciable amount which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation of property, plant and equipment is mainly computed under the straight-line method based on the estimated useful life of each item. The straight-line method is used because it is considered to most closely approximate the pattern in which the asset’s future economic benefits are expected to be consumed by the Companies.

Depreciation of mining rights is computed under the units-of-production method over the estimated proven and probable reserve tons, and recognized as an expense. Land and land improvements are not depreciated.

The estimated useful lives for the years ended March 31, 2023 and 2022 are as follows:

- Buildings and leasehold improvements 3-50 years
- Machinery and equipment 2-20 years

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and changed when necessary.

(7) Intangible Assets

1. Goodwill

Initial recognition

Goodwill arising on the acquisition of a subsidiary is recognized as an intangible asset. Measurement of goodwill on initial recognition is described in (1) 1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. The carrying amount of investments in equity-accounted investees includes the carrying amount of goodwill. The impairment loss of those investments is not allocated to any asset (including goodwill) which constitutes part of the carrying amount of investments in equity-accounted investees.

2. Capitalized software costs

The Companies incur certain costs to purchase or develop software for sale or internal-use.

Expenditures arising from research activities to obtain new scientific or technical knowledge are recognized as expenses as incurred. Expenditures arising from development activities are capitalized as internally generated intangible assets, if, and only if, they are reliably measurable, products or processes are technically and commercially feasible, it is highly probable to generate future economic benefits, and the Companies have an intention and adequate resources to complete those assets and use or sell them. Capitalized software costs are measured at cost less any accumulated amortization and accumulated impairment losses.

3. Intangible assets acquired in business combinations

Intangible assets that are acquired in business combinations, such as sales licenses, trademarks and customer relationships, are recognized separately from goodwill, and are initially recognized at fair value at acquisition date.

Subsequently the intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

4. Other intangible assets

Other intangible assets with finite useful lives are measured at cost less any accumulated amortization and accumulated impairment losses.

Certain trademarks are not amortized because they are determined to have indefinite useful lives and are expected to exist fundamentally as long as the business continues.

5. Amortization

Amortization is calculated based on the cost of an asset less its residual value. Amortization of intangible assets other than goodwill is computed under the straight-line method over their estimated useful lives from the date the assets are available for use. The straight-line method is used because it is considered to the most closely approximate the pattern in which the intangible assets' future economic benefits are expected to be consumed by the Companies. Estimated useful lives for the years ended

March 31, 2023 and 2022 are mainly as follows:

- Software 3-10 years
- Sales licenses, trademarks and customer relationships 3-30 years
- Others 3-20 years

The amortization methods, useful lives and residual values are reviewed at the end of each reporting period, and changed when necessary.

(8) Investment Property

Investment property is a property held to earn rental income or for capital appreciation or for both. Property held for sale in the ordinary course of business, or use in the production or supply of goods or service or for other administrative purpose is not included in investment property. Investment property is measured at cost less any accumulated depreciation (see (6) 2.) and accumulated impairment losses.

(9) Leases

At inception of a contract, the Companies assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract is, or contains, a lease, the Companies recognize right-of-use assets and lease liabilities on the Consolidated statements of financial position at the commencement date. The Companies recognize the lease payments

associated with short-term leases as an expense on a straight-line basis over the lease term.
Right-of-use assets are measured by using the cost model and are measured at cost less any accumulated depreciation and accumulated impairment losses.
The cost of right-of-use assets includes the amount of the initial measurement of lease liabilities adjusted for initial direct costs and any lease payments made at or before the commencement date.
Right-of-use assets are depreciated using the straight-line method over its lease terms.
Lease liabilities are initially measured at the present value of unpaid lease payments at the commencement date of the contract.
Lease payments are allocated to finance costs and the repayment portion of the balance of lease liabilities, to ensure that the interest rate remains constant for the balance of lease liabilities. Finance costs are presented separately from the depreciation of the right-of-use assets in the Consolidated statement of comprehensive income.

(10) Impairment

1. Non-derivative financial assets

For financial assets measured at amortized cost, lease receivables, contract assets, and debt instruments measured at fair value through other comprehensive income, the Companies recognize loss allowance based on the expected credit losses for the financial asset.
At each end of the fiscal year, if the credit risk on financial assets has not increased significantly since initial recognition, the impairment loss is measured at an amount equal to 12-months of expected credit losses. On the other hand, if the credit risk on financial assets has increased significantly since initial recognition, the impairment loss is measured at an amount equal to the lifetime expected credit losses.
However, the impairment loss for trade and other receivables, etc. which does not contain a significant financing component is always at an amount equal to the lifetime expected credit loss.
Credit risk change and calculation of expected credit losses are mainly based on original credit rating model, the Sumisho Credit Rating (“SCR”). “SCR” includes the debtor’s past bad debts experience, current financial condition and reasonably available forecast information.
The existence of evidence of credit impairment is judged based on events such as debtor’s serious financial difficulties and breach of contract including overdue.
For financial assets that have evidence of credit impairment at the reporting date, expected credit losses are measured individually after comprehensive evaluation of the individual situation of the debtor including collateral and guarantees.
If is reasonably determined that all or part of a financial asset cannot be collected, the Companies directly write off the financial assets.

2. Non-financial assets

At the end of each reporting period, the carrying amounts of non-financial assets, excluding Inventories, Biological assets and Deferred tax assets are assessed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial asset is estimated. Regarding goodwill and Intangible assets with indefinite useful lives, and Intangible assets not yet available for use, the recoverable amount is estimated at the same time every year. The recoverable amount of an asset or a cash-generating unit (“CGU”) is the higher of its value in use and its fair value less costs of disposal. In assessing 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. A CGU is the smallest group of assets which generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. A CGU of goodwill is determined based on the unit by which the goodwill is monitored for internal management purposes, and does not exceed an operating segment before aggregation.
Because the corporate assets do not generate independent cash inflows, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the CGU to which the corporate assets belong.
If the carrying amount of an asset or a CGU exceeds the recoverable amount, an impairment loss is recognized in profit or loss. The impairment loss recognized related to a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods. Assets other than goodwill are reviewed at the end of each reporting period to determine whether there is any indication that an impairment loss recognized in prior years may no longer exist or may have decreased. An impairment loss recognized in prior years for an asset is reversed to profit or loss if an event occurs that changes the estimates used to determine the asset’s recoverable amount. A reversal of impairment loss does not exceed the carrying amount, net of depreciation and amortization, that would have been determined if no impairment loss had been recognized for the asset for prior years.
Goodwill that forms part of the carrying amount of investments in equity-accounted investees is not separately recognized, and it is not tested for impairment

separately. The entire carrying amount of the investments is tested for impairment as a single asset, whenever there is any objective evidence that the investments are impaired.

(11) Employee Benefits

1. Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans (see 2. below). The Companies' net defined benefit obligations are calculated separately for each plan by estimating the future amount of benefit that employees have earned in exchange for their service for the previous years. The benefits are discounted to determine the present value, and fair value of plan assets is deducted.

The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturity terms approximating those of the Companies' obligations. These calculations are performed annually by qualified actuaries using the projected unit credit method.

When plan amendments are made, the change in defined benefit obligations related to past service by employees is recognized in profit or loss immediately.

The Companies recognize remeasurements of the net defined benefit liability (asset) in other comprehensive income and immediately reclassify them from Other components of equity to Retained earnings.

2. Defined contribution plans

The employees of certain subsidiaries are provided with defined contribution plans. Defined contribution plans are postemployment benefit plans in which the Companies pay fixed contributions into separate entities and will have no legal or constructive obligation to make further contributions. The Obligations for contributions to defined contribution plans are recognized as an expense during the period when the service is rendered. Certain subsidiaries participate in multi-employer plans in addition to lump-sum benefit plans or pension benefit plans and recognize the contribution during a period as an expense in profit or loss and contribution payable as a liability.

Other than the above, the Company and certain subsidiaries have elective defined contribution pension plans for employees who elect to contribute a portion of their bonuses received for their services rendered during the year.

3. Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the service is rendered.

Bonus accrual is recognized as a liability, when the Companies have present legal or constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligation can be made.

4. Share-based payments

The Company adopts the "restricted performance share unit-based remuneration," under which the number of shares granted varies according to the degree to which previously determined performance conditions are achieved after establishing a transfer restriction period. The fair values of the share-based payments are estimated at the grant date, and they are recognized as employee expenses over the period from the grant date to the end of the date of their service as a corresponding increase in equity. The fair value is measured by utilizing Monte-Carlo Simulation method based on the fair value of the Company's ordinary shares, etc.

(12) Provisions

Provisions are recognized when the Companies have present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. Provisions are discounted to their present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

<u>Asset retirement obligations</u>

The Companies account for asset retirement obligations mainly related to the dismantlement of coal mining and drilling facilities and obligation to restore leased offices to their original condition in accordance with the Companies' published environmental policies and the requirements of laws, regulations, and contracts applicable to the Companies.

(13) Revenue

The Companies recognize revenue for goods sold and services provided in the ordinary course of business, except for lease and financial instrument transaction, based on the following five-step approach.

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 policies on revenue recognition and principal versus agent considerations are as follows:

1. Revenue from sales of tangible products

The Companies recognize revenue from sales of tangible products in connection with the Companies' wholesale, retail, manufacturing and processing operations and real estate operations when the Companies satisfy a performance obligation by providing a promised good or service to a customer. Depending upon the terms of the contract, this may occur at the time of delivery or shipment or upon the attainment of customer acceptance. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specifications are not recognized as revenue until the attainment of customer acceptance. The Companies' policy is not to accept product returns unless the products are defective.

The Companies transfer control of a good or service over time and, therefore, satisfy a performance obligation and recognize revenue and costs over time, if certain conditions are met, from sales of tangible products under long-term construction contracts, etc., principally in connection with the construction of power plants in which the Companies provide engineering, procurement and construction service, and software development business in which the Companies customize the software to customer specifications. Progress towards complete satisfaction of a performance obligation is measured by reference to the stage of completion measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. If circumstances arise that may change the original estimates of revenue, costs, or extent of progress toward completion, then, revisions to the estimates are made.

2. Revenue from sales of services and others

The Companies also generate revenue from sales of services and others in connection with services related to software, loans, finance leases and operating leases of commercial real estate and vessels.
Revenue from maintenance related to software is recognized over the contractual period or as the services are rendered.
Revenue from loans in connection with vessels, etc. is recognized using the effective interest method over the terms of the loans.
Revenue from finance leases is calculated using the interest rate implicit in the lease.
Revenue from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

3. Principal versus agent considerations

In the ordinary course of business, the Companies may act as an intermediary or an agent in executing transactions with third parties. In these arrangements, the Companies determine whether to recognize revenue based on the "gross" amount billed to the ultimate customer for tangible products or services provided or on the "net" amount received from the customer after considering commissions and other payments to third parties. However, the amounts of "Gross profit" and "Profit (loss) for the period attributable to owners of the parent" are not affected by whether revenue is recognized on a gross or net basis.
The Companies determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). To the extent that the Companies are acting as a principal in a transaction, the Companies recognize revenue on a gross basis when or as the entity satisfies a performance obligation. To the extent that the Companies are acting as an agent in a transaction, the Companies recognize revenue on a net basis in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party when or as the entity satisfies a performance obligation.

Factors that indicate that the Companies act as a principal, and thus recognize revenue on a gross basis include:

- the Companies are primarily responsible for fulfilling the promise to provide the specified good or service;
- the Companies have inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the Companies have discretion in establishing the price for the specified good or service.

(14) Finance Income and Costs

Finance income mainly comprises interest income, dividend income, gains on sale of securities, changes in fair value of financial assets measured at FVTPL, gains on hedging instruments recognized in profit or loss. Interest income is recognized when incurred using the effective interest method. Dividend income is recognized on the date when the right to receive payment is established. Interest income from a financial asset (excluding financial assets measured at FVTPL) is accrued using the effective interest method. Finance costs mainly comprise interest expense, losses on sale of securities, changes in fair value of financial assets measured at FVTPL, impairment loss on financial assets, losses on hedging instruments recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

(15) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of certain qualifying assets, which take a considerable period of time to get ready for their intended use or sale, are added to the costs of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss when incurred.

(16) Income Taxes

Income taxes comprise current taxes and deferred taxes. These are recognized in profit or loss, except for the taxes which arise from business combinations or are recognized either in other comprehensive income or directly in equity.

Current taxes are the expected taxes payables or receivables on the taxable profit, using the tax rates enacted or substantially enacted by the end of the reporting period, adjusted by taxes payables or receivables in prior years.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax basis. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not related to a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. Deferred tax liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements. However, if the Companies are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, Deferred tax liabilities are not recognized. Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, associates and joint arrangements are recognized only to the extent that it is probable that there will be sufficient taxable profit against which the benefit of temporary differences can be utilized and the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of reporting period. In accordance with the stipulation in International Accounting Standard No.12 Income Taxes that deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development shall not be recognized, the Companies do not recognize such deferred tax assets and liabilities. Deferred tax assets and Deferred tax liabilities are offset when: there is a legally enforceable right to offset current tax assets against current tax liabilities; and income taxes are levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(17) Earnings per Share

The Companies disclose basic and diluted earnings per share related to ordinary share. Basic earnings per share is calculated by dividing Profit (loss) for the year attributable to owners of the parent less the portion attributable to transfer-restricted stocks by the weighted average number of ordinary share outstanding during the reporting period, adjusted for the number of treasury stock acquired and transfer-restricted stocks. For the purpose of calculating diluted earnings per share, Profit (loss) for the year attributable to owners of the parent and the weighted average number of ordinary share outstanding, adjusted for the number of treasury stock, are adjusted for the effects of all dilutive potential ordinary share. Potential ordinary share of the Company is related to the stock option plan, transfer-restricted stock compensation, performance-linked stock compensation and restricted performance share unit-base compensation plan.

(18) Operating Segments

Operating segments are components of business activities from which the Companies may earn revenues and incur expenses, including revenues and expenses relating to transactions with other operating segments. Discrete financial information for operating results of all operating segments is available and is regularly reviewed by management in order to determine the allocation of resources to the segment and assess its performance.

(19) New Standards and Interpretations Not Yet Applied

The new standards, interpretations, and amendments that have been issued as of the date of the approval for the consolidated financial statements, which the Companies have not yet applied as of March 31, 2023, are as follows. The impact caused by the application of those is being determined and cannot be estimated at this time.

<table>
<tr><th>IFRSs</th><th>Title</th><th>Reporting periods on or after which the applications are required</th><th>Reporting periods of the application by the Companies (The reporting period ended)</th><th>Summaries of new IFRSs and amendments</th></tr>
<tr><td>IAS 12</td><td>Income Taxes</td><td>January 1, 2023</td><td>March 31, 2024</td><td>Clarification of deferred tax related to assets and liabilities arising from a single transaction and requirements of disclosure of Pillar Two income taxes</td></tr>
<tr><td>IAS 1</td><td>Presentation of Financial Statements</td><td>January 1, 2024</td><td>March 31, 2025</td><td>Clarification of requirements for classification of liabilities as current or non-current liabilities and requirements of disclosure of information on non-current liabilities with covenants</td></tr>
<tr><td>IAS 7</td><td>Cash Flows</td><td rowspan="2">January 1, 2024</td><td rowspan="2">March 31, 2025</td><td rowspan="2">Requirements of disclosure of information on supplier finance arrangements</td></tr>
<tr><td>IFRS 7</td><td>Financial Instruments: Disclosures</td></tr>
<tr><td>IFRS16</td><td>Leases</td><td>January 1, 2024</td><td>March 31, 2025</td><td>Clarification of subsequent measurement requirements for sale and leaseback transactions</td></tr>
<tr><td>IFRS 10</td><td>Consolidated Financial Statements</td><td rowspan="2">To be determined</td><td rowspan="2">To be determined</td><td rowspan="2">Amendments of accounting for the sale or contribution of assets between an investor and its associate or joint venture</td></tr>
<tr><td>IAS 28</td><td>Investments in Associates and Joint Ventures</td></tr>
</table>

4. Segment Information

(1) Operating Segments

The Companies conduct business through six industry-based business operating segments (business units).

The Companies' industry-based business segments are:

Metal Products	Media & Digital
Transportation & Construction Systems	Living Related & Real Estate
Infrastructure	Mineral Resources, Energy, Chemical & Electronics

"Trading" used in the following descriptions of the Companies' business units represents sales transactions where the business units act as a principal or an agent. See Note 3. (13) for the Companies' accounting policy on revenue recognition.

Metal Products—The Metal Products Business Unit encompasses various metal products, including steel products such as steel sheets and tubular products. This segment also has an extensive value chain that satisfies the diverse needs of customers in a broad range of fields. In the steel sheet-related field, this segment provides just-in-time delivery services for steel sheet products mainly to automotive and home appliance manufacturers via worldwide steel service center network, which provides functions including procurement, inventory management, and processing. In the tubular products field, this segment has functions as a total service provider by developing oil field services in addition to unique supply chain management (SCM) system for oil and gas companies. This segment consists of the Steel Sheet Products Division and the Tubular Products Division.

Transportation & Construction Systems—The Transportation & Construction Systems Business Unit engages in global transactions involving ships, aircrafts, motor vehicles, construction equipment and related components and parts. This segment covers a wide range of businesses, ranging from selling and servicing, leasing and financing to manufacturing. This segment consists of the Lease, Ship & Aerospace Business Division, the Mobility Business Division 1, the Mobility Business Division 2, and the Construction & Mining Systems Division.

Infrastructure—The Infrastructure Business Unit engages in a wide range of large-scale infrastructure development projects both in and outside Japan including renewable energy such as power generation and power plant Engineering, Procurement and Construction (EPC). This segment also engages in electricity retail in Japan, industrial infrastructure businesses such as industrial facilities and equipment, water businesses, transportation systems and infrastructure businesses, airports, smart city project, environmental solutions, and storage battery businesses. This segment also engages in providing logistics services such as delivery, customs clearance and transportation services, arrangements for insurance, and development and operation of overseas industrial parks. This segment consists of the Social Infrastructure Business Division, the Global Power Infrastructure Business Division, and the Logistics Infrastructure Business Division.

Media & Digital—The Media & Digital Business Unit engages in cable television, 5G related technologies, multi-channel programming distribution, movies, digital media-related businesses, video content-related businesses, TV shopping businesses, and media businesses such as e-commerce. This segment also engages in ICT platform, digital solution, and the Global Corporate Venture Capital. This segment also engages in smart platform businesses such as cell phone related business and smart communications infrastructure and value-added services. This segment consists of the Media Division, the Digital Business Division, and the Smart Communications Platform Business Division.

Living Related & Real Estate—The Living Related & Real Estate Business Unit engages in retail businesses such as food supermarket, healthcare-related businesses such as drugstore chains, fresh & processed food (including vegetables, fruits and meats) business and trading of materials & supplies such as cement and building materials. This segment also engages in real estate businesses, including buildings, retail facilities, residences, logistics facilities, and real estate funds. This segment consists of the Lifestyle Business Division, and the Construction Materials & Real Estate Division.

Mineral Resources, Energy, Chemical & Electronics—The Mineral Resources, Energy, Chemical & Electronics Business Unit engages in the development and trading of mineral and energy resources including coal, iron ore, manganese, uranium, non-ferrous metals, precious metals, petroleum, natural gas and liquefied natural gas (LNG) and commodity derivative transactions. This segment also trades non-ferrous metal products, petroleum products, liquefied petroleum gas (LPG), storage batteries, carbon products, plastics, organic and inorganic chemicals, silicon wafers, LEDs, pharmaceuticals, agricultural chemicals, household insecticide, fertilizers, and veterinary drugs and is also involved and invests in those businesses. This segment also operates electronics manufacturing services (EMS) mainly in Asia. This segment consists of two Mineral Resources Divisions, the Energy Division, the Basic Chemicals & Electronics Division and the Life Science Division.

The reportable segments are organized based on the nature of products and services provided. Each operating segment operates with a degree of autonomy in pursuing its strategic goals, managing operations and ensuring accountability. Segment financial information is evaluated regularly by management in order to assess performance and determine the allocation of resources.

Information by operating segment for the years ended March 31, 2023 and 2022 is summarized as follows:

2023

Segment	Millions of Yen				
	Revenues	Gross profit	Share of profit of investments accounted for using the equity method	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 1,760,388	¥ 220,449	¥ 11,704	¥ 110,372	¥ 1,161,058
Transportation & Construction Systems	1,053,184	261,033	63,313	91,968	2,004,969
Infrastructure	613,633	59,813	11,964	20,822	1,379,568
Media & Digital	451,306	121,277	14,315	12,980	1,062,708
Living Related & Real Estate	1,059,099	242,754	8,624	58,997	1,704,435
Mineral Resources, Energy, Chemical & Electronics	1,854,780	329,661	140,983	266,882	2,490,098
Total	¥ 6,792,390	¥ 1,234,987	¥ 250,903	¥ 562,021	¥ 9,802,836
Corporate and Eliminations	25,482	(235)	1,283	3,157	303,416
Consolidated	¥ 6,817,872	¥ 1,234,752	¥ 252,186	¥ 565,178	¥ 10,106,252

2022

Segment	Millions of Yen				
	Revenues	Gross profit	Share of profit of investments accounted for using the equity method	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	¥ 1,056,058	¥ 140,275	¥ 8,179	¥ 55,197	¥ 981,264
Transportation & Construction Systems	894, 092	189,350	5,782	34,945	1,751,663
Infrastructure	524,605	71,491	10,042	33,283	1,228,743
Media & Digital	418,525	111,004	36,059	39,257	1,007,972
Living Related & Real Estate	979,185	222,651	7,903	44,007	1,527,726
Mineral Resources, Energy, Chemical & Electronics	1,526,138	271,196	107,534	247,318	2,747,353
Total	¥ 5,398,951	¥ 1,005,968	¥ 175,499	¥ 454,192	¥ 9,244,721
Corporate and Eliminations	96,424	3,635	1,332	9,502	337,445
Consolidated	¥ 5,495,015	¥ 1,009,603	¥ 176,831	¥ 463,694	¥ 9,582,166

2023

Segment	Millions of U.S. Dollars				
	Revenues	Gross profit	Share of profit of investments accounted for using the equity method	Profit for the year (attributable to owners of the parent)	Total assets
Metal Products	$ 13,236	$ 1,657	$88	$ 830	$ 8,730
Transportation & Construction Systems	7,919	1,963	476	691	15,075
Infrastructure	4,614	450	90	156	10,373
Media & Digital	3,393	912	107	98	7,990
Living Related & Real Estate	7,963	1,825	65	444	12,815
Mineral Resources, Energy, Chemical & Electronics	13,946	2,479	1,060	2,007	18,723
Total	$ 51,071	$9,286	$ 1,886	$ 4,226	$ 73,706
Corporate and Eliminations	192	(2)	10	23	2,281
Consolidated	$ 51,263	$ 9,284	$ 1,896	$ 4,249	$ 75,987

Notes:

1. On April 1, 2022, precision agriculture business was transferred from Transportation & Construction Systems Business Unit to Mineral Resources, Energy, Chemical & Electronics Business Unit and digital health business was transferred from Media & Digital Business Unit to Living Related & Real Estate Business Unit. Accordingly, the segment information of the previous year has been reclassified.
2. Corporate assets consist primarily of cash and cash equivalents and marketable securities maintained by corporate headquarters that are not related to specific operating segments.
3. Profit for the year attributable to owners of the parent in Corporate and Eliminations includes certain profits and losses that cannot be allocated to operating segments and intersegment eliminations. Certain profits and losses in Corporate and Eliminations are reallocated once the Company determines their attributable operating segments.
4. Transactions between segments are based on normal market prices.
5. Revenues from contracts with customers are disaggregated into each segment as a result of categorization by economic factors.
6. In the year ended March 31, 2023, impairment reversal relating to the tubular products business company in North America, B&L PIPECO SERVICES, INC., is recognized in the Metal Products Business Unit. The impact on the Profit for the year attributable to owners of the parent is a gain of ¥11,379 million ($86 million).
7. In the year ended March 31, 2022, impairment loss in the aircraft leasing business, invested through Sumitomo Mitsui Finance and Leasing Company was recognized in the Transportation & Construction Systems Business Unit. The impact on the Profit (loss) for the year attributable to owners of the parent was a loss of ¥40,186 million.
8. In the year ended March 31, 2023, impairment loss in the telecommunication business in Myanmar is recognized in the Media & Digital Business Unit. The impact on the Profit for the year attributable to owners of the parent is a loss of ¥17,464 million ($131 million).
9. In the year ended March 31, 2022, impairment loss in the aircraft leasing business, invested through Sumitomo Mitsui Finance and Leasing Company, Limited, was recognized in the Living Related & Real Estate Business Unit. The impact on the Profit for the year attributable to owners of the parent was a loss of ¥10,046 million.
10. In the year ended March 31, 2022, one-off profit from valuation of shareholder financing and the profit in the sale of copper and molybdenum mining business in Chile, one-off profit from restructuring of project finance in the nickel mining and refining business in Madagascar were recognized in the Mineral Resources, Energy, Chemical & Electronics Business Unit. The impacts to the Profit for the year attributable to owners of the parent were a profit of ¥36,604 million related to the one-off profit of copper and molybdenum mining business in Chile, a profit of ¥14,409 million related to the one-off profit from restructuring of project finance in the nickel mining and refining business in Madagascar, and loss of ¥15,125 million related to the impairment losses in the pharmaceutical business in the United States.

(2) Geographic Information

The Companies' revenues by geographical area for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Japan	¥ 2,424,129	¥ 2,125,304	$ 18,228
East Asia	388,889	324,778	2,924
Asia Pacific	732,783	695,488	5,510
Europe and CIS	752,536	725,513	5,658
Middle East and Africa	281,086	219,911	2,113
Americas:			
U.S.	1,634,584	936,719	12,290
Other Americas	603,865	467,302	4,540
Total	¥ 6,817,872	¥ 5,495,015	$ 51,263

The carrying amounts of non-current assets, excluding Financial assets and Deferred tax assets, by geographical area as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Japan	¥ 954,152	¥ 905,143	$ 7,174
East Asia	18,155	17,174	136
Asia Pacific	162,780	158,911	1224
Europe and CIS	250,447	244,971	1,883
Middle East and Africa	2,236	1,855	17
Americas:			
U.S.	314,349	262,815	2,364
Other Americas	71,178	125,147	535
Total	1,773,297	¥ 1,716,016	$ 13,333

Note: In the year ended March 31, 2023, the Company classified foreign countries into five broad regions in accordance with a wide-area reorganization. Accordingly, the geographic information of the previous year has been reclassified.

5. Acquisition of Subsidiaries

For the year ended March 31, 2022

There were no significant business combinations for the year ended March 31, 2022.

For the year ended March 31, 2023

Business combinations during the year ended March 31, 2023 mainly consisted of acquiring Sumitomo Precision Products Co., Ltd. as a wholly-owned subsidiary and acquiring an agricultural supplies distributor in Brazil. The aggregated acquisition-date fair value of the consideration transferred which consisted of cash, the previously held equity interest, assets acquired and liabilities assumed, and non-controlling interests as of each acquisition-date are as follows.

The consideration transferred was paid in cash but included an unpaid portion.

As the purchase price allocations in certain business combinations were incomplete as of the issuance date of the consolidated financial statements, the Company reports provisional amounts for the items for which the acquisition accounting is incomplete as of March 31, 2023.

	Millions of Yen	Millions of U.S. Dollars
Fair value of the consideration transferred	¥ 29,063	$ 219
Fair value of the previously held equity interest	5,786	43
Total	¥ 34,849	$ 262
Total assets	¥ 100,229	$ 753
Total liabilities	(70,520)	(530)
Net assets	¥ 29,709	$ 223
Non-controlling interests	(1,127)	(8)
Goodwill	8,600	65
Others	(2,333)	(18)
Total	¥ 34,849	$ 262

Non-controlling interests were measured at the ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

6. Marketable Securities and Other Investments

The amounts of "Marketable securities" and "Other investments" in the Consolidated statement of financial position are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Marketable securities:			
FVTPL	¥ 523	¥ 1,322	$ 4
Amortized cost	1,218	986	9
Total	1,741	¥ 2,308	$ 13
Other investments:			
FVTPL	¥ 43,250	¥ 39,853	$ 325
FVTOCI	339,559	371,431	2,553
Amortized cost	5,958	5,383	45
Total	¥ 388,767	¥ 416,667	$ 2,923

The fair values of "Marketable securities" and "Other investments" measured at amortized cost as of March 31, 2023 and 2022 are ¥7,176 million ($54 million) and ¥6,369 million, respectively.

The Companies classify investments as financial assets measured at FVTOCI when those investments are held for the objective, such as expansion of the medium and long-term revenue through maintenance and reinforcement of relationships with investees.

The fair value and dividends received from "Other investments" measured at FVTOCI held as of March 31, 2023 and 2022 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2023		2022		2023	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	¥ 222,668	¥ 7,494	¥ 253,021	¥ 6,318	$ 1,674	$ 56
Unlisted	116,891	11,493	118,410	19,471	879	87
Total	¥ 339,559	¥ 18,987	¥ 371,431	¥ 25,789	$ 2,553	$ 143

The fair values of "Other investments" measured at FVTOCI as of March 31, 2023 mainly consist of the following:

	Millions of Yen	Millions of U.S. Dollars
	2023	2023
TOYOTA MOTOR CORPORATION	¥ 31,504	$ 237
Nippon Steel Corporation.	25,331	190
Sumitomo Realty & Development Co., LTD.	15,408	116
YAMATO KOGYO CO., LTD.	13,142	99
Sumitomo Metal Mining Co., Ltd.	12,623	95
Sumitomo Forestry Co., Ltd.	11,484	86
MS&AD Insurance Group Holdings, Inc.	9,239	69
Sumitomo Electric Industries, Ltd.	8,499	64
DAIKIN INDUSTRIES, LTD.	6,732	51
Nippon Coke & Engineering	4,921	37
Sumitomo Rubber Industries, Ltd.	4,884	37
SUMITOMO HEAVY INDUSTRIES, LTD.	4,835	36
NISSHIN SEIFUN GROUP INC.	4,795	36
YAMAZAKI BAKING CO., LTD.	4,794	36
The Sumitomo Warehouse Co., Ltd.	3,677	28
SOSiLA Logistics REIT, Inc.	3,185	24
Daikyo Nishikawa Corporation	2,305	17
Sumitomo Bakelite Co., Ltd.	2,024	15
UACJ Corporation	1,976	15
SEC CARBON, LTD.	1,759	13
SAWAI GROUP HOLDINGS Co., Ltd.	1,733	13
NICHIHA CORPORATION	1,493	11
TOTECH CORPORATION	1,380	10
Sumitomo Osaka Cement Co., Ltd.	1,380	10
UEX, LTD.	1,212	9

The fair values of "Other investments" measured at FVTOCI as of March 31, 2022 mainly consist of the following:

	Millions of Yen
	2022
TOYOTA MOTOR CORPORATION	¥ 37,244
Nippon Steel Corporation.	22,034
Sumitomo Metal Mining Co., Ltd.	21,571
Sumitomo Realty & Development Co., LTD.	17,511
DAIKIN INDUSTRIES, LTD.	12,756
MS&AD Insurance Group Holdings, Inc.	10,144
Sumitomo Forestry Co., Ltd.	9,503
YAMATO KOGYO CO., LTD.	9,143
Nippon Coke & Engineering	8,144
YAMAZAKI BAKING CO., LTD.	8,141
Sumitomo Electric Industries, Ltd.	7,322
Sumitomo Rubber Industries, Ltd.	5,400
NISSHIN SEIFUN GROUP INC.	5,275
SUMITOMO HEAVY INDUSTRIES, LTD.	4,205
SOSiLA Logistics REIT, Inc.	3,937
The Sumitomo Warehouse Co., Ltd.	3,888
KATO SANGYO CO., LTD.	2,951
NICHIHA CORPORATION	2,783
Atlantic Lithium Limited	2,558
SAWAI GROUP HOLDINGS Co., Ltd.	2,118
Sumitomo Bakelite Co., Ltd.	1,957
Daikyo Nishikawa Corporation	1,930
UACJ Corporation	1,753
International Steels Limited	1,724
Sumitomo Osaka Cement Co., Ltd.	1,660

"Other investments" measured at FVTOCI which were disposed of during the years ended March 31, 2023 and 2022 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2023			2022			2023		
Fair value at the date of sale	Cumulative gains or (losses)	Dividends	Fair value at the date of sale	Cumulative gains or (losses)	Dividends	Fair value at the date of sale	Cumulative gains or (losses)	Dividends
¥ 119,517	¥ 24,994	¥ 1,071	¥ 120,976	¥ 30,151	¥ 1,462	$ 899	$ 188	$ 8

The Companies sold or exchanged the investments mainly as a result of reviewing business relationships or as a result of business combinations in the investees. In connection with the disposal, the Companies reclassified cumulative gains (net of tax) of ¥18,805 million ($141 million) and ¥22,932 million from Other components of equity to retained earnings for the years ended March 31, 2023 and 2022, respectively.

For financial assets measured at FVTOCI of which the decline in fair value compared to its acquisition cost is significant and not temporary, the Companies reclassified cumulative losses (net of tax) of ¥2,044 million ($15 million) and gains (net of tax) of ¥931 million from Other components of equity to retained earnings for the years ended March 31, 2023 and 2022, respectively.

7. Trade and Other Receivables

The components of Trade and other receivables as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Notes receivable	¥ 53,174	¥ 55,635	$ 400
Accounts receivable	1,557,555	1,517,969	11,711
Loans receivable	117,277	105,244	882
Finance lease receivable	116,473	126,526	876
Other receivables	98,211	88,486	738
Less: Allowance for doubtful receivables	(56,494)	(56,057)	(425)
Trade and other receivables	¥ 1,886,196	¥ 1,837,803	$ 14,182

Financial assets measured at FVTPL of ¥75,233 million ($566 million) and ¥84,056 million are included in Accounts receivable as of March 31, 2023 and 2022, respectively.

Certain notes receivables derived mainly from export transactions are transferred to banks on a discounted basis. The Companies are liable to the banks for defaults by the note issuer. As such, the Companies continue to recognize the discounted notes receivables of ¥3,419 million ($26 million) and ¥3,086 million as of March 31, 2023 and 2022, respectively, and these discounted notes are presented in “Trade and other receivables” in the Consolidated statement of financial position. Related cash receipts which are discounted are presented in “Bonds and borrowings”.

8. Leases

(1) As lessor

The Companies, as a lessor, lease office buildings, vessels and certain other assets to third parties under operating leases. Costs of the leased properties as of March 31, 2023 and 2022 are ¥430,452 million ($3,236 million) and ¥450,966 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2023 and 2022 are ¥107,920 million ($811 million) and ¥113,300 million, respectively. These assets are included in “Property, plant and equipment,” “Intangible assets,” and “Investment property” in the Consolidated statement of financial position.

Future lease payments to be received under operating leases as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Due in 1 year or less	¥ 28,945	¥ 26,379	$ 218
Due after 1 year through 2 years	20,489	14,963	154
Due after 2 years through 3 years	12,347	12,039	93
Due after 3 years through 4 years	9,786	8,836	74
Due after 4 years through 5 years	7,358	7,909	55
Due after 5 years	20,363	25,126	153

The Companies lease automobiles, vessels, power stations, service equipment and other assets under arrangements which are classified as finance leases under International Financial Reporting Standard No.16 Leases (“IFRS 16”). The significant leased item is a coal-fired thermal power plant owned by the Companies in Indonesia and currently leased to the Indonesian state-owned electricity corporation.

Future receivables under finance leases as of March 31, 2023 and 2022 are as follows:

	Minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Due in 1 year or less	¥ 75,548	¥ 58,598	$ 568
Due after 1 year through 2 years	28,854	47,386	217
Due after 2 years through 3 years	17,352	14,017	131
Due after 3 years through 4 years	7,276	9,602	55
Due after 4 years through 5 years	3,515	6,396	26
Due after 5 years	9,712	17,389	73
Unguaranteed residual value	4,151	4,744	31
Less: Future finance income	(29,935)	(31,606)	(225)
Net investment in the lease	¥ 116,473	¥ 126,526	$ 876

	Net investment in the lease		
	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Due in 1 year or less	¥ 67,827	¥ 54,103	$ 510
Due after 1 year through 2 years	21,750	40,959	164
Due after 2 years through 3 years	12,571	10,416	95
Due after 3 years through 4 years	5,606	6,612	42
Due after 4 years through 5 years	2,674	4,215	20
Due after 5 years	3,601	8,799	27
Unguaranteed residual value	¥ 2,444	¥ 1,422	$ 18

The amounts mainly recognized in the Consolidated statement of comprehensive income related to finance leases as a lessor for the year ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Financial income on lease receivables	¥ 16,828	¥ 18,919	$ 127
Income on variable lease payments not included in the measurement of lease receivables	22,826	19,935	172

(2) As lessee

The Companies, as a lessee, lease office buildings, vessels, machinery and equipment, stores and certain other assets.

1. Right-of-use assets

The carrying amounts of right-of-use assets as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Land and land improvements	¥ 21,044	¥ 19,136	$ 158
Buildings and leasehold improvements	314,610	317,681	2,365
Machinery and equipment	32,619	39,657	245

Depreciation expenses for right-of-use assets for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Land and land improvements	¥ 2,677	¥ 2,464	$ 20
Buildings and leasehold improvements	49,576	46,240	373
Machinery and equipment	7,641	6,848	57

Acquisitions of right-of-use assets for the years ended March 31, 2023 and 2022 are ¥83,377 million ($627 million) and ¥62,922 million, respectively. Acquisitions of those through business combinations for the years ended March 31, 2023 and 2022 are ¥3,369 million ($25 million) and ¥3 million, respectively.

2. Maturity analysis of lease liabilities

The Companies' remaining contractual maturities for lease liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Due in 1 year or less	¥ 76,058	¥ 73,820	$ 572
Due after 1 year through 5 years	193,249	190,374	1,453
Due after 5 years	228,510	219,653	1,718

3. Profit or loss related to right-of-use assets

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Interest expense on lease liabilities	¥ 10,204	¥ 9,734	$ 77
Expense on variable lease payments not included in the measurement of lease liabilities	19,605	14,383	147
Income from subleasing right-of-use assets	4,185	6,420	31

4. Total cash outflows for leases

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Total cash outflows for leases	¥ 98,106	¥ 96,287	$ 738

9. Assets Pledged as Security

Assets pledged to secure borrowings, guarantee of contracts and others as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Cash and deposits	¥ 30,484	¥ 29,159	$ 229
Trade and other receivables	349,790	296,186	2,630
Inventories	12,941	5,721	97
Assets classified as held for sale	—	10,822	—
Marketable securities and investments	205,409	197,819	1,544
Property, plant and equipment (Carrying amount)	7,031	6,541	53
Intangible assets (Carrying amount)	—	23	—
Investment property (Carrying amount)	2,415	2,636	18
Others (Note)	52,737	214,441	397
Total	¥ 660,807	¥ 763,348	$ 4,968

Note: These are mainly guarantee deposits related to derivative transactions and deposits for rental properties.

Trust receipts issued under customary import financing arrangements grant recipient banks a security interest in the imported merchandise and/or the accounts receivable or sales proceeds resulting from the sales of such merchandise. The Companies repay the related notes and acceptances payable at the maturity dates without applying the sales proceeds to specific notes or acceptances. The large volume of transactions makes it impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.

10. Inventories

The components of Inventories as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Real estate held for development and resale	¥ 272,842	¥ 184,127	$ 2,051
Commodities	890,728	663,639	6,697
Materials /work in progress	226,989	210,237	1,707
Inventories	¥ 1,390,559	¥ 1,058,003	$ 10,455

Of the Inventories disclosed above, the carrying amounts of Inventories that are measured at fair value less costs to sell as of March 31, 2023 and 2022 are ¥109,930 million ($827 million) and ¥114,021 million, respectively.

The write-down of Inventories recognized as expense for the years ended March 31, 2023 and 2022 are ¥5,238 million ($39 million) and ¥9,041 million, respectively.

11. Investments Accounted for Using the Equity Method

(1) Carrying Amount of Investments Accounted for Using the Equity Method and Profit (Loss) Attributable to the Company

Summarized financial information for the Companies' interest in associates and joint ventures, based on the amounts reported in the Companies' consolidated financial statements as of and for the years ended March 31, 2023 and 2022 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Carrying amount			
Associates	¥ 1,388,845	¥ 1,294,729	$ 10,442
Joint Ventures	1,253,659	1,062,255	9,426
Total	¥ 2,642,504	¥ 2,356,984	$ 19,868

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Profit for the year			
Associates	¥ 104,526	¥ 107,461	$ 786
Joint Ventures	147,660	69,370	1,110
Subtotal	252,186	176,831	1,896
Other comprehensive income			
Associates	28,637	4,974	215
Joint Ventures	20,967	13,743	158
Subtotal	49,604	18,717	373
Comprehensive income for the year	¥ 301,790	¥ 195,548	$ 2,269

Profit and loss for the year ended March 31, 2022 was recognized as follows. The profit and loss is included in “Share of profit (loss) of investments accounted for using the equity method” in the Consolidated statement of comprehensive income.

In the nickel mining and refining business in Madagascar, Project Companies agreed on the revision regarding repayment conditions of the loan agreement with lenders and recognized a gain on financial liabilities, as a result of the reassessment of the fair value related to financial liabilities due to the revision of repayment conditions. Since the increase in the carrying amount of the investment for Project Companies resulting from the recognition of the gain is not expected to contribute to future cash inflows from Project Companies, the Company recognized a loss equivalent to the amount of the gain corresponding to the equity interest as a decreasing the carrying amount of the investment for Project Companies in terms of the recoverability.

Consequently, the Company does not expect any impact to the consolidated financial statements due to the reassessment of financial liabilities in Project Companies.

In addition, a gain related to the debt restructuring is recognized in this business. Consequently, a gain of ¥14,409 million was recognized as Share of profit (loss) of investments accounted for using the equity method in the Consolidated statement of comprehensive income.

In the aircraft leasing business, invested through Sumitomo Mitsui Finance and Leasing Company, Limited, losses of ¥40,186 million in the Transportation & Construction Systems Business Unit and ¥10,046 million in the Living Related & Real Estate Business Unit were recognized for the investment held by our group. Regarding the aircraft assets leased to Russian airlines, the lease agreement has been terminated in compliance with applicable sanctions. However, in consideration of the current situation where the possibility of repossessing the aircraft assets is uncertain, the Company recognized the loss relating to the aircraft leasing business. The impairment loss of ¥15,125 million was recognized for the investment held by our group relating to Upsher-Smith Laboratories, LLC, a pharmaceutical business company in the United States as a result of reassessing the business plan based on changes in the business environment which are mainly due to entering by competitors into the market related to goods handled.

The impairment loss for the year ended March 31, 2023 is recognized as follows. The impairment loss is included in "Share of profit (loss) of investments accounted for using the equity method" in the Consolidated statement of comprehensive income.
As a result of reassessing recoverable amount of the investments in Telecommunications business in Myanmar due to the increasing country risk in the country, an impairment loss of ¥17,464 million ($131 million) is recognized in the Media & Digital Business Unit.

The major joint ventures accounted for using the equity method included in the summarized financial information above are Sumitomo Mitsui Finance and Leasing Company, Limited (50% owned), AMBATOVY MINERALS S.A. (54.17% owned), and DYNATEC MADAGASCAR S.A. (54.17% owned). Regarding AMBATOVY MINERALS S.A. and DYNATEC MADAGASCAR S.A. owned more than 50% of the total voting rights, the Company classifies them as joint ventures in light of the shareholder's agreement.

Sumitomo Mitsui Finance and Leasing Company, Limited

Sumitomo Mitsui Finance and Leasing Company, Limited 's summarized financial information as of and for the years ended March 31, 2023 and 2022 is as follows:
Note that the following summarized financial information includes the amount of goodwill relating to Sumitomo Mitsui Finance and Leasing Company, Limited.

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Current assets	¥ 4,094,148	¥ 3,949,011	$ 30,783
Non-current assets	5,279,527	3,927,031	39,696
Total assets	¥ 9,373,675	¥ 7,876,042	$ 70,479
Current liabilities	¥ 3,115,577	¥ 3,133,372	$ 23,425
Non-current liabilities	4,973,533	3,656,960	37,395
Total liabilities	¥ 8,089,110	¥ 6,790,332	$ 60,820
Non-controlling interests	¥ 257,114	¥ 166,798	$ 1,933
Equity	1,027,451	918,912	7,725
Total equity	¥ 1,284,565	¥ 1,085,710	$ 9,658

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Revenues	¥ 1,014,200	¥ 839,972	$ 7,626
Profit (loss) for the year	92,166	(15,264)	693
Other comprehensive income	34,391	49,857	259
Comprehensive income for the year	¥ 126,557	¥ 34,593	$ 952

Sumitomo Mitsui Finance and Leasing Company, Limited engages in a variety of financial services including leasing. The dividends which the Company received from Sumitomo Mitsui Finance and Leasing Company, Limited for the years ended March 31, 2023 and 2022 are ¥6,246 million ($47 million) and ¥6,333 million, respectively.

The Madagascar Nickel business

The Madagascar Nickel business's summarized financial information that is combined balance of AMBATOVY MINERALS S.A. and DYNATEC MADAGASCAR S.A. as of and for the years ended March 31, 2023 and 2022 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Current assets	¥117,608	¥ 91,704	$ 884
Non-current assets	314,651	289,261	2,366
Total assets	¥ 432,259	¥ 380,965	$ 3,250
Current liabilities	¥ 60,925	¥ 35,145	$ 458
Non-current liabilities	205,193	180,209	1,543
Total liabilities	¥ 266,118	¥ 215,354	$ 2,001
Total equity	¥ 166,141	¥ 165,611	$ 1,249

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Revenues	¥ 168,991	¥ 126,368	$ 1,271
Profit (loss) for the year	(15,278)	78,389	(115)
Other comprehensive income	32,109	16,301	242
Comprehensive income for the year	¥ 16,831	¥ 94,690	$ 127

AMBATOVY MINERALS S.A. and DYNATEC MADAGASCAR S.A. operate a nickel mining and a nickel refining in Madagascar. Non-current assets in the Ambatovy Enterprise's summarized financial information include mining rights and long-lived assets including refining equipment of these operations, which are ¥309,366 million ($2,326 million) and ¥282,625 million as of March 31, 2023 and 2022, respectively.

If there is any indication of impairment for the PPE of the Project Companies and an impairment test shows that the recoverable amount is less than the carrying amount of the PPE, the Company will recognize its share of loss as an equity method investment loss. When the Project Companies estimate the recoverable amount of the PPE, it will be either their value-in-use or their fair value after deducting disposal costs, whichever is higher. The key assumptions—the Project Companies' production conditions, future natural resources prices (primarily the medium- to long-term forecasted prices of nickel, cobalt, etc.), expected recoverable reserves, and discount rates, —will be used in making judgments regarding an indication of impairment and estimates of the recoverable amount. These assumptions are subject to change due to market conditions, equipment problems at the project company and other factors, and could have a significant impact on the Companies' business performance.

In the current fiscal year, no indication of impairment was found for the PPE of the Project Companies based on a comprehensive consideration of the changes in the above assumptions.

The carrying amounts of the investments in the Project Companies accounted for using the equity method as of March 31, 2023 and 2022, are about ¥60,562 million ($455 million). and ¥62,697 million respectively.

(2) The Balances of Receivables from and Payables to Equity-accounted Investees

The balances of receivables from and payables to equity-accounted investees as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Trade and other receivables	¥ 123,589	¥ 130,815	$ 929
Trade and other payables	35,537	40,908	267
Lease liabilities	11,424	11,971	86

(3) Summary of Transactions with Equity-accounted Investees

The Companies engage in various agency transactions between equity-accounted investees and third parties. Net fees earned on these transactions are not material.

Transactions with equity-accounted investees for the years ended March 31, 2023 and 2022 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Management and secondment fees, received	¥ 5,145	¥ 4,531	$ 39
Interest income	6,893	4,847	52
Interest expense	189	57	1

Transactions with equity-accounted investees stated above are made on an arm's length basis.

12. Property, Plant and Equipment

Cost and accumulated depreciation and impairment losses of Property, plant and equipment as of March 31, 2023 and 2022 are as follows:

[Cost]

	Millions of Yen					
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
Balance as of April 1, 2021	¥ 120,793	¥ 969,205	¥ 930,716	¥ 37,883	¥ 56,512	¥ 2,115,109
Acquisitions	1,660	66,650	50,938	31,789	602	151,639
Reclassification	5,733	(3,363)	(4,021)	(18,797)	–	(20,448)
Acquisitions through business combinations	157	413	402	–	–	972
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	(2,491)	(13,160)	(80,569)	(16,729)	(39,871)	(152,820)
Disposals	(4,972)	(29,395)	(14,763)	(23)	(2,112)	(51,265)
Exchange differences on translating foreign operations	273	25,311	70,185	2,753	5,107	103,629
Others	1,485	(5,966)	(2,666)	(3,015)	1,284	(8,878)
Balance as of March 31, 2022	¥ 122,638	¥ 1,009,695	¥ 950,222	¥ 33,861	¥ 21,522	¥ 2,137,938
Acquisitions	8,072	62,808	97,117	41,469	–	209,466
Reclassification	18,658	18,661	(10,626)	(43,692)	–	(16,999)
Acquisitions through business combinations	4,005	8,672	2,732	146	–	15,555
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	(498)	(17,116)	(147,980)	(1,450)	(3,149)	(170,193)
Disposals	(9,876)	(25,473)	(23,497)	(1,831)	–	(60,677)
Exchange differences on translating foreign operations	1,780	12,783	41,471	468	(484)	56,018
Others	(3,977)	1,000	3,872	(6,221)	662	(4,664)
Balance as of March 31, 2023	¥ 140,802	¥ 1,071,030	¥ 913,311	¥ 22,750	¥ 18,551	¥ 2,166,444

	Millions of U.S. Dollars					
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
Balance as of March 31, 2022	$ 921	$ 7,592	$ 7,145	$ 255	$ 162	$ 16,075
Acquisitions	62	471	730	312	—	1,575
Reclassification	140	141	(80)	(329)	—	(128)
Acquisitions through business combinations	30	65	21	1	—	117
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	(4)	(129)	(1,112)	(11)	(24)	(1,280)
Disposals	(74)	(192)	(177)	(13)	—	(456)
Exchange differences on translating foreign operations	14	96	311	4	(4)	421
Others	(30)	9	29	(48)	5	(35)
Balance as of March 31, 2023	$ 1,059	$ 8,053	$ 6,867	$ 171	$ 139	$ 16,289

[Accumulated depreciation and impairment losses]

	Millions of Yen				
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of April 1, 2021	¥ (13,810)	¥ (461,448)	¥ (548,244)	¥ (40,959)	¥ (1,064,461)
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	650	7,626	50,275	28,504	87,055
Disposals	2,987	29,032	10,823	1,959	44,801
Reclassification	(35)	2,805	14,117	－	16,887
Depreciation expenses	(2,464)	(69,217)	(65,928)	(2,071)	(139,680)
Impairment losses	(2,354)	(3,086)	(7,376)	(299)	(13,115)
Exchange differences on translating foreign operations	(342)	(10,975)	(44,109)	(3,771)	(59,197)
Others	(3)	5,040	8,468	－	13,505
Balance as of March 31, 2022	¥ (15,371)	¥ (500,223)	¥ (581,974)	¥ (16,637)	¥ (1,114,205)
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	115	12,047	105,307	2,198	119,667
Disposals	3,510	15,523	17,912	－	36,945
Reclassification	(1,109)	243	21,623	－	20,757
Depreciation expenses	(2,677)	(74,211)	(74,647)	(535)	(152,070)
Impairment losses	(56)	(6,860)	(12,254)	－	(19,170)
Exchange differences on translating foreign operations	(195)	(5,872)	(25,194)	377	(30,884)
Others	977	7,201	10,654	－	18,832
Balance as of March 31, 2023	¥ (14,806)	¥ (552,152)	¥ (538,573)	¥ (14,597)	¥ (1,120,128)

	Millions of U.S. Dollars				
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of March 31, 2022	$ (116)	$ (3,761)	$ (4,376)	$ (125)	$ (8,378)
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	1	90	792	17	900
Disposals	26	117	135	－	278
Reclassification	(8)	2	162	－	156
Depreciation expenses	(20)	(558)	(561)	(4)	(1,143)
Impairment losses	(0)	(52)	(92)	－	(144)
Exchange differences on translating foreign operations	(1)	(44)	(189)	2	(232)
Others	7	54	80	－	142
Balance as of March 31, 2023	$ (111)	$ (4,152)	$ (4,049)	$ (110)	$ (8,422)

Note: Depreciation expenses for property, plant and equipment are included in “Cost” and “Selling, general and administrative expenses” in the Consolidated statement of comprehensive income. The impairment losses for property, plant and equipment are included in “Impairment reversal (loss) on long-lived assets" in the Consolidated statement of comprehensive income. The impairment losses recognized on property, plant and equipment for the years ended March 31, 2023 and 2022 are ¥19,170 million ($144 million) and ¥13,115 million, respectively. The impairment losses mainly recognized in Transportation & Construction Systems Business Unit on property, plant and equipment for the years ended March 31, 2023 and 2022 are ¥15,517 million ($117 million) and ¥8,315 million, respectively.

[Carrying amount]

	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2023 (Millions of Yen)	¥ 125,996	¥ 518,878	¥ 374,738	¥ 22,750	¥ 3,954	¥ 1,046,316
2022 (Millions of Yen)	¥ 107,267	¥ 509,472	¥ 368,248	¥ 33,861	¥ 4,885	¥ 1,023,733
2023 (Millions of U.S. Dollars)	$ 948	$ 3,901	$ 2,818	$ 171	$ 29	$ 7,867

13. Intangible Assets

(1) Goodwill

Cost and accumulated impairment losses of goodwill for the years ended March 31, 2023 and 2022 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance, beginning of year	¥ 216,485	¥ 223,808	$ 1,628
Acquisitions through business combinations	8,600	1,092	64
Deconsolidation of subsidiaries	(5,932)	(11,958)	(45)
Disposals	(400)	(6)	(3)
Exchange differences on translating foreign operations	8,083	13,055	61
Others	794	(9,506)	6
Balance, end of year	¥ 227,630	¥ 216,485	$ 1,711

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance, beginning of year	¥ (110,975)	¥ (114,012)	$ (834)
Impairment losses	(354)	(1,368)	(3)
Deconsolidation of subsidiaries	5,880	11,958	44
Disposals	400	—	3
Exchange differences on translating foreign operations	(6,887)	(7,313)	(52)
Others	—	(240)	—
Balance, end of year	¥ (111,936)	¥ (110,975)	$ (842)

The impairment losses recognized on goodwill for the years ended March 31, 2023 and 2022 are ¥354 million ($3 million) and ¥1,368 million, respectively, and are included in "Impairment reversal (loss) on long-lived assets" in the Consolidated statement of comprehensive income.

[Carrying amount]

	Carrying amount
2023 (Millions of Yen)	¥ 115,694
2022 (Millions of Yen)	¥ 105,510
2023 (Millions of U.S. Dollars)	$ 869

Goodwill arising from business combinations is allocated to each of the Companies' CGU that is expected to benefit from the synergies of the business combination at the date of acquisition of the business.

The carrying amounts of goodwill by operating segment as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Metal Products	¥ 4,604	¥ 5,116	$ 34
Transportation & Construction Systems	48,301	46,629	363
Infrastructure	—	—	—
Media & Digital	13,861	13,861	104
Living Related & Real Estate	38,295	32,603	288
Mineral Resources, Energy, Chemical & Electronics	10,525	7,192	79
Corporate and Eliminations	108	109	1
Total	¥ 115,694	¥ 105,510	$ 869

Note: "Corporate and Eliminations" above includes the carrying amount of the Energy Innovation Initiative (EII).

Significant portions of goodwill as of March 31, 2023 and 2022 are related to parking business in Nordic countries of ¥29,974 million ($225 million) and ¥30,741 million, and fresh produce business in Europe and the Americas of ¥12,061 million ($91 million) and ¥11,316 million, respectively.

(2) Other Intangible Assets

Cost and accumulated amortization, and impairment losses of other intangible assets as of March 31, 2023 and 2022 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2021	¥ 154,150	¥ 229,610	¥ 44,176	¥ 427,936
Acquisitions through business combinations	176	488	6	670
Separate acquisitions	11,055	94	920	12,069
Deconsolidation of subsidiaries	(563)	–	(1,687)	(2,250)
Disposals	(12,119)	(5,035)	(3,102)	(20,256)
Exchange differences on translating foreign operations	2,896	16,398	983	20,277
Others	2,034	5,157	717	7,908
Balance as of March 31, 2022	¥ 157,629	¥ 246,712	¥ 42,013	¥ 446,354
Acquisitions through business combinations	2,731	–	1,285	4,016
Separate acquisitions	13,438	217	1,854	15,509
Deconsolidation of subsidiaries	(165)	(3,513)	–	(3,678)
Disposals	(5,374)	(682)	(215)	(6,271)
Exchange differences on translating foreign operations	1,150	11,967	655	13,772
Others	6,109	(7,160)	630	(421)
Balance as of March 31, 2023	¥ 175,518	¥ 247,541	¥ 46,222	¥ 469,281

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2022	$ 1,185	$ 1,855	$ 316	$ 3,356
Acquisitions through business combinations	20	–	10	30
Separate acquisitions	101	2	14	117
Deconsolidation of subsidiaries	(1)	(27)	–	(28)
Disposals	(40)	(5)	(2)	(47)
Exchange differences on translating foreign operations	9	90	5	104
Others	46	(54)	5	(3)
Balance as of March 31, 2023	$ 1,320	$ 1,861	$ 348	$ 3,529

[Accumulated amortization and impairment losses]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2021	¥ (126,271)	¥ (145,591)	¥ (9,909)	¥ (281,771)
Disposals	10,610	5,031	2,169	17,810
Amortization expenses	(6,864)	(8,751)	(1,866)	(17,481)
Impairment losses	(503)	(241)	(465)	(1,209)
Deconsolidation of subsidiaries	496	–	1,061	1,557
Exchange differences on translating foreign operations	(2,322)	(9,655)	(467)	(12,444)
Others	(2,769)	(10)	(581)	(3,360)
Balance as of March 31, 2022	¥ (127,623)	¥ (159,217)	¥ (10,058)	¥ (296,898)
Disposals	5,302	681	179	6,162
Amortization expenses	(7,913)	(7,516)	(2,434)	(17,863)
Impairment losses	(773)	–	(255)	(1,028)
Impairment reversals	–	12,179	–	12,179
Deconsolidation of subsidiaries	170	3,513	–	3,683
Exchange differences on translating foreign operations	(272)	(8,570)	(267)	(9,109)
Others	(3,642)	7,175	(844)	2,689
Balance as of March 31, 2023	¥ (134,751)	¥ (151,755)	¥ (13,679)	¥ (300,185)

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2022	$ (960)	$ (1,197)	$ (76)	$ (2,233)
Disposals	40	5	1	46
Amortization expenses	(59)	(57)	(18)	(134)
Impairment losses	(6)	–	(2)	(8)
Impairment reversals	–	92	–	92
Deconsolidation of subsidiaries	1	27	–	28
Exchange differences on translating foreign operations	(2)	(64)	(2)	(68)
Others	(27)	53	(6)	20
Balance as of March 31, 2023	$ (1,013)	$ (1,141)	$ (103)	$ (2,257)

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2023 (Millions of Yen)	¥ 40,767	¥95,786	¥ 32,543	¥ 169,096
2022 (Millions of Yen)	¥ 30,006	¥ 87,495	¥ 31,955	¥ 149,456
2023 (Millions of U.S. Dollars)	$ 307	$ 720	$ 245	$ 1,272

Significant portions of sales licenses, trademarks and customer relationships as of March 31, 2023 and 2022 are related to fresh produce business in Europe and the Americas of ¥23,950 million ($180 million) and ¥23,821 million, and parking business in Nordic countries of ¥16,031 million ($121 million) and ¥18,251 million, respectively. The average remaining amortization period of intangible assets with finite useful lives is 18 years for fresh produce business in Europe and the Americas, and 9 years for parking business in Nordic countries.

The impairment losses recognized on other intangible assets for the years ended March 31, 2023 and 2022 are ¥1,028 million ($8 million) and ¥1,209 million, respectively. The impairment reversals recognized on other intangible assets for the years ended March 31, 2023 are ¥12,179 million ($92 million), and are included in "Impairment reversal (loss) on long-lived assets" in the Consolidated statement of comprehensive income. The impairment reversals on other intangible assets for the year ended March 31, 2023 mainly consist of the impairment reversal of ¥11,379 million ($86 million) recognized for the tubular products business company B&L PIPECO SERVICES, INC., which is recognized in the Metal Products Business Unit, due to revision of the long-term business plan in line with market recovery.

Intangible assets with finite useful lives are amortized over their useful lives. Amortization expenses on intangible assets are recognized in "Cost" and "Selling, general and administrative expenses" in the Consolidated statement of comprehensive income.

Intangible assets with indefinite useful lives as of March 31, 2023 and 2022 are ¥20,323 million ($153million) and ¥20,397 million, respectively, and consist mainly of trademarks. Those trademarks were acquired through business combinations which are expected to exist as long as business continues, therefore the management considers the useful lives for these as indefinite. Intangible assets with indefinite useful lives are not material individually.

(3) Impairment test of goodwill and other intangible assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the unit may be impaired. Significant goodwill and other intangible assets are tested for impairment based on assumptions as follows:

Fresh produce business in Europe and the Americas

Goodwill and intangible assets with indefinite useful lives are tested for impairment in the Banana and Pineapple business. The recoverable amounts are calculated based on the value in use. The value in use is estimated with support of an independent appraiser by using the present value of 4-year future cash flows, which are calculated based on the business plan amended to reflect the recent business environment. The key assumptions with significant impact on the calculation of the value in use are the sales volume, the margin of trading, the discount rate, etc. for Banana & Pineapple business. The growth rates and the discount rates used at the impairment test of goodwill and other intangible assets for the years ended March 31, 2023 and 2022 are summarized as follows:

	2023 (%)		2022 (%)	
CGU Group	Growth rate	Discount rate	Growth rate	Discount rate
Banana & Pineapple business	1.9	6.6	1.8	5.2

The growth rates used are determined by considering the long-term average growth rate of the market or the country which the CGU group belongs to. The discount rates used are calculated based on the weighted average cost of capital of the CGU group.

In the Banana & Pineapple business, the value in use used at the impairment test of goodwill as of March 31, 2023 exceeded the carrying amount by ¥11,023 million ($83 million). If the profitability in the European market declines due to the deterioration of the situation in Russia and Ukraine, the strengthening of economic sanctions against Russia, or the re-spread of COVID-19 etc., or if the discount rate rises by approximately 1.0%, there is a possibility that the recoverable amounts go below the carrying amount.

Parking Business in Nordic countries

Goodwill and intangible assets with indefinite useful lives are tested for impairment using the entire parking business in the three Nordic countries of Sweden, Norway and Finland as a single cash generating unit group, and the recoverable amounts are calculated based on the value in use. The value in use is estimated with support of an independent appraiser by using the present value of future cash flows, which are calculated based on the business plan amended to reflect the recent business environment. The business plan is calculated based on the average lease period of parking facilities, which is 6 to 9 years. The key assumptions with significant impact on the calculation of the value in use are future short-term parking revenue, the discount rate, etc. The growth rates and the discount rates used at the impairment test of goodwill and other intangible assets for the years ended March 31, 2023 and 2022 are summarized as follows:

	2023 (%)		2022 (%)	
CGU Group	Growth rate	Discount rate	Growth rate	Discount rate
Parking Business in Nordic countries (Sweden, Norway and Finland)	1.8~2.0	8.0~8.5	1.9~2.0	5.5~7.0

The growth rates used are determined by considering the long-term average growth rate of each country.

The discount rates are used calculated based on the weighted average cost of capital in each country.

In the Parking Business in Nordic countries, despite a significant increase in the discount rate against the backdrop of rising inflation due to increased international geopolitical risks such as the deterioration of the situation in Russia and Ukraine, short-term parking revenues have shown stable performance due to recovery from the spread of COVID-19, and this trend is expected to continue in FY2023 and beyond. As a result, the value in use used at the impairment test of goodwill as of March 31, 2023 exceeded the carrying amount by ¥5,274 million ($40 million). If the profitability declines due to the re-spread of COVID-19 or other factors, or if the discount rate rises by approximately 1.0%, there is a possibility that the recoverable amount goes below the carrying amount.

Others

For other impairment tests of goodwill, recoverable amounts are calculated based on value in use. The value in use is the present value calculated by discounting the estimated cash flows based on the business plans approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rates used are determined by considering the long-term average growth rates of the market or the country which the CGU belongs to. The growth rates used do not exceed the long-term average growth rates of the market or country (domestic: approximately 1% or less, overseas: approximately 4% or less). The discount rates used are calculated based on the weighted average capital cost or capital cost of each CGU (domestic: approximately 5% to 11%, overseas: approximately 7% to 23%).

14. Investment Property

Cost and accumulated depreciation and impairment losses of Investment property as of March 31, 2023 and 2022 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance, beginning of year	¥ 448,385	¥ 440,173	$ 3,371
Acquisitions	50,144	15,137	377
Disposals	(21,910)	(15,708)	(165)
Exchange differences on translating foreign operations	5,716	6,183	43
Reclassification	(13,000)	2,461	(98)
Others	244	139	2
Balance, end of year	¥ 469,579	¥ 448,385	$ 3,530

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance, beginning of year	¥ (109,049)	¥ (99,722)	$ (820)
Depreciation expenses	(13,816)	(13,202)	(104)
Impairment losses	(4,854)	(2,195)	(36)
Impairment reversals	—	69	—
Disposals	3,007	8,502	23
Exchange differences on translating foreign operations	(1,191)	(1,300)	(9)
Reclassification	2,689	(1,187)	20
Others	(10)	(14)	(0)
Balance, end of year	¥ (123,224)	¥ (109,049)	$ (926)

The impairment losses recognized for the year ended March 31, 2023 and 2022 are ¥4,854 million ($36 million) and ¥2,195 million, and are included in "Impairment reversal (loss) on long-lived assets" in the Consolidated statement of comprehensive income.

[Carrying amount and fair value]

	Carrying amount	Fair value
2023 (Millions of Yen)	¥ 346,355	¥ 406,163
2022 (Millions of Yen)	¥ 339,336	¥ 392,033
2023 (Millions of U.S. Dollars)	$ 2,604	$ 3,054

The fair value as of the end of each reporting period is based on a valuation conducted by independent appraisers having current experience in the locations and categories of the Investment property being valued and the appropriate and recognized professional qualifications, such as a registered appraiser. The valuation, which conforms to the standards of the country where the Investment property is located, is based on market evidence of transaction prices for similar properties.

The fair value measurement for all of the investment properties has been categorized as a Level 3 fair value – unobservable inputs, in accordance with International Financial Reporting Standard No.13 Fair Value Measurement ("IFRS 13").

Rental income from Investment property for the years ended March 31, 2023 and 2022 are ¥38,090 million ($286 million) and ¥38,026 million, respectively, and are reported in "Revenues" in the Consolidated statement of comprehensive income. Expenses directly attributable to generating rental income (including repairs and maintenance) for the years ended March 31, 2023 and 2022 are ¥28,131 million ($212 million) and ¥28,583 million, respectively, and are included mainly in "Cost."

15. Biological Assets

Biological assets as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance, beginning of year	¥ 40,241	¥ 26,183	$ 302
Increases due to purchases	374	9,951	3
Decreases due to harvest	(1,193)	(1,096)	(9)
The gain or loss arising from changes in fair value less costs to sell	(1,766)	1,666	(13)
Exchange differences on translating foreign operations	(765)	3,537	(6)
Balance, end of year	¥ 36,891	¥ 40,241	$ 277

The Company owns forest assets (mainly pines) in New Zealand. The assets are measured at fair value less estimated selling cost. The fair value measurement for all of the Biological assets has been categorized as a Level 3 fair value – unobservable inputs, in accordance with IFRS 13 Fair Value Measurement.

16. Deferred Taxes

The tax effects of temporary differences that give rise to significant components of Deferred tax assets and liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Deferred tax assets:			
Net operating loss carryforwards	¥ 11,105	¥ 25,579	$ 83
Securities and other investments	4,193	4,643	32
Inventories and long-lived assets	66,333	69,929	499
Allowance for doubtful receivables	5,470	5,435	41
Retirement benefit plans	—	—	—
Others	71,983	63,862	541
Deferred tax assets total	¥ 159,084	¥ 169,448	$ 1,196
Deferred tax liabilities:			
Investments accounted for using the equity method	¥ (64,809)	¥ (50,833)	$ (487)
Securities and other investments	(41,962)	(51,173)	(316)
Long-lived assets	(86,899)	(87,648)	(653)
Retirement benefit plans	(3,569)	(1,286)	(27)
Others	(29,546)	(29,443)	(222)
Deferred tax liabilities total	¥ (226,785)	¥ (220,383)	$ (1,705)

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Deferred tax assets	¥ 30,790	¥ 26,660	$ 232
Deferred tax liabilities	(98,491)	(77,595)	(741)

Changes in Deferred tax assets and liabilities for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Net Deferred tax assets (liabilities):			
Balance, beginning of year	¥ (50,935)	¥ (55,279)	$ (383)
Amount recognized in other comprehensive income:			
Financial assets measured at FVTOCI	(2,250)	(6,220)	(17)
Remeasurements of defined benefit pension plans	(4,502)	(1,426)	(34)
Exchange differences on translating foreign operations	(5,347)	4,741	(40)
Cash-flow hedges	(7,422)	(4,580)	(56)
Hedging cost	530	737	4
Share of other comprehensive income of investments accounted for using the equity method	(1,157)	(87)	(9)
Amount recognized in profit or loss	(7,481)	10,453	(56)
Effects of acquisitions and divestitures	10,863	726	82
Balance, end of year	¥ (67,701)	¥ (50,935)	$ (509)

The Companies consider the probability that a portion of, or all of the future deductible temporary differences or operating loss carryforwards can be utilized against future taxable profits on recognition of Deferred tax assets. In assessing the recoverability of Deferred tax assets, the Companies consider the scheduled reversal of Deferred tax liabilities, projected future taxable income and tax planning strategies. Based on the level of historical taxable profits and projected future taxable income during the periods in which Deferred tax assets can be recognized, the Companies determined that it is probable that the tax benefits can be utilized. The amount of the Deferred tax assets considered realizable could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. As a result of the assessment of the recoverability of Deferred tax assets, the net change in Deferred tax assets for the years ended March 31, 2023 and 2022 are a decrease of ¥14,296 million ($107 million) and an increase of ¥1,017 million, respectively.

Deferred tax assets were not recognized for certain tax losses and deductible temporary differences which relate principally to the certain subsidiaries. The Companies performed an analysis of each of these subsidiaries to assess their ability to realize such Deferred tax assets and reduce the amount of those assets to the extent that the Companies believe it is not probable that tax benefits will be utilized. No Deferred tax assets are recognized at certain domestic subsidiaries attributable to tax loss carryforwards and deductible temporary differences when it is not probable that future taxable profit will be available. The amounts of unused tax loss carryforwards and deductible temporary differences for which no Deferred tax asset is recognized amounted to ¥502,522 million ($3,778million) and ¥218,298 million ($1,641million) as of March 31, 2023 and ¥430,127 million and ¥195,450 million as of March 31, 2022, respectively. The deductible temporary differences do not expire under current tax legislation.

The tax losses for which Deferred tax assets are not recognized as of March 31, 2023 and 2022 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
1st year	¥ 138,828	¥ 7,187	$ 1,044
2nd year	4,996	136,910	37
3rd year	35,650	4,923	268
4th year	47,641	30,380	358
5th year and thereafter	275,407	250,727	2,071
Total	¥ 502,522	¥ 430,127	$ 3,778

As of March 31, 2023 and 2022 in principle, the Companies recognize a Deferred tax liability on taxable temporary differences associated with investments in subsidiaries because the Companies were in a position to control the timing of the reversal of the temporary differences and it was assumed that such differences would reverse in the foreseeable future. On the other hand, the Companies did not recognize a Deferred tax liability if it is probable that the temporary differences will not reverse in the foreseeable future.
The amount of taxable temporary differences associated with investments in subsidiaries on which a Deferred tax liability is not recognized in the accompanying consolidated financial statements as of March 31, 2023 and 2022 totaled to ¥1,073,055 million ($8,068million) and ¥1,243,059 million, respectively.

In accordance with the stipulation in International Accounting Standard No.12 Income Taxes that deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development shall not be recognized, the Companies do not recognize such deferred tax assets and liabilities.

Other current assets as of March 31, 2023 and 2022 include tax receivables of ¥25,174 million ($189million) and ¥23,470 million, respectively.

17. Bonds and Borrowings

Details of the Bonds and borrowings (non-current), and interest rates as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Secured:			
Loans from banks and insurance companies, maturing serially through 2039, average interest rate 5.32%	¥ 227,869	¥ 235,259	$ 1,713
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2036, average interest rate 1.87%	2,089,743	2,033,370	15,712
Bonds payable in Japanese yen due,			
2022, fixed rates 0.14% to 1.12%	–	60,147	–
2023, fixed rates 0.14% to 0.86%	40,097	40,269	302
2024, fixed rates 0.77% to 0.83%	35,128	35,258	264
2026, fixed rate 0.14%	4,982	4,976	37
2027, fixed rate 0.33%	19,956	19,945	150
2028, fixed rates 0.33% to 0.64%	39,962	29,909	301
2029, fixed rates 1.24% to 1.29%	26,215	26,682	197
2030, fixed rates 0.39% to 2.26%	51,345	26,376	386
2031, fixed rates 0.29% to 2.19%	21,025	21,347	158
2032, fixed rate 0.57%	19,579	–	147
2033, fixed rate 0.66%	9,793	10,043	74
2038, fixed rate 0.89%	9,617	10,105	72
Bonds payable in U.S. dollars due,			
2022, fixed rate 2.50%	–	61,424	–
Medium-term notes,			
2022, fixed and floating rates 0.44% to 2.67%	–	6,770	–
2024, fixed rate 0.33% to 2.60%	67,842	62,909	510
2026, fixed and floating rates 0.70% to 5.51%	79,600	72,870	599
2028, fixed rate 5.55%	67,976	–	511
Subtotal	2,810,729	2,757,659	21,133
Less: Current maturities	(343,996)	(344,316)	(2,586)
Bonds and borrowings (non-current)	¥ 2,466,733	¥ 2,413,343	$ 18,547

Details of the Bonds and borrowings (current) as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Short-term loans, principally from banks	¥ 248,881	¥ 199,715	$ 1,871
Commercial paper	92,479	64,000	696
Total	¥ 341,360	¥ 263,715	$ 2,567

The differences between the balances stated above and the balances presented as "Bonds and borrowings" under Current liabilities of the Consolidated statement of financial position are the amounts of Bonds and borrowings with current maturities.
The weighted average interest rates for short-term loans for the years ended March 31, 2023 and 2022 are 2.96% and 1.77%, respectively.
The weighted average interest rates for commercial paper for the years ended March 31, 2023 and 2022 are 0.82% and (0.01) %, respectively.
The Companies have lines of credit agreements available for immediate borrowing with a syndicate of foreign banks as well as U.S. and European banks in the amount of $1,210 million in total and with two syndicates of domestic banks in the amount of ¥285,000 million ($2,143 million) in total.

Most short-term and long-term loans from banks contain certain covenants.
The banks may, under certain conditions, require the Companies to provide collateral (or additional collateral) or guarantors. The banks may treat any collateral as collateral for all indebtedness to the banks. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Default provisions of certain agreements grant certain rights of possession to the banks. The borrower may be required to make early repayments of outstanding amounts under some agreements, principally with government-owned financial institutions, if the lender concludes that the borrower is able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and the lender makes such a prepayment request. Certain agreements provide that the banks may require the borrower to obtain bank approval prior to presenting proposals for the payment of dividends and other appropriations of earnings at the general meeting of shareholders. The Companies have not been asked to make any prepayments for the years ended March 31, 2023 and 2022 and currently do not anticipate any prepayment requests.
The Companies have been in compliance with all of the bonds and borrowing obligations covenants for the years ended March 31, 2023 and 2022.

18. Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen					
	Short-term loans, principally from banks	Commercial paper	Long-term loans, principally from banks	Bonds	Lease liabilities	Total
Balance as of April 1, 2021	¥ 138,088	¥ 50,319	¥ 2,272,153	¥ 451,652	¥ 501,398	¥ 3,413,610
Increase in lease liabilities	–	–	–	–	65,413	65,413
Cash flows	45,531	12,742	(39,260)	24,054	(68,365)	(25,298)
Increase (decrease) of changes in fair value	(22)	–	(4,539)	(4,856)	–	(9,417)
Increase through business combinations	–	–	–	–	1,684	1,684
Deconsolidation of subsidiaries	(948)	–	(30,485)	–	(251)	(31,684)
Exchange rate changes	16,966	939	66,934	19,632	6,932	111,403
Reclassification to liabilities associated with assets classified as held for sale	(843)	–	(7,318)	–	–	(8,161)
Others	943	–	11,144	(1,452)	(22,964)	(12,329)
Balance as of March 31, 2022	¥ 199,715	¥ 64,000	¥ 2,268,629	¥ 489,030	¥ 483,847	¥ 3,505,221

Balance as of April 1, 2022	¥ 199,715	¥ 64,000	¥ 2,268,629	¥ 489,030	¥ 483,847	¥ 3,505,221
Increase in lease liabilities	—	—	—	—	104,519	104,519
Cash flows	25,321	29,053	(34,721)	716	(71,509)	(51,140)
Increase (decrease) of changes in fair value	(42)	—	(3,626)	(1,169)	—	(4,837)
Increase through business combinations	13,655	—	11,837	—	9,325	34,817
Deconsolidation of subsidiaries	(842)	—	(7,318)	—	(10,558)	(18,718)
Exchange rate changes	5,015	(574)	63,727	5,439	4,325	77,932
Others	6,059	—	19,084	(899)	(22,132)	2,112
Balance as of March 31, 2023	¥ 248,881	¥ 92,479	¥ 2,317,612	¥ 493,117	¥ 497,817	¥ 3,649,906

For the year ended March 31, 2023

	Millions of U.S. Dollars					
	Short-term loans, principally from banks	Commercial paper	Long-term loans, principally from banks	Bonds	Lease liabilities	Total
Balance as of March 31, 2022	$ 1,502	$ 481	$ 17,057	$ 3,677	$ 3,638	$ 26,355
Increase in lease liabilities	—	—	—	—	786	786
Cash flows	190	219	(260)	4	(538)	(385)
Increase (decrease) of changes in fair value	(0)	—	(27)	(9)	—	(36)
Increase through business combinations	103	—	89	—	70	262
Deconsolidation of subsidiaries	(7)	—	(55)	—	(79)	(141)
Exchange rate changes	37	(4)	479	41	33	586
Others	46	—	143	(6)	(167)	16
Balance as of March 31, 2023	$ 1,871	$ 696	$ 17,426	$ 3,707	$ 3,743	$ 27,443

For the year ended March 31, 2023, in the Consolidated statement of cash flows, other than the items listed above, Net increase in short-term debt includes deposits from associates.

19. Trade and Other Payables

The components of Trade and other payables as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Notes payable	¥ 49,165	¥ 34,312	$ 370
Accounts payable	1,500,679	1,490,479	11,283
Other payables	156,707	138,340	1,178
Trade and other payables	¥ 1,706,551	¥ 1,663,131	$ 12,831

The amount of Accounts payable above includes financial liabilities measured at FVTPL of ¥220,209 million ($1,656 million) and ¥289,731 million as of March 31, 2023 and 2022, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Current liabilities	¥ 1,648,976	¥ 1,612,480	$ 12,398
Non-current liabilities	57,575	50,651	433
Total	¥ 1,706,551	¥ 1,663,131	$ 12,831

20. Provisions

The changes in Provisions for the year ended March 31, 2023 are as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥ 50,450	¥ 1,774	¥ 10,174	¥ 62,398
Provisions made	4,120	210	9,904	14,234
Provisions used	(658)	—	(2,304)	(2,962)
Accretion expense	305	—	—	305
Others	(22,947)	27	1,093	(21,827)
Balance, end of year	¥ 31,270	¥ 2,011	¥ 18,867	¥ 52,148

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	$ 379	$ 13	$ 77	$ 469
Provisions made	31	2	74	107
Provisions used	(5)	—	(17)	(22)
Accretion expense	2	—	—	2
Others	(172)	0	8	(164)
Balance, end of year	$ 235	$ 15	$ 142	$ 392

Asset retirement obligations are principally related to the dismantlement costs of coal exploration installations and obligation to restore leased offices to their original condition.

The provision for employee benefits mainly represents long service leave entitlements accrued.
Other Provisions include provision for product warranties and other items.
Others include mainly the effect of deconsolidation.

21. Employee Benefits

(1) Post-employment benefit

The Company has defined benefit pension plan (DBP) and lump-sum retirement benefit plans covering substantially all employees other than directors and executive officers. The plans provide benefits based on years of service, severance payment, and other factors. The Company has a responsibility to manage pension assets faithfully and has an obligation to make employee benefit contributions comply with laws and regulations. As per Defined-Benefit Corporate Pension Law, the Company reviews and adjusts the pension contribution amount once every three years to ensure its accuracy and validity. The pension plan is a contract type. The Company establishes the steering committee organized by related officers and employees as an advisory body to discuss important issues concerning the pension plan. The Committee holds meetings in a timely manner for the purpose of reporting various reports on asset management performance, the status of the system, accounting procedures, etc., as well as to review system revisions, investment policy changes, etc.

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, a lump-sum retirement benefit based on compensation at the time of retirement, years of service and other factors. Certain subsidiaries have defined contribution retirement benefit plans.

Other than the above, the Company and certain subsidiaries have an elective defined contribution pension plans for employees who elect to contribute a portion of their bonuses received for their services rendered during the year.

Changes in the present value of the defined benefit obligations and changes in the fair value of the plan assets for the years ended March 31, 2023 and 2022 are as follows:

[Changes in the defined benefit obligations]

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance, beginning of year	¥ (377,236)	¥ (386,122)	$ (2,836)
Service cost	(12,248)	(12,957)	(92)
Interest on obligation	(3,662)	(3, 148)	(28)
Past service cost	(56)	(6,767)	(0)
Remeasurement	33,999	10,272	256
Exchange differences on translating foreign operations	(3,282)	(2,733)	(25)
Benefits paid	15,439	14,435	116
Curtailments or Settlements	—	—	—
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	(6,504)	9,784	(49)
Balance, end of year	¥ (353,550)	¥ (377,236)	$ (2,658)

[Changes in the plan assets]

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Balance, beginning of year	¥ 381,505	¥ 375,894	$ 2,869
Interest on plan assets	3,667	3,446	28
Remeasurement	(20,612)	1,731	(155)
Exchange differences on translating foreign operations	1,109	2,300	8
Contributions by the employer	9,720	11,545	73
Benefits paid	(14,074)	(12, 611)	(106)
Settlements	−	−	−
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	6,685	(800)	50
Balance, end of year	¥ 368,000	¥ 381,505	$ 2,767

The measurement dates used to determine the benefit obligations are mainly March 31 of each year.

The Companies' funding policy is based on a number of factors including the tax deductibility of contributions, funded status, actuarial calculations and other considerations. Contributions are intended to provide not only for benefits attributable to service to date, but also for those expected to be earned in the future. In addition, the Company may contribute cash to an employee retirement benefit trust for any funding deficits in benefit obligations at the fiscal year end.

The Companies' investment policy is designed to increase the value of plan assets within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. Taking into account the return and risk on plan assets thereon, the Companies formulate a strategic asset mix which aims at an optimal portfolio on a long-term basis and supervise asset management by selecting investment management companies and monitoring asset allocations. The strategic asset mix is subject to review in response to changes in expected market conditions or funded status. The strategic asset mix is not based on limitations but guidelines, and therefore, the actual allocation may temporarily exceed or fall below the guidelines. The Companies' target allocation is 22% equity securities, 49% debt securities, and 29% others.

The Companies hold a meeting regularly with the asset management institutions and discuss important issues regarding pension assets investment, and request the institutions to inform violations of investment policy and important business and operating conditions of the institutions.

The major categories of plan assets as of March 31, 2023 are as follows:

Categories of plan assets	Millions of Yen		
	Prices are quoted in a market	Prices are not quoted in a market	Total
Cash and cash equivalents	¥ 32,463	¥ −	¥ 32,463
Equity securities:			
Domestic	31,937	−	31,937
Foreign	65,122	−	65,122
Debt securities:			
Domestic	19,943	−	19,943
Foreign	137,812	−	137,812
Hedge funds	−	41,555	41,555
Life insurance company general accounts	−	19,139	19,139
Private equity	−	901	901
Others	−	19,128	19,128
Total	¥ 287,277	¥ 80,723	¥ 368,000

The major categories of plan assets as of March 31, 2022 were as follows:

Categories of plan assets	Millions of Yen		
	Prices are quoted in a market	Prices are not quoted in a market	Total
Cash and cash equivalents	¥ 5,346	¥ –	¥ 5,346
Equity securities:			
Domestic	32,913	–	32,913
Foreign	75,644	–	75,644
Debt securities:			
Domestic	16,254	–	16,254
Foreign	170,975	–	170,975
Hedge funds	–	40,864	40,864
Life insurance company general accounts	–	18,161	18,161
Private equity	–	556	556
Others	–	20,792	20,792
Total	¥ 301,132	¥ 80,373	¥ 381,505

The major categories of plan assets as of March 31, 2023 are as follows:

Categories of plan assets	Millions of U.S. Dollars		
	Prices are quoted in a market	Prices are not quoted in a market	Total
Cash and cash equivalents	$ 244	$ –	$ 244
Equity securities:			
Domestic	240	–	240
Foreign	490	–	490
Debt securities:			
Domestic	150	–	150
Foreign	1,036	–	1,036
Hedge funds	–	312	312
Life insurance company general accounts	–	144	144
Private equity	–	7	7
Others	–	144	144
Total	$ 2,160	$ 607	$ 2,767

Principal assumptions used in the actuarial valuations for the years ended March 31, 2023 and 2022 are as follows:

	2023 (%)	2022 (%)
Discount rate as of March 31	1.4	1.0
The expected rate of salary increase	2.5	2.5

The changes in the key assumptions may affect the valuations of defined benefit obligations as of March 31, 2023 and 2022. A 0.5% increase in discount rate would lead to a decrease of ¥20,225 million ($152 million) and ¥23,166 million, respectively. A 0.5% decrease in discount rate would lead to an increase of ¥24,194 million ($182 million) and ¥27,570 million, respectively. This analysis shows the sensitivity to the key assumptions without taking into account projected all cash flow information.

The employer’s contributions expected to be paid for the year ending March 31, 2023 are ¥10,016 million ($75 million).

The weighted-average duration of the defined benefit obligation for the year ended March 31, 2023 is 18 years.

The Companies’ pension and retirement benefits expense at the defined contribution plans for the years ended March 31, 2023 and 2022 are ¥6,822 million ($51 million) and ¥6,172 million, respectively.

In addition to lump-sum retirement benefit plans or retirement benefit pension plans, certain domestic subsidiaries participate in multi-employer defined benefit plans, and recognize the payments made during the fiscal year as an expense and contribution payable as a liability. The amount of contributions expected to be paid by the subsidiaries for the year ending March 31, 2023 are ¥872 million ($7 million).

(2) Employee Benefits Expense

The employee benefits expense included in “Cost” for the years ended March 31, 2023 and 2022 are ¥183,117 million ($1,377 million) and ¥173,783 million, respectively.

22. Common Stock

The numbers of shares authorized and issued as of March 31, 2023 and 2022 are as follows:

	2023 (Number of shares)	2022 (Number of shares)
Authorized:		
Ordinary shares	2,000,000,000	2,000,000,000
Issued:		
Balance, beginning of year	1,251,404,367	1,251,253,867
Adjustment for the year	167,500	150,500
Balance, end of year	1,251,571,867	1,251,404,367

The number of shares of treasury stock as of March 31, 2023 and 2022 included in the number of shares issued shown above were 17,478,130 shares and 1,399,754 shares, respectively.
The number of issued shares as of March 31, 2023 has increased by 167,500 due to the issuance of ordinary shares as performance-linked stock compensation.

23. Reserves

(1) Additional Paid-in Capital

Under the Companies Act of Japan (“the Companies Act”), at least 50% of the proceeds of certain issues of ordinary shares shall be credited to Common stock. The remainder of the proceeds shall be credited to Additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from Additional paid-in capital to Common stock.

(2) Retained Earnings

The Companies Act provides that a 10% dividend of Retained earnings shall be appropriated as Additional paid-in capital or as a legal reserve until the aggregate amount of the Additional paid-in capital and the legal reserve equals 25% of Common stock. The legal reserve may be used to eliminate or reduce a deficit or be transferred to Retained earnings upon approval at the general meeting of shareholders.

Retained earnings available for dividends under the Companies Act is based on the amount recorded in the Company’s general accounting records maintained in accordance with accounting principles generally accepted in Japan.

The Companies Act limits the amount of Retained earnings available for dividends. Retained earnings of ¥901,923 million ($6,781 million) and ¥641,570 million, shown by the Company's accounting records for the years ended March 31, 2023 and 2022, respectively, were not restricted by the limitations under the Companies Act.

24. Other Components of Equity and Other Comprehensive Income (Loss)

The changes in Other components of equity for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Financial assets measured at FVTOCI			
Balance, beginning of year	¥ 156,806	¥ 170,264	$ 1,178
Adjustment for the year	6,067	10,405	46
Transfer to retained earnings	(16,761)	(23,863)	(126)
Balance, end of year	¥ 146,112	¥ 156,806	$ 1,098
Remeasurements of defined benefit pension plans			
Balance, beginning of year	¥ −	¥ −	$ −
Adjustment for the year	8,921	10,678	67
Transfer to retained earnings	(8,921)	(10,678)	(67)
Balance, end of year	¥ −	¥ −	$ −
Exchange differences on translating foreign operations			
Balance, beginning of year	¥ 307,738	¥ 64,834	$ 2,314
Adjustment for the year	120,230	242,904	904
Balance, end of year	¥ 427,968	¥ 307,738	$ 3,218
Cash-flow hedges			
Balance, beginning of year	¥ (9,420)	¥ (49,278)	$ (71)
Adjustment for the year	75,462	39,858	568
Balance, end of year	¥ 66,042	¥ (9,420)	$ 497
Hedging cost			
Balance, beginning of year	¥ (988)	¥ 1,221	$ (7)
Adjustment for the year	(1,596)	(2,209)	(12)
Balance, end of year	¥ (2,584)	¥ (988)	$ (19)
Other components of equity			
Balance, beginning of year	¥ 454,136	¥ 187,041	$ 3,414
Adjustment for the year	209,084	301,636	1,573
Transfer to retained earnings	(25,682)	(34,541)	(193)
Balance, end of year	¥ 637,538	¥ 454,136	$ 4,794

The following table provides each component of Other comprehensive income included in Non-controlling interests for the years ended March 31, 2023 and 2022.

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Financial assets measured at FVTOCI	¥ (510)	¥ 1,806	$ (4)
Remeasurements of defined benefit pension plans	(89)	230	(1)
Exchange differences on translating foreign operations	3,329	3,167	25
Cash-flow hedges	(452)	(141)	(3)
Other comprehensive income	¥ 2,278	¥ 5,062	$ 17

The following table provides an analysis of each component of Other comprehensive income and related tax effects (including those on Non-controlling interests) for the years ended March 31, 2023 and 2022

2023

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	¥ 6,985	¥ (2,250)	¥ 4,735
Adjustment for the year	6,985	(2,250)	4,735
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	13,387	(4,502)	8,885
Adjustment for the year	13,387	(4,502)	8,885
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	162,867	(5,343)	157,524
Reclassification to profit or loss for the year	(33,961)	(4)	(33,965)
Adjustment for the year	128,906	(5,347)	123,559
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	57,419	(13,313)	44,106
Reclassification to profit or loss for the year	(23,822)	5,891	(17,931)
Adjustment for the year	33,597	(7,422)	26,175
Hedging cost			
Unrealized gains (losses) arising during the year	(860)	214	(646)
Reclassification to profit or loss for the year	(1,266)	316	(950)
Adjustment for the year	(2,126)	530	(1,596)
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	46,016	(1,157)	44,859
Reclassification to profit or loss for the year	4,745	—	4,745
Adjustment for the year	50,761	(1,157)	49,604
Total other comprehensive income	¥ 231,510	¥ (20,148)	¥ 211,362

2022

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	¥ 20,408	¥ (6,220)	¥ 14,188
Adjustment for the year	20,408	(6,220)	14,188
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	12,003	(1,426)	10,577
Adjustment for the year	12,003	(1,426)	10,577
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	262,195	4,643	266,838
Reclassification to profit or loss for the year	(20,865)	98	(20,767)
Adjustment for the year	241,330	4,741	246,071
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	54,286	(12,082)	42,204
Reclassification to profit or loss for the year	(30,352)	7,502	(22,850)
Adjustment for the year	23,934	(4,580)	19,354
Hedging cost			
Unrealized gains (losses) arising during the year	(1,666)	417	(1,249)
Reclassification to profit or loss for the year	(1,280)	320	(960)
Adjustment for the year	(2,946)	737	(2,209)
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	12,783	(87)	12,696
Reclassification to profit or loss for the year	6,021	—	6,021
Adjustment for the year	18,804	(87)	18,717
Total other comprehensive income	¥ 313,534	¥ (6,836)	¥ 306,698

2023

	Millions of U.S. Dollars		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Financial assets measured at FVTOCI:			
Gains (losses) recorded in other comprehensive income during the year	$ 53	$ (17)	$ 36
Adjustment for the year	53	(17)	36
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	101	(34)	67
Adjustment for the year	101	(34)	67
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	1,224	(40)	1,184
Reclassification to profit or loss for the year	(255)	(0)	(255)
Adjustment for the year	969	(40)	929
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	432	(100)	332
Reclassification to profit or loss for the year	(179)	44	(135)
Adjustment for the year	253	(56)	197
Hedging cost			
Unrealized gains (losses) arising during the year	(7)	2	(5)
Reclassification to profit or loss for the year	(9)	2	(7)
Adjustment for the year	(16)	4	(12)
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	346	(9)	337
Reclassification to profit or loss for the year	36	–	36
Adjustment for the year	382	(9)	373
Total other comprehensive income	$ 1,742	$ (152)	$ 1,590

25. Dividends

(1) Dividends paid during the years ended March 31, 2023 and 2022 are as follows:

Resolution	Class of shares	Amount of dividends	Dividends per share	Record date	Effective date
		Millions of Yen (Millions of U.S. Dollars)	Yen (U.S. Dollars)		
Ordinary general meeting of shareholders held on June 18, 2021	Ordinary shares	¥ 43,740 ($ 361)	¥ 35 ($ 0.29)	March 31, 2021	June 21, 2021
Board of Directors' meeting held on November 4, 2021	Ordinary shares	¥ 56,245 ($ 465)	¥ 45 ($ 0.37)	September 30, 2021	December 1, 2021
Ordinary general meeting of shareholders held on June 24, 2022	Ordinary shares	¥ 81,250 ($ 611)	¥ 65 ($ 0.49)	March 31, 2022	June 27, 2022
Board of Directors' meeting held on November 4, 2022	Ordinary shares	¥ 71,889 ($ 541)	¥ 57.5 ($ 0.43)	September 30, 2022	December 1, 2022

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends	Source of dividends	Dividends per share	Record date	Effective date
		Millions of Yen (Millions of U.S. Dollars)		Yen (U.S. Dollars)		
Ordinary general meeting of shareholders held on June 23, 2023	Ordinary shares	¥ 70,960 ($ 534)	Retained earnings	¥ 57.5 ($ 0.43)	March 31, 2023	June 26, 2023

26. Share-based Payments

Information relating to the Company's share-based payments is as follows:

(1) Stock option plan

The Company has stock option plans for directors, executive officers, and corporate officers under the Company's qualification system. Under the plans, each stock option entitles the recipient to acquire 100 ordinary shares at an exercise price equal to the greater of (i) 105% of the average closing market price of the Company's ordinary share on the Tokyo Stock Exchange for the calendar month before the grant date (excluding days when there are no transactions), or (ii) the closing market price of the Company's ordinary share on the Tokyo Stock Exchange on the grant date (or the closing market price on the day immediately preceding that date, if there are no transactions on that date).

The options vest 100% at the grant date. The options granted are exercisable beginning April 1 of the fiscal year after the fiscal year in which they are granted. They are exercisable for four years and three months from that date.

It was decided, starting from FY2018, not to issue new stock options (new share acquisition rights in the form of stock options).

There is no balance of stock options outstanding and exercisable as of March 31, 2023.

The Company's stock option activities for the years ended March 31, 2023 and 2022 are as follows:

	2023			2022	
	Number of shares	Weighted average exercise price		Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen
Outstanding, beginning of year	42,000	¥ 1,516	$ 11	108,000	¥ 1,443
Granted	—	—	—	—	—
Exercised	23,000	1,516	11	40,000	1,398
Cancelled or expired	19,000	1,516	11	26,000	1,350
Outstanding, end of year	—	—	0	42,000	1,516
Options exercisable, end of year	—	¥ —	$ 0	42,000	¥ 1,516

(2) Stock-linked compensation plan

The Company has stock-linked compensation plans for directors and executive officers. Under the plans, each stock option granted after August 1, 2006 entitles the recipient to acquire 100 ordinary shares at an exercise price equal to ¥1 ($0.01) per share. Each stock option granted prior to July 31, 2006 entitles the recipient to acquire 1,000 ordinary shares at an exercise price equal to ¥1 per share.

The options vest 100% at the grant date. The options granted are exercisable beginning the day after leaving their positions as both directors and executive officers of the Company. The options are exercisable for ten years from that date.

It was decided, starting from FY2018, not to issue new stock options (new share acquisition rights in the form of stock options for a stock compensation plan).

The Company's stock-linked compensation plans for the years ended March 31, 2023 and 2022 are as follows:

	2023	2022
	Number of shares	Number of shares
Outstanding, beginning of year	621,000	728,200
Granted	—	—
Exercised	132,900	107,200
Cancelled or expired	—	—
Outstanding, end of year	488,100	621,000
Options exercisable, end of year	287,200	403,100

(3) Performance-linked stock compensation plan

From the year ended March 31, 2019, the Company has introduced the "performance-linked stock compensation (performance share units)," under which the number of shares granted varies according to the degree to which previously determined performance conditions (share price conditions) are achieved. This also aims, to promote initiatives geared to improve corporate value over the medium- to long-term and achieve greater value sharing with shareholders through the strengthening of correlation with shareholder value to a greater degree than before.

Under the plans, eligible directors, excluding outside directors, and executive officers, on the condition that they continuously serve the position as the Company's directors or executive officers for a certain period, will receive the Company's ordinary shares after the three-year evaluation periods in volumes computed pursuant to the stock price condition, or Company's stock growth rate, over the evaluation periods to be adjusted between 0% and 150%. The computation method was determined by the Board of Directors after expressing to the audit & supervisory board members that the method is appropriate.

The Company’s performance-linked stock issued for the years ended March 31, 2023 and 2022 are as follows.

	2023	2022
Date of issue	August 18,2022	August 12,2021
Number of shares issued	167,500	150,500
Issue price (JPY per share) (U.S. Dollars)	¥ 1,831 $ 13.8	¥ 1,496 $ 12.4
The Company's stock growth rate during the evaluation period (%)	107.7	84.5

(4) Restricted performance share unit-based compensation Plan

From the year ended March 31, 2022, the Company has introduced the “Restricted Performance Share Unit-Base Compensation Plan,” under which the number of shares granted with a transfer restriction period varies according to the degree to which predetermined performance conditions (share price conditions) are achieved. The Company integrated the Transfer-restricted stock compensation plan and Performance-linked stock compensation plan into a single plan in order to further promote the objectives of the current stock-based remuneration, which are to enhance the link with shareholder value, promote efforts for medium/long-term improvement of corporate value, and further advance the sharing of value with shareholders.

Under the plans, eligible directors, excluding outside directors, and executive officers, on the condition that they continuously serve the positions as the Company’s directors or executive officers for a certain period, will receive the Company’s ordinary shares after the three-year evaluation periods in volumes computed pursuant to the stock price condition, or Company’s stock growth rate, over the evaluation periods to be adjusted between 0% and 150%. The computation method was determined by the Board of Directors after the audit & supervisory board members expressed that the method is appropriate. Since the initial evaluation period under the new plan does not end until the last day of June 2024, no results are yet available for the Company's stock growth rate under the new plan.

The weighted average fair value and the basis of computation for the Company’s restricted performance share unit-base stock granted for the years ended March 31, 2023 and 2022 are as follows. The valuation utilized Monte-Carlo Simulation method.

	2023	2022
Average share price of the Company during the first month of performance evaluation period (Yen) (U.S. Dollars)	¥ 1,873.8 $ 14.1	¥ 1,524.9 $ 12.6
Vesting period (years)	3.00	3.00
Expected dividend yield (%)	4.80	4.60
Risk-free rate (%)	0.00	0.00
Weighted average fair value per share (Yen) (U.S. Dollars)	¥ 1,770.7 $ 13.3	¥ 1,502.1 $ 12.4

(5) Share-based compensation expense

Compensation expenses incurred on the transfer-restricted stock compensation plans, performance-linked stock compensation plans and restricted performance share unit-based compensation plan for the year ended March 31, 2023 and 2022 are ¥1,627 million ($12 million) and ¥823 million, respectively.

27. Financial Instruments and Related Disclosures

(1) Capital Management

The fundamental principles of the Companies’ capital management are to maintain an appropriate level of capital and debt and equity balance to manage business risk for the purpose of maintaining management soundness and efficiency and to promote continuous growth.

The key metrics used for capital management are as follows:

- balance between risk-adjusted assets *1 and equity; and
- times of interest-bearing liabilities (net) *2 to equity (Debt-equity ratio (net))

*1 Risk-adjusted assets refer to the maximum loss exposure and are calculated by assigning assets including Trade and other receivables, Inventories, Fixed Assets and Investments multiplied by risk weights which the Companies have determined individually based on the potential risk of loss. The maximum loss exposure is measured statistically under the variability of the market values of the assets for each related business and is calculated based on a number of subjective judgments, estimates and assumptions concerning the all-around economic circumstances and tendencies of the industry.

*2 Interest-bearing liabilities (net) is total debt less the amount of cash and cash equivalents and time deposits.

Management monitors the strategies for profits and investments and the metrics at the time of planning and reviewing the medium-term management plan.
As "Equity attributable to owners of the parent" is directly affected by the market conditions of foreign exchange rates and stock prices, the Companies hedge against the exchange rate risks of major investments denominated in foreign currencies and review stock holdings in a timely manner, in order to minimize the influence of changes in foreign exchange rates and stock prices upon "Equity attributable to owners of the parent."
The Companies are not subject to any externally imposed capital requirements (except for general requirements, such as those in the Companies Act).

(2) Financial Risk Management Policy

The Companies operate internationally, exposing them to the risk of changes in foreign exchange rates, interest rates and commodity prices. Derivative financial instruments are comprised principally of foreign exchange contracts, foreign currency swaps, interest rate swaps and commodity futures contracts utilized by the Company and certain of its subsidiaries to reduce these risks. The Companies assess foreign currency exchange rate risk, interest rate risk and commodity price risk by continuously monitoring changes in these exposures and by evaluating hedging opportunities. The Companies enter into commodity derivatives transactions for trading purposes. The Companies are also exposed to credit risk from these derivative contracts, but it is not expected that any counterparty will fail to meet its obligations, because most of the counterparties are internationally recognized financial institutions and the contracts are diversified across a number of major financial institutions. The Companies' basic policy for fund raising activities is to secure stable, medium- to long-term funds and liquidity for our operations.

1. Foreign currency exchange rate risk management

   The Companies operate internationally and are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Companies operate. The Companies' strategy to manage foreign currency risks is mainly to preserve the economic value of cash flows in non-functional currencies by using foreign exchange forward contracts, foreign currency swaps, after considering the net effect of offsetting foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments.

   Foreign currency sensitivity analysis

   The following table represents the Companies' sensitivity analysis for foreign currency risk exposures on U.S. Dollars.
   The analysis shows the hypothetical impact on Profit (loss) before tax in the Consolidated statement of comprehensive income that would result from a 1% appreciation of the Yen against U.S. Dollars for the risk exposures arising from foreign currency trade receivables and payables, future contracts for sale and purchase transactions, derivatives and others at the end of the year.
   The analysis is based on the assumption that other factors such as the outstanding balance and interest rates are constant.

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Profit (loss) before tax	¥ (158)	¥ 608	$ (1)

2. Interest rate risk management

The Companies are exposed to market risks arising from changes in interest rates in their business activities. In particular, interest rate fluctuations affect borrowing costs because a portion of the Companies' borrowings are floating rate borrowings and short-term borrowings are refinanced from time to time.

However, the impact on borrowing costs is partially offset by returns on certain assets which are also impacted by interest rate fluctuations. The Companies monitor the interest rate risk arising from the assets and liabilities and the Companies' risk management structure is prepared to utilize derivatives contracts such as the interest rate swaps to manage the fluctuation in profits or losses due to drastic fluctuations in interest rates.

In addition, a fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

London Interbank Offered Rate (LIBOR) publication has been ceased on December 31, 2021, excluding US dollar LIBOR. The Companies have already finished amending contracts of financial assets and financial liabilities referencing LIBOR, except for USD LIBOR.

In addition, US dollar LIBOR is expected to be discontinued on June 30, 2023. The Companies already finished identifying contracts of financial assets and financial liabilities referencing US dollar LIBOR and planned to complete the amendments of contracts by June 30, 2023. The Companies have also been proceeding the transition to alternative interest rate benchmarks for new contracts sequentially.

If the amendments of contracts are not concluded, there are uncertainties with regard to alternative interest rate benchmarks after the discontinuation of US dollar LIBOR. In case interest rate swaps are used to hedge the fluctuation of borrowing rates, and the transition of borrowings and its hedging instruments to alternative interest rate benchmarks is at different times and terms, there are risks in borrowing costs and hedge accounting. In order to avoid these situations, the Companies communicate closely with all counterparties.

The Companies utilize derivatives contracts such as interest rate swaps for risk management purposes which are designated in cash flow hedging relationships and fair value hedging relationships. The Companies' exposure to LIBOR designated to hedging relationships are mainly based on currency and interest rate swaps, which hedges the interest rate fluctuations related to LIBOR with the borrowings denominated US dollars held by the Companies.

Hedging relationships which maturity date are after discontinuation of LIBOR will be affected by uncertainty of IBOR reform.

The Companies have hedging transactions affected by IBOR reform, and therefore applied "Interest Rate Benchmark Reform – Phase1" (Amendments to IFRS 9, IAS 39 and IFRS 7) issued in September 2019, and "Interest Rate Benchmark Reform – Phase2" (Amendments to IFRS9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued in August 2020.

Until the uncertainty caused by IBOR reform ends, the Companies will continue to apply the Phase1. Furthermore, the Companies consider that the uncertainty will be solved when interest rates are replaced by alternative interest rates or cash flows and spread adjustment of alternative interest rate are fixed.

The hedging transactions which apply the exception of IBOR reform are mainly referencing US dollar LIBOR. The notional amounts of hedging instruments for the year ended March 31, 2022 and March 31, 2023 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Interest rate contracts	¥ 311,674	¥ 425,244	$ 2,343
Foreign exchange contracts	¥ 182,496	¥ 186,590	$ 1,372

The Companies hold non-derivative financial assets (loan receivables) and non-derivative liabilities (loan payables and bonds) which are referencing mainly US dollar LIBOR as of March 31, 2023 and 2022. The book value of these non-derivative assets and non-derivative liabilities which have not yet transitioned to alternative interest rates are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Non-derivative financial assets	¥ 14,795	¥ 13,879	$ 111
Non-derivative financial liabilities	¥ 667,180	¥ 716,360	$ 5,016

Interest rate sensitivity analysis

The following table represents the hypothetical impact on the Companies' Profit before tax that is attributable to financial instruments which are exposed to the risk of fluctuations in interest rates in the case where the interest rate increases by 1%. The analysis is calculated by multiplying the net amounts of floating rate interest bearing financial assets and liabilities as of March 31, 2023 and 2022 by 1%, without considering future changes in the balance, currency exchange fluctuations and dispersing effects for floating rate borrowings derived from the difference in timing of refinancing and resetting of the interest rate, and is based on the assumption that all other variable factors are held constant.

The sensitivity analysis is performed for instruments that are exposed to fluctuations in market interest rates including: floating interest rate bearing debts and loans; fixed interest rate bearing debts and loans which are converted to floating rates with interest rate swap contracts and are in substance floating interest rate bearing debts and loans; cash and cash equivalents; time deposits; and receivables and payables which have not been settled at the end of the period.

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Profit before tax	¥ (8,312)	¥ (5,574)	$ (62)

3. Credit risk management

The Companies are exposed to credit risk as a result of providing credit to our customers in the form of accounts receivable, advances, loans, guarantees and other instruments. The companies use its own internal rating system, Sumisho Credit Rating ("SCR"), to manage customers' credit risk. It is a nine-level rating based on the creditworthiness of the customers, and we have established the authority to determine credit limits in accordance with it. In addition, the Companies periodically review the customers' credit limits and appropriately manage the credit exposure under those limits. At the same time, the Companies continuously perform credit evaluations on the financial conditions of customers, and based on such evaluations, obtain collateral to secure the receivables if necessary.

The Companies' receivables are from a large number of customers, spreading across diverse industries and geographical areas, therefore the Companies do not have significant concentrated credit risk exposure to any single counterparty or any group of counterparties. The credit risk on deposits and derivatives is limited because the counterparties are internationally recognized financial institutions.

The total amounts of guarantees, and financing commitments, and the carrying amounts of financial assets net of impairment losses recorded in the Consolidated statement of financial position, represent the Companies' maximum exposure to credit risk without taking account of any collateral obtained.

Loss allowance

Movements in loss allowance for Trade and other receivables, Contract assets, and Loans for the year ended March 31, 2023 and 2022 are as follows:

2023 (Millions of Yen)

	Trade and other receivables and Contract assets			Loans				Total
	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	
Balance, beginning of year	¥15,806	¥31,538	¥47,344	¥295	¥180	¥2,500	¥2,975	¥50,319
Initial recognition and recoveries	294	9,969	10,263	(147)	(27)	124	(50)	10,213
Write-off	(2,027)	(4,044)	(6,071)	(30)	(19)	(258)	(307)	(6,378)
Exchange differences on translating foreign operations	605	550	1,155	14	–	58	72	1,227
Other	57	(452)	(395)	–	–	–	–	(395)
Balance, end of year	¥14,735	¥37,561	¥52,296	¥132	¥134	¥2,424	¥2,690	¥54,986

2022 (Millions of Yen)

	Trade and other receivables and Contract assets			Loans				Total
	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	
Balance, beginning of year	¥12,887	¥25,936	¥38,823	¥236	¥351	¥2,608	¥3,195	¥42,018
Initial recognition and recoveries	2,969	5,363	8,332	85	(110)	275	250	8,582
Write-off	(1,013)	(2,038)	(3,051)	(38)	(57)	(424)	(519)	(3,570)
Exchange differences on translating foreign operations	1,015	2,400	3,415	12	(4)	41	49	3,464
Other	(52)	(123)	(175)	–	–	–	–	(175)
Balance, end of year	¥15,806	¥31,538	¥47,344	¥295	¥180	¥2,500	¥2,975	¥50,319

2023 (Millions of U.S. Dollars)

	Trade and other receivables and Contract assets			Loans				Total
	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired	Sub total	
Balance, beginning of year	$ 119	$ 237	$ 356	$ 2	$ 1	$ 19	$ 22	$ 378
Initial recognition and recoveries	2	75	77	(1)	(0)	1	(0)	77
Write-off	(15)	(31)	(46)	(0)	(0)	(2)	(2)	(48)
Exchange differences on translating foreign operations	5	4	9	0	—	0	0	9
Other	0	(3)	(3)	—	—	—	—	(3)
Balance, end of year	$ 111	$ 282	$ 393	$ 1	$ 1	$ 18	$ 20	$ 413

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Carrying amount of financial assets

Carrying amount of Trade and other receivables and Loans for the year ended March 31, 2023 and 2022 are as follows:

2023 (Millions of Yen)

	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired
Trade and other receivables	¥ —	¥ 1,766,822	¥ 58,591
Contract assets	—	426,369	—
Loans	107,332	7,742	2,203

2022 (Millions of Yen)

	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired
Trade and other receivables	¥ —	¥ 1,727,155	¥ 61,461
Contract assets	—	300,539	—
Loans	92,545	9,408	3,291

2023 (Millions of U.S. Dollars)

	12-month expected credit loss	Lifetime expected credit loss, not credit-impaired	Lifetime expected credit loss, credit-impaired
Trade and other receivables	$ —	$ 13,284	$ 441
Contract assets	—	3,206	—
Loans	807	58	17

The Companies' maximum credit exposure to credit risk is the carrying amount of the financial assets, and related collaterals held or other credit enhancements are immaterial.

4. Commodity price risk management

The Companies are exposed to price fluctuations arising from physical commodity trades such as precious and base metals, energy products and agricultural products, as well as investments in metal mining and oil and gas development. The Companies intend to mitigate such risks by matching the volume and timing of purchase and sales or by hedging with derivatives. In addition, the Companies transact derivatives for trading purposes which are managed within defined position and loss limits. The fair value changes from these trades are limited, and do not materially affect the Companies' consolidated annual profit and total assets.

5. Liquidity risk management

The Companies' basic policy for financing operation is to secure stable medium- to long-term funds and sufficient liquidity for the operations. Management has been monitoring liquidity risk by setting various worst case scenarios including financial market turmoil. The Companies secure necessary liquidity from the cash flows from operations, borrowing from financial institutions with which the Companies have good relationships, bonds issued in the capital markets, and issuance of commercial paper. The Companies deposit these funds with highly credible financial institutions which are generally given high credit ratings by credit rating agencies.

The Companies have several unused long-term committed lines of credit with leading domestic and international financial institutions and several uncommitted lines of credit to reduce the liquidity risk.

The Companies' remaining contractual maturities for non-derivative financial liabilities as of March 31, 2023 and 2022 are as follows: "Lease liabilities" are disclosed in Note 8.

	Millions of Yen			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2023				
Bonds and borrowings	¥ 685,356	¥ 1,354,267	¥ 1,112,466	¥ 3,152,089
Trade and other payables	1,483,695	182,870	39,986	1,706,551
Financial guarantee contracts	46,456	58,172	52,579	157,207
2022				
Bonds and borrowings	¥ 608,031	¥ 1,179,694	¥ 1,233,649	¥ 3,021,374
Trade and other payables	1,524,146	103,772	35,213	1,663,131
Financial guarantee contracts	25,397	55,225	41,022	121,644

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2023				
Bonds and borrowings	$ 5,153	$ 10,183	$ 8,364	$ 23,700
Trade and other payables	11,155	1,375	301	12,831
Financial guarantee contracts	349	438	395	1,182

The Companies' liquidity analysis for derivatives as of March 31, 2023 and 2022 is summarized in the table below. The table is based on the contractual future cash inflows and outflows of derivative instruments. The net contractual cash inflows and outflows of gross-settled derivative instruments are presented as net cash flows on a transaction-by-transaction basis. When receipt and payment of cash are not fixed, the amount disclosed was calculated based on the projected interest rates by reference to the yield curves at the end of the reporting period.

		Millions of Yen			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2023					
Interest rate contracts	cash receipt	¥ 6,715	¥ 21,808	¥ 25,826	¥ 54,349
	/ (payment)	(3,274)	(7,564)	(1,715)	(12,553)
Foreign exchange contracts	cash receipt	12,340	49,704	34,506	96,550
	/ (payment)	(22,190)	(9,376)	(1,392)	(32,958)
Commodity contracts	cash receipt	102,830	52,797	—	155,627
	/ (payment)	(94,160)	(34,754)	—	(128,914)
2022					
Interest rate contracts	cash receipt	¥ 5,634	¥ 15,780	¥ 12,668	¥ 34,082
	/ (payment)	(1,781)	(4,827)	(776)	(7,384)
Foreign exchange contracts	cash receipt	18,196	30,733	28,305	77,234
	/ (payment)	(27,383)	(5,227)	(1,312)	(33,922)
Commodity contracts	cash receipt	266,668	102,624	—	369,292
	/ (payment)	(297,978)	(79,744)	—	(377,722)

		Millions of U.S. Dollars			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2023					
Interest rate contracts	cash receipt	$ 51	$ 164	$ 194	$ 409
	/ (payment)	(25)	(57)	(13)	(95)
Foreign exchange contracts	cash receipt	93	374	259	726
	/ (payment)	(167)	(71)	(10)	(248)
Commodity contracts	cash receipt	773	397	—	1,170
	/ (payment)	(708)	(261)	—	(969)

(3) Fair Value of Financial Instruments

1. Fair value measurements

The fair values of financial assets and liabilities are determined as follows:

Quoted market prices, if available, are used as fair values of financial instruments. If quoted market prices are not available, fair values of such financial instruments are measured by using appropriate measurement techniques such as discounted future cash flow method or others.

Cash and cash equivalents, time deposits and marketable securities

The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

Other investments

The fair values of marketable securities are estimated using quoted market prices. Fair values of unlisted investments in ordinary share are determined by discounted future cash flow method, valuation models based on revenue, profitability and net assets of investees, market values of comparable companies, and other valuation approaches.

Trade and other receivables, trade and other payables

The fair values of current and non-current trade receivables and payables, except for loans with floating rates whose carrying amounts approximate fair value, are estimated using discounted future cash flow analysis, using interest rates currently being offered for loans or accounts receivables with similar terms to borrowers or customers of similar credit quality and remaining maturities.

Bonds and borrowings

The fair values of bonds and borrowings, except for debt with floating rates whose carrying amount approximates fair value, are estimated using discounted future cash flow analysis using interest rates currently available for similar types of borrowings with similar terms and remaining maturities.

Guarantee of third party debt

The fair values of financial guarantees are estimated based on the premiums received or receivable from guarantors in arm's length transactions with unrelated parties.

Interest rate swaps, currency swap agreements and currency option contracts

The fair values of interest rate swaps, currency swap agreements and currency option contracts are estimated by obtaining quotes from brokers and other appropriate valuation techniques based on information available to the Companies.

Foreign exchange forward contracts

The fair values of foreign exchange forward contracts are estimated based on quoted market prices for contracts with similar terms.

Interest rate future contracts and bond future contracts

The fair values of interest rate future contracts and bond future contracts are estimated by using quoted market prices.

Commodity forwards, futures and swap contracts

The fair values of commodity forwards, futures and swap contracts are mainly estimated using quoted market prices.

2. Financial instruments measured at amortized cost

The fair values of financial instruments measured at amortized cost as of March 31, 2023 and 2022 are as follows: Financial instruments measured at amortized cost that are included in "Marketable securities" and "Other investments" are disclosed in Note 6.

	Millions of Yen	
	2023	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥ 1,810,963	¥ 1,824,116
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,152,089	3,152,099
Trade and other payables	1,486,342	1,486,140

	Millions of Yen	
	2022	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥ 1,753,747	¥ 1,766,632
Financial liabilities measured at amortized cost:		
Bonds and borrowings	3,021,374	3,031,851
Trade and other payables	1,373,400	1,373,696

	Millions of U.S. Dollars	
	2023	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	$ 13,616	$ 13,715
Financial liabilities measured at amortized cost:		
Bonds and borrowings	23,700	23,700
Trade and other payables	11,176	11,174

3. Financial instruments measured at fair value

IFRS 13 *Fair Value Measurement* requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:
Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
Level 2 inputs are inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly;
and
Level 3 inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of financial assets and liabilities measured at fair value, grouped by fair value hierarchy as of March 31, 2023 and 2022 are as follows:

	Millions of Yen			
	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥3,137	¥ –	¥40,636	¥43,773
Financial assets measured at FVTOCI	222,668	–	116,891	339,559
Trade and other receivables measured at FVTPL	–	75,233	–	75,233
Other financial assets (derivatives)				
Derivatives designated as hedges	–	134,423	–	134,423
Derivatives not designated as hedges	3,217	164,265	–	167,482
Total	¥229,022	¥373,921	¥157,527	¥760,470
Liabilities:				
Trade and other payables measured at FVTPL	¥ –	¥(220,209)	¥ –	¥(220,209)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	–	(23,082)	–	(23,082)
Derivatives not designated as hedges	(14,281)	(136,418)	–	(150,699)
Total	¥(14,281)	¥(379,709)	¥ –	¥(393,990)

	Millions of Yen			
	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 1,354	¥ −	¥ 39,821	¥ 41,175
Financial assets measured at FVTOCI	253,021	−	118,410	371,431
Trade and other receivables measured at FVTPL	−	84,056	−	84,056
Other financial assets (derivatives)				
Derivatives designated as hedges	−	93,423	−	93,423
Derivatives not designated as hedges	16,887	370,041	−	386,928
Total	¥ 271,262	¥ 547,520	¥ 158,231	¥ 977,013
Liabilities:				
Trade and other payables measured at FVTPL	¥ −	¥ (289,731)	¥ −	¥ (289,731)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	−	(28,278)	−	(28,278)
Derivatives not designated as hedges	(14,566)	(376,158)	−	(390,724)
Total	¥ (14,566)	¥ (694,167)	¥ −	¥ (708,733)

	Millions of U.S. Dollars			
	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	$ 24	$ –	$ 305	$ 329
Financial assets measured at FVTOCI	1,674	–	879	2,553
Trade and other receivables measured at FVTPL	–	566	–	566
Other financial assets (derivatives)				
Derivatives designated as hedges	–	1,011	–	1,011
Derivatives not designated as hedges	24	1,235	–	1,259
Total	$ 1,722	$ 2,812	$ 1,184	$ 5,718
Liabilities:				
Trade and other payables measured at FVTPL	$ –	$ (1,655)	$ –	$ (1,655)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	–	(174)	–	(174)
Derivatives not designated as hedges	(107)	(1,026)	–	(1,133)
Total	$ (107)	$ (2,855)	$ –	$ (2,962)

Reconciliation between the beginning and ending balance of financial assets measured at fair value on a recurring basis using Level 3 inputs for the year ended March 31, 2023 is as follows:

	Millions of Yen		
	2023		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	¥ 39,821	¥ 118,410	¥ –
Purchases	8,451	5,601	–
Comprehensive income			
Profit (loss) for the year (Note 1)	300	–	44
Other comprehensive income (Note 2)	2,057	2,712	–
Disposals	(6,295)	(5,456)	–
Settlements	(3,698)	(1,070)	(44)
Others (Note 3)	–	(3,306)	–
Balance, end of year	¥ 40,636	¥ 116,891	¥ –
Profit or (loss) for the year included in earnings relating to financial instruments still held at the end of year, net	¥ 3,421	¥ –	¥ –

	Millions of U.S. Dollars		
	2023		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	$ 299	$ 890	$ –
Purchases	64	42	–
Comprehensive income			
Profit (loss) for the year	2	–	0
Other comprehensive income	15	21	–
Disposals	(47)	(41)	–
Settlements	(28)	(8)	(0)
Others	–	(25)	–
Balance, end of year	$ 305	$ 879	$ –
Profit or (loss) for the year included in earnings relating to financial instruments still held at the end of year, net	$ 26	$ –	$ –

Notes:

1. The above profits or losses for the year were included in "Sales of tangible products," "Cost of tangible products sold" and "Gain (loss) on securities and other investments, net" in the Consolidated statement of comprehensive income.
2. The impact of exchange rate fluctuations (included in Exchange differences on translating foreign operations) is included.
3. The impact of changes in the scope of consolidation of subsidiaries is included.

(4) Derivatives and Hedge Accounting

Fair-value hedges

Fair-value hedge is a type of hedge that mitigates the risk of changes in the fair values of assets and liabilities or firm commitments. The Companies use commodity futures contracts and foreign exchange forward contracts to hedge the changes in fair values on firm commitments. The Companies use interest rate swaps to hedge the changes in fair values on fixed rate borrowings used to fund assets earning interest at floating rates. Changes in the fair values of derivatives designated as fair-value hedges are recognized in profit or loss and are offset by corresponding changes in the fair values of the hedged item to the extent the hedge is effective. For the years ended March 31, 2023 and 2022, net gains or losses for hedged items were net gains of ¥6,433 million ($48 million) and net gains of ¥9,544 million, respectively, and net gains or losses for hedging instruments were net losses of ¥6,433 million ($48 million) and net losses of ¥9,544 million, respectively.

Cash-flow hedges

Cash-flow hedge is a type of hedge that uses derivatives to offset the variability of expected future cash flows. The Companies use commodity future contracts and foreign exchange forward contracts to hedge the variability of cash flows related to forecasted transactions and interest rate swaps to hedge the variability of cash flows related to floating-rate borrowings. The Companies recognize changes in the fair values of derivative instruments that are designated as cash-flow hedges in Other comprehensive income as "Cash-flow hedges" and include in Other components of equity to the extent the hedge is effective. Foreign currency basis spread on cross currency interest rate swaps is excluded from hedging instruments, and changes in the fair value are recognized in Other comprehensive income as "Hedging cost" and included in Other components of equity. The balances accumulated in Other components of equity are reclassified into profit or loss in the period when the hedged items are recognized in profit or loss.

For the years ended March 31, 2023 and 2022, net derivative gains or losses (net of the related tax) that were expected to be reclassified into profit or loss within the next fiscal year were net gains of ¥1,663 million ($13 million) and net gains of ¥7,008 million, respectively.

Hedges of net investments in foreign operations

The Companies use currency swaps, foreign currency bonds and foreign currency borrowings to hedge against the foreign currency risk of the net investments in foreign operations. The Companies recognized changes in fair values of derivatives designated as hedging instruments and exchange differences in foreign currency borrowings designated as hedging instruments in other comprehensive income in Other components of equity to the extent the hedge is effective.

Derivatives not designated as hedges

The Companies use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting.

The Companies use foreign exchange forward contracts to economically hedge against the fluctuations of foreign exchange rates on foreign currency assets, liabilities and unrecognized firm commitments. The Companies also enter into commodity forwards, futures and swap contracts to economically hedge their inventories and unrecognized firm commitments against market price fluctuations. Certain commodity derivatives are entered into for trading purposes to the extent approved by management. These derivatives do not qualify for hedge accounting and any changes in their fair values are recognized in profit or loss.

The fair values of derivative instruments as of March 31, 2023 and 2022 are as follows:

2023

	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥ 11,955	¥ 36,580	¥ −	¥ 1,193	¥ 49,728
Foreign exchange contracts	12	84,916	280	11,342	96,550
Commodity contracts	28	652	−	154,947	155,627
Total	¥ 11,995	¥ 122,148	¥ 280	¥ 167,482	¥ 301,905
Other financial assets (current)					123,827
Other financial assets (non-current)					190,736
Total					¥ 314,563
[Derivative liabilities]					
Interest rate contracts	¥ (4,606)	¥ (6,951)	¥ −	¥ (352)	¥ (11,909)
Foreign exchange contracts	(1,813)	(5,095)	(4,539)	(21,511)	(32,958)
Commodity contracts	(5)	(73)	−	(128,836)	(128,914)
Total	¥ (6,424)	¥ (12,119)	¥ (4,539)	¥ (150,699)	¥ (173,781)
Other financial liabilities (current)					(119,170)
Other financial liabilities (non-current)					(57,243)
Total					¥ (176,413)

Other than the above, the Companies have foreign currency bonds of ¥46,062 million ($346 million) and foreign currency borrowings of ¥337,944 million ($2,541 million) that are designated as hedging instruments to hedge the net investments in foreign operations.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the Consolidated statement of financial position were resulted from a financial liability for the put option granted to the non-controlling shareholder and offsetting derivative assets and derivative liabilities with deposits. The amounts of "Other financial assets and liabilities" in the Consolidated statement of financial position that are subject to enforceable master netting arrangements or similar arrangements are ¥64,519 million ($485 million).

2022

	Millions of Yen				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	¥ 13,578	¥ 14,586	¥ −	¥ 5,661	¥ 33,825
Foreign exchange contracts	6	62,083	109	15,036	77,234
Commodity contracts	30	3,031	−	366,231	369,292
Total	¥ 13,614	¥ 79,700	¥ 109	¥ 386,928	¥ 480,351
Other financial assets (current)					250,892
Other financial assets (non-current)					204,415
Total					¥ 455,307
[Derivative liabilities]					
Interest rate contracts	¥ (1,798)	¥ (5,560)	¥ −	¥ −	¥ (7,358)
Foreign exchange contracts	(18)	(3,341)	(8,498)	(22,065)	(33,922)
Commodity contracts	(6)	(9,057)	−	(368,659)	(377,722)
Total	¥ (1,822)	¥ (17,958)	¥ (8,498)	¥ (390,724)	¥ (419,002)
Other financial liabilities (current)					(292,185)
Other financial liabilities (non-current)					(95,764)
Total					¥ (387,949)

Other than the above, the Companies have foreign currency bonds of ¥78,841 million and foreign currency borrowings of ¥273,413 million that are designated as hedging instruments to hedge the net investments in foreign operations.

The differences between the amounts of derivative assets and derivative liabilities stated above and those stated in the Consolidated statement of financial position were resulted from a financial liability for the put option granted to the non-controlling shareholder and offsetting derivative assets and derivative liabilities with deposits. The amounts of "Other financial assets and liabilities" in the Consolidated statement of financial position that are subject to enforceable master netting arrangements or similar arrangements are ¥100,253 million.

2023

	Millions of U.S. Dollars				
	Fair-value hedges	Cash-flow hedges	Hedges of net investment in foreign operations	Derivatives not designated as hedges	Total
[Derivative assets]					
Interest rate contracts	$ 90	$ 275	$ 0	$ 9	$ 374
Foreign exchange contracts	0	639	2	85	726
Commodity contracts	0	5	0	1,165	1,170
Total	$ 90	$ 919	$ 2	$ 1,259	$ 2,270
Other financial assets (current)					931
Other financial assets (non-current)					1,434
Total					$ 2,365
[Derivative liabilities]					
Interest rate contracts	$ (35)	$ (52)	$ 0	$ (3)	$ (90)
Foreign exchange contracts	(14)	(38)	(34)	(162)	(248)
Commodity contracts	0	(1)	0	(968)	(969)
Total	$ (49)	$ (91)	$ (34)	$ (1,133)	$ (1,307)
Other financial liabilities (current)					(896)
Other financial liabilities (non-current)					(430)
Total					$ (1,326)

28. Revenue

(1) Contract balances

1. Contract assets

“Contract assets” are the rights of the Companies to considerations in exchange for goods or services that the Companies have transferred to a customer in the normal course of business, when those rights are conditioned on something other than the passage of time.

Contract assets are transferred to receivables arising from contracts with customers when the rights of the Companies to consideration become unconditional. The changes in contract assets during the year ended March 31, 2023 are mainly due to the satisfaction of performance obligations of long-term construction contracts in infrastructure business.

2. Contract liabilities

“Contract liabilities” represent the Companies’ obligations to transfer goods or services to a customer for which the Companies have received considerations or the amount is due. There are no significant changes in the Contract liabilities balances during the year ended March 31, 2023. Also, the amount of Contract liabilities that was included in the beginning balance as of April 1, 2022 and from which revenue has not been recognized during the year ended March 31, 2023 is not material.

(2) Transaction price allocated to the remaining performance obligations

The Companies customarily enter into long-term sales contracts for certain transactions. For the performance obligation of these long-term sales contracts, the amount of transaction price allocated to the remaining performance obligations as of March 31, 2023 and March 31, 2022 are ¥2,190,254 million ($16,468 million) and ¥2,612,782 million. These remaining performance obligations include contracts such as long-term sales contracts in energy business and long-term construction contracts in biomass fuel business, and are deemed to be recognized as revenue within 24 years at March 31, 2023. As a practical expedient stipulated in IFRS 15, the amount above does not include transaction price allocated to the performance obligation of a contract with an original expected duration of one year or less.

In addition, the Companies include the variable consideration of these long-term contracts in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

29. Exchange Difference Gains and Losses

Gains and losses resulting from translating assets and liabilities denominated in a currency other than the functional currency of the reporting entity or from settling such items are included in profit or loss as they arise. Net foreign exchange losses of ¥28,322 million ($213 million) and losses of ¥5,087 million are included in the Consolidated statement of comprehensive income for the years ended March 31, 2023 and 2022, respectively.

30. Selling, General and Administrative Expenses

The components of Selling, general and administrative expenses for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Employee benefits expenses	¥ 454,606	¥ 407,929	$ 3,418
Equipment expenses	126,843	114,292	954
Travel and transportation expenses	22,225	10,161	167
Outsourcing expenses	66,361	59,073	499
Advertising expenses	15,230	11,876	114
Amortization expenses	17,699	17,288	133
Impairment losses on receivables	4,278	5,693	32
Others	104,495	87,629	786
Selling, general and administrative expenses	¥ 811,737	¥ 713,941	$ 6,103

Equipment expenses disclosed above mainly include rental expenses and depreciation of Property, plant and equipment.

31. Finance Income and Costs

The components of Finance income and costs for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Interest income:			
Financial assets measured at amortized cost	¥ 48,339	¥ 29,011	$ 363
Derivatives	1	(22)	0
Total	¥ 48,340	¥ 28,989	$ 363
Interest expense:			
Financial liabilities measured at amortized cost	¥ (58,353)	¥ (31,368)	$ (439)
Derivatives	8,766	10,908	66
Lease liabilities	(10,204)	(9,734)	(77)
Total	¥ (59,791)	¥ (30,194)	$ (450)
Dividends:			
Financial assets measured at FVTPL	¥ 10	¥ 4	$ 0
Financial assets measured at FVTOCI	20,058	27,251	151
Total	¥ 20,068	¥ 27,255	$ 151
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	¥ 7,960	¥ 10,991	$ 60
Others	21,090	37,247	158
Total	¥ 29,050	¥ 48,238	$ 218

Others of “Gain (loss) on securities and other investments, net” are mainly gains and losses on investments in subsidiaries and associates. Of that amount, losses or gains attributable to deconsolidation of subsidiaries for the years ended March 31, 2023 and 2022 are gains of ¥16,852 million ($127 million) and gains of ¥22,377 million, respectively.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2023 and 2022 are losses of ¥33,074 million ($249 million) and losses of ¥73,148 million included in “Revenues” and “Cost,” and gains of ¥29 million ($0 million) and gains of ¥21 million included in “Other, net,” respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2023 and 2022 are included in “Revenues” in the amount of ¥18,207 million ($137 million) and ¥20,241 million, respectively, and interest expense from financial liabilities measured at amortized cost is included in “Cost” in the amount of ¥1,959 million ($15 million) and ¥2,060 million in “Cost,” respectively.

The Company had provided shareholder financing to the mining project operating company in the Republic of Chile (hereinafter “Operating Company”) through SC Sierra Gorda Finance B.V., a wholly owned subsidiary. The Company assesses the recoverability of the shareholder financing based on the latest business plan of the Operating Company every fiscal year. As a result of reassessing the business plan of Operating Company based on the mid-long term price outlook for copper, the Company recognized a gain of ¥32,779 million ($246 million) as “Other, net” in the Consolidated statement of comprehensive Income.

As of February 22, 2023, the Company transferred all of its equity interests in SC Sierra Gorda Finance B.V. to South32 Limited, which operates mainly in Australia.

32. Income Tax Expense

Income tax expense for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Current tax	¥ 116,349	¥ 115,905	$ 875
Deferred tax	7,481	(10,453)	56
Total	¥ 123,830	¥ 105,452	$ 931

The Company is subject to national corporate tax, inhabitant tax and deductible business tax. The applicable tax rate calculated based on these taxes is 31.0% for both years ended March 31, 2023 and 2022. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The reconciliation between the applicable income tax rate in Japan and the Companies' average effective income tax rate in the Consolidated statement of comprehensive income for the years ended March 31, 2023 and 2022 are as follows:

	2023 (%)	2022 (%)
The applicable income tax rate in Japan	31.0	31.0
Tax effect on equity-accounted investees	(9.5)	(8.1)
Tax effect on expenses not deductible for tax purposes	0.3	0.1
Difference in applicable tax rate of foreign subsidiaries	(4.3)	(0.4)
Tax effect of the assessment of the recoverability of Deferred tax assets	1.0	(6.6)
Others-net	(1.4)	1.9
The Companies' average effective income tax rate	17.1	17.9

33. Earnings per Share

A calculation of the basic and diluted earnings per share for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Profit or loss used to calculate basic earnings per share and diluted earnings per share:			
Profit (loss) attributable to owners of the parent	¥ 565,178	¥ 463,694	$ 4,249
Adjustment to profit or loss	(257)	(213)	(2)
Profit or loss used to calculate basic earnings per share	564,921	463,481	4,248
Adjustment to profit or loss	257	213	2
Profit or loss used to calculate diluted earnings per share	565,178	463,694	4,249

	Number of shares	
	2023	2022
Weighted-average shares:		
Weighted-average shares-basic	1,248,421,952	1,249,983,857
Dilutive effect of:		
Stock options	1,819	6,253
Transfer-restricted stock compensation plan	384,983	490,100
Performance-linked stock compensation plan	405,136	547,322
Restricted performance share unit-base compensation plan	771,615	411,443
Weighted-average shares-diluted	1,249,985,505	1,251,438,975

	Yen		U.S. Dollars
	2023	2022	2023
Earnings per share (attributable to owners of the parent):			
Basic	¥ 452.51	¥ 370.79	$ 3.40
Diluted	452.15	370.53	3.40

Note:

Due to the conversions of stock options, and the issuance of transfer-restricted stock and performance-linked stock having an effect of reducing the loss per share attributable to owners of the parent company, potential shares have no diluting effect in the previous fiscal year.

34. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2023 and 2022 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Non-cash investing and financing activities:			
Lease liabilities incurred	¥ 104,519	¥ 65,413	$ 786
Acquisition of securities through exchange of loan receivables for securities	—	—	—
Acquisition of subsidiaries:			
Total consideration paid	(25,934)	(2,185)	(195)
Cash and cash equivalents included in assets acquired	12,369	393	93
Acquisition of subsidiaries, net of cash and cash equivalents acquired	¥ (13,565)	¥ (1,792)	$ (102)

Refer to Note 5 for fair value of assets and liabilities as of the acquisition date.

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2023 is ¥53,677 million ($404 million).
Each major class of assets and liabilities at the point of sale is as follows:

	Millions of Yen	Millions of U.S. Dollars
Cash and cash equivalents	¥ 22,147	$ 167
Trade and other receivables	19,107	144
Property, plant and equipment	62,382	469
Intangible assets	3,827	29
Other assets	46,906	353
Current liabilities	(27,889)	(210)
Non-current liabilities	(49,952)	(376)

The total consideration received in respect of sales of subsidiaries for the year ended March 31, 2022 was ¥72,059 million.
Each major class of assets and liabilities at the point of sale is as follows:

	Millions of Yen
Cash and cash equivalents	¥ 8,322
Trade and other receivables	69,806
Property, plant and equipment	44,092
Intangible assets	4,122
Other assets	20,573
Current liabilities	(33,212)
Non-current liabilities	(49,312)

35. Related Party Transactions

Compensation for directors

The remuneration for directors for the years ended March 31, 2023 and 2022 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
1. Monthly remuneration	¥ 532	¥ 476	$ 4
2. Performance-Linked bonuses	473	453	3
3. Transfer-restricted stock compensation (Note 1)	—	21	—
4. Performance linked stock compensation	91	65	1
5. Restricted performance share unit-base compensation plan	296	121	2
Total (Note 2)	¥ 1,392	¥ 1,135	$ 10

Note:

1. Transfer-restricted stock compensation were not paid for the year ended March 31, 2023.
2. The above amounts are rounded to the nearest million yen, therefore the breakdown of remuneration for directors does not necessarily correspond to the total amount of remuneration.

36. Subsidiaries

The Companies' subsidiaries as of March 31, 2023 are as follows:

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Metal Products	Sumitomo Corporation Global Metals Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	ERYNGIUM Ltd.	Glasgow, U.K.	100.00
	Servilamina Summit Mexicana S.A. de C.V.	Queretaro, Mexico	100.00
	Sumiputeh Steel Centre Sdn. Bhd.	Selangor, Malaysia	90.00
	Edgen Group	Baton Rouge, U.S.	100.00 (100.00)
	Sekal AS	Stavanger, Norway	90.00
	B&L Pipeco Services	Houston, U.S.	100.00 (100.00)
	P2 Energy Services	Spring, U.S.	100.00 (100.00)
	Others (60 Companies)		
Transportation & Construction Systems	KIRIU Corporation	Ashikaga, Tochigi	100.00
	Sumitomo Precision Products Co., Ltd.	Amagasaki, Hyogo	100.00
	SMS Construction and Mining Systems Inc.	Acheson, Canada	100.00 (10.00)
	Tecnologia Para La Construccion Y Mineria S.L.	Madrid, Spain	100.00 (60.00)
	Toyota Ukraine	Kiev, Ukraine	100.00
	Sumitec International, Ltd.	Moscow, Russia	100.00
	SC Construction Machinery (Shanghai) Corporation	Shanghai, China	100.00 (10.00)
	P.T. Summit Auto Group	Jakarta, Indonesia	100.00 (0.01)
	Summit Motors Vladivostok	Vladivostok, Russia	100.00 (0.01)
	Summit Capital Leasing Co., Ltd.	Bangkok, Thailand	99.64 (50.64)
	Moto-Pfohe EOOD	Sofia, Bulgaria	100.00
	Sunstate Equipment Co. LLC	Phoenix, U.S.	100.00 (100.00)
	Aimo Solution AB	Stockholm, Sweden	100.00
	SML Isuzu Ltd.	Chandigarh, India	43.96
	Linder Industrial Machinery	Plant City, U. S.	100.00 (100.00)
	Aver Asia (S) Pte Ltd	Singapore	100.00
	Others (90 Companies)		
Infrastructure	Summit Energy Corporation	Chiyoda-ku, Tokyo	100.00
	Sumitomo Shoji Machinex Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumisho Global Logistics Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	P.T. Central Java Power	Jakarta, Indonesia	100.00 (25.00)
	Summit Water Limited	London, U.K.	100.00

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
	Summit Renewable Energy Europe Limited	London, U.K.	100.00
	Perennial Power Holdings	New York, U.S.	100.00 (100.00)
	SRPT SAS	Paris, France	100.00
	SRPN SAS	Paris, France	100.00
	Others (76 Companies)		
Media & Digital	SCSK Corporation	Koto-ku, Tokyo	50.77
	Presidio Ventures, Inc.	Santa Clara, U.S.	100.00 (100.00)
	Sumitomo Corporation Equity Asia Limited	Hong Kong, China	100.00
	Others (38 Companies)		
Living Related & Real Estate	Summit, Inc.	Suginami-ku, Tokyo	100.00
	IG Kogyo Co., Ltd.	Higashine, Yamagata	65.68
	S.C. Cement Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Tomod's	Bunkyo-ku, Tokyo	100.00
	SC Foods Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Highline Produce Limited	Leamington, Canada	100.00 (100.00)
	SC Healthcare Holdings	Kelana Jaya, Malaysia	100.00
	Fyffes International	Geneva, Switzerland	100.00 (10.00)
	Zhu Li (Jinan) Real Estate	Jinan, China	100.00
	Others (157 Companies)		
Mineral Resources, Energy, Chemical & Electronics	Sumitomo Shoji Chemicals Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumitronics Corporation	Chiyoda-ku, Tokyo	100.00
	Summit Agri-Business Corporation	Chiyoda-ku, Tokyo	100.00
	Enessance Holdings Co., Ltd.	Minato-ku, Tokyo	53.86
	SUMISHO METALEX CORPORATION	Chiyoda-ku, Tokyo	100.00
	Summit Agro International Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumi Agro Europe Limited	London, U.K.	100.00
	Interacid Trading S.A.	Lausanne, Switzerland	100.00 (30.00)
	SC Minerals America, Inc.	Denver, U.S.	100.00 (15.25)
	Sumitomo Corporation Global Commodities Limited	London, U.K.	100.00
	SCAP C Pty Ltd	Sydney, Australia	100.00
	Summit Ambatovy Mineral Resources Investment B.V.	Amsterdam, Netherlands	100.00
	Sumisho Coal Australia Holdings Pty. Ltd.	Sydney, Australia	100.00
	Pacific Summit Energy LLC.	Irvine, U.S.	100.00 (100.00)

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
	SC Quebrada Blanca SPA	Santiago, Chile	100.00
	SUMMIT RURAL (WA) PTY LIMITED	Kwinana, Australia	100.00 (20.00)
	Agro Amazonia Produtos Agropecuarios S.A	Cuiabá, Brasil	100.00
	SC Metal Pty Ltd	Melbourne, Australia	100.00 (10.00)
	Nativa Agronegocios & Representacoes	Minas Gerais, Brazil	100.00 (100.00)
	Others (89 Companies)		
Others	Yasato Kosan Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Summit Forests New Zealand Limited	Auckland, New Zealand	100.00
	Sumitomo Corporation of Americas	New York, U.S.	100.00
	Sumitomo Corporation Europe Holding Limited	London, U.K.	100.00 (100.00)
	Sumitomo Corporation (China) Holding Ltd.	Beijing, China	100.00
	Sumitomo Corporation Asia & Oceania Pte. Ltd.	Singapore	100.00 (100.00)
	Sumitomo Corporation Do Brasil S.A.	Sao Paulo, Brazil	100.00
	Sumitomo Corporation Taiwan Ltd.	Taipei, Taiwan	100.00 (100.00)
	Sumitomo Corporation (Central Eurasia) LLC	Moscow, Russia	100.00
	Sumitomo Corporation Korea Ltd.	Seoul, Korea	100.00
	Sumitomo Corporation Middle East FZE	Dubai, U.A.E.	100.00 (100.00)
	Sumitomo Corporation (Hong Kong) Limited	Hong Kong, China	100.00
	Others (50 Companies)		

Notes:

1.The percentage in the parenthesis under "Proportion of voting power held by the Companies" indicates the indirect ownership out of the total ownership noted above.

2. Although the Company owns 50% or less of the voting rights in SML Isuzu, SML Isuzu is a subsidiary of the Company because the Company effectively controls SML Isuzu.

3. "Others" include the companies belonging to the Energy Innovation Initiative.

37. Commitments and Contingent Liabilities

(1) Commitments

The Companies customarily enter into long-term purchase commitments for certain items, principally ocean transport vessels and industry materials, either at fixed prices or at variable prices adjustable to market. Such purchase commitments are in most instances matched with counter-party sales contracts. Long-term purchase contracts with equity-accounted investees at fixed prices or at variable prices adjustable to market amounted to ¥627,801 million ($4,720million) as of March 31, 2023. Scheduled deliveries are at various dates through 2027. The Companies also have entered into financing contract for loans and capital investment, and use of equipment contract, which amounts for ¥875,725 million ($6,584 million) as of March 31, 2023. Of that amount, ¥127,659 million ($960 million) is accounted for contract with equity-accounted investees.

For lease commitments to which the Companies are the lessees, refer to Note 8.

(2) Guarantees

The Companies enter into various guarantee agreements. These agreements include credit enhancement for equity-accounted investees, suppliers and customers.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees as of March 31, 2023:

	Millions of Yen		Millions of U.S. Dollars
	2023	2022	2023
Guarantees for indebtedness of:			
Equity-accounted investees	¥ 75,862	¥ 52,198	$ 570
Third parties	81,345	69,446	612
Total	¥ 157,207	¥ 121,644	$ 1,182

1. Guarantees for Indebtedness of Equity-accounted investees

The Companies provide guarantees on certain equity-accounted investees' borrowings from banks, payables to suppliers and other indebtedness. These guarantees mature through 2032. The Companies would be obliged to reimburse the banks for losses, if an equity-accounted investee defaults on a guaranteed loan.

2. Guarantees for Indebtedness of Third Parties

The Companies also provide guarantees for indebtedness of third parties. These guarantees are arranged mainly with suppliers and customers and mature through 2047. Some of the guarantees are secured by counter guarantees, whose balances are ¥10,631 million ($80 million) as of March 31, 2023.

The Companies are obligated to pay for indebtedness in case the guaranteed party defaults. Some of these guarantees are collateralized by assets of a guaranteed party.

The Companies record the loss allowance for expected credit losses regarding to those commitments and guarantees. The management does not anticipate any significant losses arising from such commitments and guarantees.

(3) Litigation and others

The Companies are involved in certain legal actions and claims incidental to its business. Management concludes that none of these actions or claims will have a material impact on the Companies' financial position or results of operations.

38. Subsequent Events

Repurchases and Cancellation of Treasury Stock

At a meeting of its Board of Directors held on May 9, 2023, the Company has resolved to repurchase shares of its common stock pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Act, and to cancel a portion of its treasury stock in accordance with Article 178 of the Act. Details of the repurchase and cancellation are as follows.

1. Purpose of the share repurchases

To improve capital efficiency and to enhance shareholder returns

2. Details of the share repurchases

(1) Class of shares to be repurchased: Common stock

(2) Total number of shares to be repurchased: Up to 12 million shares (Ratio to the number of outstanding shares (excluding treasury stock) about 1.0%)

(3) Aggregate repurchase amount: Up to 20 billion yen

(4) Period for repurchases: From May 10, 2023 to June 9, 2023

(5) Method of repurchases: Purchase on the Tokyo Stock Exchange

3. Details of cancellation

(1) Class of shares to be cancelled: Common stock

(2) Total number of shares of treasury stock to be cancelled: All shares repurchased

(3) Scheduled date of cancellation: July 24, 2023

(Reference)

Number of treasury stock shares (as of March 31, 2023) (*)

Number of outstanding shares (excluding treasury stock): 1,234,093,737 shares

Number of treasury stock shares: 17,478,130 shares

(*) 5,036,700 shares were repurchased from April 1, 2023 to April 28, 2023. The share repurchases pursuant to the resolution of the meeting of Board of Directors held on February 6, 2023 have been completed. In addition, 7,478,000 shares were repurchased from May 10, 2023 to June 9, 2023. The share repurchases pursuant to the resolution of the meeting of Board of Directors held on May 9, 2023 have been completed.

39. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by Masayuki Hyodo, Representative Director, President and Chief Executive Officer, and Reiji Morooka, Chief Financial Officer, on June 23, 2023.

Independent Auditor's Report

To the Board of Directors of Sumitomo Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><th colspan="2">Appropriateness of the Judgment Concerning the Identification of an Indication of Impairment for the Property, Plant and Equipment Held by Joint Ventures Accounted for Using the Equity Method that Operate the Nickel Mining and Refining Business in Madagascar</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In the consolidated statement of financial position of Sumitomo Corporation and subsidiaries ("the Company") at the end of the current fiscal year, investments accounted for using the equity method of ¥2,642,504 million were recognized. As described in Note 11, "Investments Accounted for Using the Equity Method" to the consolidated financial statements, included therein were the joint ventures accounted for using the equity method of ¥60,562 million in AMBATOVY MINERALS S.A. and DYNATEC MADAGSCAR S.A. (the "Project Companies") that operate a nickel mining and refining business in Madagascar, in which the Company held a 54.17% equity interest.</td><td>To assess the appropriateness of the Company's judgment concerning the identification of an indication of impairment for the PPE held by the Project Companies, we requested the component auditor of the Project Companies accounted for using the equity method to perform an audit. We then obtained reports on the results of certain audit procedures performed by the component auditor (see below for detail), and evaluated whether sufficient and appropriate audit evidence was obtained.

(1) Internal control testing

Testing the design effectiveness of certain internal controls relevant to the judgment concerning the</td></tr>
</table>

The primary assets held by the Project Companies were property, plant and equipment (“PPE”) for the nickel mining and refining business. Whenever there is any indication of impairment for those PPE, an impairment test is required to be performed. The Project Companies determined that there was no indication of impairment for the PPE, as a result of a comprehensive consideration of the changes in the assumptions for production conditions, future natural resources prices, expected recoverable reserves, and discount rates.

Forecasted future natural resources prices and discount rates fluctuate in accordance with changes in market conditions, and the projected production volume of resources may decrease in the case of any equipment breakdowns at the Project Companies. If any revision of these plans was determined to be necessary in the light of available internal and external information, an indication of impairment may have been identified. In that case, the recoverable amount may have been less than the carrying amount of the PPE, which may have resulted in the recognition of an impairment loss.

We, therefore, determined that our assessment of the appropriateness of the Company’s judgment concerning the identification of an indication of impairment for the PPE held by the Project Companies operating the nickel mining and refining business in Madagascar was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

identification of an indication of impairment for the PPE.

(2) Assessment of the appropriateness of the judgment concerning the identification of an indication of impairment

- Performing procedures to assess the appropriateness of forecasted future natural resources prices, expected recoverable reserves, and projection of production volume, which were used for the judgment concerning the identification of an indication of impairment for the PPE held by the Project Companies, which included:
  - comparing the forecasted future natural resources prices with the average of the estimated long-term prices published by external research organizations;
  - comparing the expected recoverable reserves with the relevant assumptions used by management in the prior year, inquiring of management about them, and evaluating their consistency with external assessment reports; and
  - performing a retrospective review on management’s assumptions and judgments used in the projection of production volume in the prior years, and evaluating the consistency of the projected production volume with the assumptions for the capital investment plan, natural resources prices, and recoverable reserves.
- Assessing the reasonableness of the discount rates used by management for the judgment concerning the identification of an indication of impairment for the PPE, by comparing them with a range of acceptable discount rates independently developed by the valuation specialists within the network firms of the component auditor.

<table>
<tr><th colspan="2">Reasonableness of the Estimated Value-in-use of the Group of Cash-generating Units to which Intangible Assets of the Banana & Pineapple Business within the Fresh Produce Business in Europe and the Americas were Allocated</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In the consolidated statement of financial position of Sumitomo Corporation and subsidiaries at the end of the current fiscal year, intangible assets of ¥284,790 million were recognized, which accounted for 2.8% of total assets in the consolidated financial statements. As described in Note 13, “Intangible Assets” to the consolidated financial statements, these intangible assets included goodwill ¥12,061 million allocated to the banana & pineapple business, a group of cash-generating units, arising from the acquisition of a fresh produce business in Europe and the Americas.

A group of cash-generating units to which goodwill and intangible assets with indefinite useful lives have been allocated is tested for impairment at least annually or more frequently whenever it is determined that there is an indication of impairment. In the impairment testing, when the recoverable amount of a group of cash-generating units 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. In calculating the recoverable amount, the higher of either the value-in-use or fair value less costs of disposal is used.

In the annual impairment testing for the current fiscal year, the value-in-use was used as the recoverable amount of the group of cash-generating units to which goodwill and intangible assets of the banana & pineapple business were allocated. The recoverable amount exceeded the carrying amount, and thus no impairment loss was recognized. As the excess of the recoverable amount of the banana & pineapple business over its carrying amount was ¥11,023 million, an impairment loss may have been required to be recognized if there were any change in the relevant assumptions.

The future cash flows used to measure the value-in-use of the group of cash-generating units to which goodwill and intangible assets of the banana & pineapple business within the fresh produce business in Europe and the Americas were allocated were estimated based on the business plan developed by management. The business plan included management’s projection of future sales volumes and margins, and accordingly, involved a high degree of uncertainty. In addition, selecting appropriate models and input data for determining the discount rates, used to measure the value-in-use,</td>
<td>The primary procedures we performed to assess the reasonableness of the estimated value-in-use of the group of cash-generating units to which goodwill and intangible assets of the banana & pineapple business within the fresh produce business in Europe and the Americas were allocated included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain internal controls relevant to measuring the value-in-use used in the impairment testing.

(2) Assessment of the reasonableness of the estimated value-in-use

To assess the appropriateness of assumptions used by management in projecting future sales volumes and margins and determining the discount rates, on which the estimated value-in-use was based, we inquired of management and other responsible personnel in the fresh produce business in Europe and the Americas about the basis for those assumptions, and performed the following procedures, among others:

● assessed the appropriateness of management’s assumptions used in projecting sales volumes and margins in the future, on which the sales plan of the business was based, by comparing the assumptions for projected sales volumes and margins with the actual sales volumes and margins in the past, and evaluating the consistency between these assumptions and external data published by external research organizations; and

● developed our own independent estimate of future cash flows that incorporated a certain level of uncertainty into the business plan, taking into consideration the results of our assessment of the appropriateness of key assumptions for sales volumes and margins included in the business plan, as well as our analysis on the reasons for any discrepancies between the past business plan and actual results, and then evaluated the overall impact on the impairment testing by comparing our own independent estimate with those by management.</td></tr>
</table>

requires a degree of expertise. Accordingly, the assumptions used by management in projecting future sales volumes and margins and determining the discount rates had a significant effect on the estimated value-in-use. We, therefore, determined that our assessment of the reasonableness of the estimated value-in-use of the group of cash generating units to which goodwill and intangible assets of the banana & pineapple business within the fresh produce business in Europe and the Americas were allocated was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	Involved valuation specialists within our domestic network firms who assisted in assessing the appropriateness of the method used to determine the discount rates as key assumptions, and tracing input data to external data sources, and then evaluated the impact on the determination on whether an impairment loss was to be recognized, should input data be changed.

Reasonableness of the Estimated Value-in-use of the Group of Cash-generating Units to which Intangible Assets of the Parking Business in Nordic Countries were Allocated	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated statement of financial position of Sumitomo Corporation and subsidiaries at the end of the current fiscal year, intangible assets of ¥284,790 million were recognized, which accounted for 2.8% of total assets in the consolidated financial statements. As described in Note 13, “Intangible Assets” to the consolidated financial statements, these intangible assets included goodwill ¥29,974, arising from the acquisition of the parking business in Nordic countries. A group of cash-generating units to which goodwill and intangible assets with indefinite useful lives have been allocated is tested for impairment at least annually or more frequently whenever it is determined that there is an indication of impairment. In the impairment testing, when the recoverable amount of a group of cash-generating units 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. In calculating the recoverable amount, the higher of either the value-in-use or fair value less costs of disposal is used. In the annual impairment testing for the current fiscal year, the value-in-use was used as the recoverable amount of the group of cash-generating units to which goodwill and intangible assets of the parking business in Nordic countries were allocated. The recoverable amount exceeded the carrying amount, and thus no impairment loss was recognized. As the excess of the recoverable amount over the carrying amount was ¥5,274 million, an impairment loss may have been required to be	The primary procedures we performed to assess the reasonableness of the estimated value-in-use of the group of cash-generating units to which goodwill and intangible assets of the parking business in Nordic countries were allocated included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls relevant to measuring the value-in-use used in the impairment testing. **(2) Assessment of the reasonableness of the estimated value-in-use** To assess the appropriateness of assumptions used by management in projecting short term parking revenue and determining the discount rates, on which the estimated value-in-use was based, we inquired of management about the basis for those assumptions, and performed the following procedures, among others: ● assessed the appropriateness of short term parking revenue in the future, which was one of management’s key assumptions included in the business plan, by comparing the assumption with the trends in the historical experience and evaluating the consistency between the assumption and available external data on potential market growth; and ● developed our own independent estimate of future cash flows that incorporated a certain level of uncertainty into the business plan, taking into consideration the results of our assessment of the appropriateness of short

recognized if there were any change in the relevant assumptions. The future cash flows used to measure the value-in-use of the group of cash-generating units to which goodwill and intangible assets of the parking business in Nordic countries were allocated were estimated based on the business plan developed by management. The business plan included management's projection of short term parking revenue, and accordingly, involved a high degree of uncertainty. In addition, selecting appropriate models and input data for determining the discount rates, used to measure the value-in-use, requires a degree of expertise. Accordingly, the assumptions used by management in projecting short term parking revenue and determining the discount rates had a significant effect on the estimated value-in-use. We, therefore, determined that our assessment of the reasonableness of the estimated value-in-use of the group of cash generating units to which goodwill and intangible assets of the parking business in Nordic countries were allocated was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	term parking revenue in the future, which was one of key assumptions included in the business plan, and then evaluated the overall impact on the determination on whether an impairment loss was to be recognized by comparing our own independent estimate with those by management. Involved valuation specialists within our domestic network firms who assisted in assessing the appropriateness of the method used to determine the discount rates as key assumptions, and tracing input data to external data sources, and then evaluated the impact on the determination on whether an impairment loss was to be recognized, should input data be changed.

Other Information

The other information comprises the information included in the Annual Financial Report issued by the Company, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. 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 reporting process for the other information.

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

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

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

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the Group’s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Convenience Translation

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

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

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

Michitaka Shishido
Designated Engagement Partner
Certified Public Accountant

Isao Kamizuka
Designated Engagement Partner
Certified Public Accountant

Kenji Kasajima
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 23, 2023