Annual Financial Report

SUMITOMO CORPORATION AND SUBSIDIARIES

For the year ended March 31, 2025
Together with Independent
Auditors' Report

Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

1. Management Policies, Business Environment and Management Challenges

●The Progress of Medium-Term Management Plan 2026

The theme of Medium-Term Management Plan 2026 is "No.1 in Each Field". To enhance our competitive advantages to achieve growth through addressing social challenges, we accelerate business portfolio transformation. For that purpose, we focus on "Growth leveraged by strengths" and "Strengthen driving force for growth".

In FY 2024, which was the first year of Medium-term Management Plan 2026, although business environment became more uncertain considering the rise of political turmoil and geopolitical tensions, and sluggish growth in major developed countries, we have achieved profit growth exceeding the Company's initial plan by implementing various measurements to realize "No.1 in Each Field".

(1) Outline of the initiatives under Medium-term Management Plan 2026

1. Business Portfolio Transformation

(a) Investments totaling a record of ¥730.0 billion have been executed mainly in growth businesses. (e.g. acquisition of Net One Systems by SCSK, etc.)

(b) Asset replacement progressed steadily, which accelerated metabolism of business portfolio transformation. (e.g. sale of T-Gaia, sale of Midas in tire sales & marketing business in the U.S. (expected to be completed in FY 2025), etc.)

2. Growth leveraged by strengths

(a) In terms of main growth businesses, although Construction systems and Agriculture are currently struggling, Leasing, Diverse Urban Development, and Digital contributed to the expansion of earnings base.

(b) Current situation and action for the main growth businesses are as follows:

Main growth business	**Current situation**	**Action**
Steel	- Investment in EEW, a manufacturing business for "Monopiles", used for the foundation of offshore wind power generation - Recovery of market conditions for tubular products in North America	- Expand businesses with EEW, and capture demand for energy transition including Monopiles - Enhance customer services, promote new products, and strengthen the supply chain foundation
Construction systems	- Investment in BIA Group, the distributor of construction and mining equipment in about 20 countries in Africa and Europe - Construction equipment rental business in North America: recovery measurements, such as reducing personnel costs etc. and reviewing unit prices, were implemented in response to the delay against the profit plan due to a slowdown in construction demand growth	- Aiming to further improve profitability and capital efficiency while strengthening the earnings base by increasing regional market share and expanding product lineups - Construction equipment rental business in North America: cultivate national account business, strengthen specialty rentals such as tranches, and strengthen our cost competitiveness under the new management team
Leasing	- Expanded customer base of existing businesses through acquisition of a helicopter leasing company and a real estate asset management company - Entered to the container leasing business, achieved an expansion of business area and diversifying business portfolio	- Improve profitability and asset efficiency by strengthening asset management business in real estate, aircraft, etc.
Diverse Urban Development	- Steady progress driven by the promotion of asset turnover, mainly in Japan, and strong performance in the U.S. housing business	- Continued steady efforts toward earnings growth through asset turnover of domestic and overseas real estate, global development and expansion of high-quality projects, enhanced profitability from businesses such as sustainable city development in Vietnam and industrial parks, and the realization of diverse urban development by leveraging the strengths of each SBU
Digital	- Steady growth in related businesses by steadily capturing increasing DX/IT investment demand - SCSK completed the acquisition of Net One Systems as a wholly-owned subsidiary - Enter the GPU as a Service business and strengthen the AI solution business	- Build the "No.1 digital business platform in the Asia-Pacific region" and respond to DX/IT needs not only in Japan but also globally, by leveraging the customer base and knowledge of industry issues cultivated by each sales group of Sumitomo Corporation, from upstream consulting to downstream BPO, from core system development to data-driven management support

Healthcare	- Enhanced value through operational efficiency improvements in existing businesses - Expanded business base in Southeast Asia and North America, despite some delays in the pharmacy roll-up in Japan	- Further enhance the value of existing businesses and realize multiple new projects in the pipeline
Agriculture	- In response to declining farmers' income due to unusual weather condition in FY2023, countermeasures such as tightening credit control are implemented in Brazil - Investments were steadily proceeded in the areas of agricultural inputs distributor in Vietnam/Romania and biocontrol manufacturing business in Chile	- Focus on improving the profitability and strengthening resilience of existing businesses in Brazil - Also strengthen sales of high value-added products such as bio-pesticides
Energy Transformation	- Strong performance in overseas IPP/IWPP businesses, and stable performance in other businesses - Investment in city gas business in India, entry into India's corporate PPA market supplying power derived from renewable sources	- Provide one-stop decarbonization solution capturing regional needs by overseeing the entire value chain of each industrial sector, shift to decarbonization business, increase trading, and expand new revenue bases

3. Strengthen driving force for growth

(a) By reorganizing businesses with affinity into the same group, synergy effects have been increased. In Diverse Urban Development, investments of overseas properties projects have been executed by leveraging the knowledge/know-how of the infrastructure businesses.

(b) In addition to the measures to maximize the willpower and the growth of potential of diverse individuals, such as implementing "WILL-based hiring process" (recruitment selection for new graduates that guarantees initial placement in the organization) and expanding the internal job posting system, we are promoting a human resources management cycle to systematically develop management talent, as well as human resources allocation that truly supports business growth strategies, such as active mid-career hiring and promotion of the right talent in the right positions regardless of attributes.

(2) Quantitative Targets

1. Business environment

<u>Overview</u>

The outlook for the global economy is a slowdown in the pace of growth due to increased uncertainty regarding future developments against the backdrop of tariff measures imposed by the United States as well as a more cautious attitude on economic activities by both households and businesses. Among developed countries, there are concerns that tariff measures will have adverse impacts on economic activities in the U.S. In the Euro-zone, policy makers are strengthening financial easing policies in conjunction with the stabilization of prices, and along with active fiscal policies in major countries, the economic outlook is for a continuation of the trend of moderate recovery. Despite concerns regarding the impacts of the U.S. tariff measures, the Japanese economy is expected to continue showing signs of moderate recovery against a backdrop of recovering consumer spending in conjunction with improvement in real wages. Among emerging countries, while fiscal support in China is expected to be a supporting factor, the downturn in the real estate market and uncertainty regarding trade relations with the U.S. are expected to continue putting a damper on the pace of growth in the Chinese economy. In Asian countries, recovery is expected to be sluggish due to the impacts of U.S. tariff measures.

Future risks include uncertainty regarding policy management, disorder in financial markets, further heightening of tensions in the Russia-Ukraine situation and the Israel-Palestine situation, impacts on prices from higher tariffs, debt problems in emerging economies, and rising geopolitical risks in Asia, Africa, and other regions.

Steel Group

This group handles a broad range of steel products such as tubular products and steel sheets.

In the tubular products sector, although tubular prices are currently recovering in the U.S., there is a risk of declining demand for tubular products depending on crude oil prices. For other regions, some projects are in transitional periods. Furthermore, exploration and production of oil and gas in various countries around the world is expected to continue due to the importance of stable energy supply, and the movement towards energy transition for decarbonization is also expected to continue.

In the steel products sector, although steel prices are on an upward trend in the U.S., there is a possibility of impact on steel demand due to inflation and economic trends. In other regions, the demand slump in China continues, and steel products from China are flowing into Southeast Asia and other regions, pushing down local market conditions. On the other hand, we are working on expanding our revenue base, including the investment for the manufacturing business for the foundation of offshore wind power generation in Europe.

We will maintain our existing business and allocate capital to competitive businesses and regions for strengthening profitability. At the same time, we will provide new value through DX, and work to contribute to the realization of industry green transformation (GX) by supplying steel products and services that aid in the carbon neutralization of society such as renewable energy and CCS.

Automotive Group

This group operates a wide range of businesses in the value chain of automotive industry, including manufacturing, distribution, finance, lease and other services of automobiles, parts, tires, and other related products.

The environment surrounding this group is seeing an increasing demand for automobiles to support each country's economic development and the increased movement of people and goods, a shift from ownership to utilization (leasing, rental, subscription, etc.), the spread of eco-friendly vehicles to achieve carbon neutrality, and growing needs for accelerating reuse and recycling to build a circular economy. On the other hand, there are concerns about the impacts of the U.S. tariff measures and geopolitical risks which may affect the supply chain, and the slowdown of economic growth due to rising raw material costs, labor costs, interest rates, etc., which we are closely monitoring.

In light of this environment, we will ensure that we are prepared for changes in the current market environment and work to accelerate growth by enhancing our product lineup and broadening our sales network in the automobile distribution and sales business; to expand services and capture new business opportunities in the mobility services field through leveraging our automobile leasing business; to increase the scale of earnings through value-up of our parts manufacturing, sales financing, and tire sales businesses; and to develop and nurture new businesses in the field of "Beyond Mobility" (areas that arise from and go beyond mobility).

Transportation & Construction Systems Group

This group is engaged in various transactions and business investments, including the lease and finance business, the aircraft, ship and marine, and construction equipment businesses that develop a value chain globally, and the defense and aerospace business with high expertise.

In the environment currently surrounding this group, the aircraft leasing market remained favorable, and the demand for marine cargo transportation and infrastructure construction/renewal is robust, with growth expected to continue in both areas, while there are concerns about an economic slowdown due to the impacts of the U.S. tariff measures and high interest rates. In addition, the need to contribute to the realization of a decarbonized society and a circular economy is increasing.

Considering this environment, this group is focusing on improving the profitability and expanding the foundation of our core businesses. Specifically, we will work on increasing high-quality assets and improving asset efficiency in the lease and finance businesses and close monitoring of the impact of uncertainties such as tariff policy and improvement measures centered on cost reduction and fleet management in the construction equipment businesses.

Moreover, we will accelerate our growth by pursuing businesses that respond to social issues and needs, such as selling of parts from retired aircraft in the aircraft aftermarket business, and manufacturing structures used in offshore wind power in the ship and marine business.

Diverse Urban Development Group

This group is engaged in the development, operation, and asset management of real estate, industrial parks, sustainable cities, and urban infrastructure. Additionally, it is involved in the construction material and equipment business, including cement and industrial facilities, and logistics and insurance-related businesses. In the real estate sector, domestic business and U.S. residential business have remained strong, exceeding initial forecasts. Furthermore, the domestic trade business of construction materials and machinery equipment, logistics, and insurance businesses have sustained solid growth. Despite the continued strong demand for urban development worldwide, the macro environment continues to emphasize the increasing importance of resilience against climate change-related disasters, geopolitical risks, interest rate trends in various countries, and rising costs. Guided by this understanding, we focus on high-quality projects and markets that offer high liquidity and opportunities for financial structuring. Our goal is to globally expand the development of eco-friendly, safe, secure, and disaster-resilient infrastructure and urban planning.

Media & Digital Group

This group engages in digital solution business, telecommunication business, mobile device distribution business, 5G related businesses, media businesses in the cable television, TV shopping business, video content-related businesses, global corporate venture capital, etc.

In the digital solutions sector, the importance of digital and data utilization has increased, leading to higher demand for IT investments. To effectively capitalize on these growing business opportunities, we will expand and enhance our digital business domains both domestically and internationally. In the cable television and TV shopping sectors, customer needs and purchasing behaviors are expected to continue diversifying. In response, we will focus on expanding new services in the cable television sector. Additionally, in the TV shopping sector, we will work on transforming and evolving entertainment shopping by integrating TV, digital, and real-world experiences. In the video content-related business, considering the increasing global demand for Japanese video content such as anime, we will promote the international expansion of such content.

Lifestyle Business Group

This group operates retail businesses such as supermarkets and brands, food businesses such as food and food ingredients and fruits, and healthcare businesses such as drugstores, dispensing pharmacy business, managed care business and clinics.

In the retail and food sectors, we expect to see consumer values and lifestyles diversifying, needs becoming more specialized, and awareness toward food and health increasing. In the healthcare field, needs for medical cost optimization are expected as the aging of the population grows. Additionally, our business will continue to be important as essential infrastructures for daily life while there are concerns about general climate change, continuing geopolitical risks, and high labor and fuel costs, and we will continuously monitor trends closely.

Given this environment, we will take advantage of our strengths, such as our overwhelming direct access to customers, primarily in our retail business, and work on data-driven marketing and the utilization of DX and AI to enhance operations and develop new businesses. In the food sector, we will utilize our expertise and networks in food procurement, processing, and sales to raise our revenue base and expand our business into fields where growth is expected. In the healthcare sector, we aim to realize businesses that contribute to the containment and optimization of healthcare costs, addressing the medical cost inflation both in Japan and overseas countries.

Mineral Resources Group

This group develops, operates, and produces metal resources and other commodities, manufactures and sells products, and also provides various functions in the trading field, realizing between trading and operating assets sector and utilizing commodity derivatives.

Amid growing uncertainty in commodity prices due to geopolitical risks, we continuously focus on improving and strengthening our business portfolio and foundation for growth by leveraging our unique experience and strengths, through addressing social issues, in consideration of various environments, including medium- to long-term market fluctuation cycles, uneven distribution of players and regions in industries, changes in the value chain and supply demand balance environment impacted by economic security and technological innovation, and increasing difficulty in resource development.

To reinforce our resilience against downside risks and expand our revenue base, we are strengthening the business foundation of our nickel operations in Madagascar and exploring strategic alternatives. We are also steadily accumulating assets, particularly in base metals that support key industries, and expanding our mid- and downstream businesses, including manufacturing and trading operations that are less sensitive to market volatility. In addition, we are promoting investments and provision of functions that contribute to reducing environmental impact and building a value chain that contributes to climate change mitigation.

Through these efforts, this group aims to contribute to the development of industry in Japan and globally as well as to the achievement of a sustainable society, and create a prosperous future for people.

Chemical Solutions Group

This group is engaged in developing, manufacturing, and selling basic chemical products, agricultural inputs, pharmaceuticals, animal health products, cosmetics, and electronics materials/products.

During fiscal year 2024, the agribusiness field remained sluggish due to a decrease in demand and bad debt expense caused by falling market prices and unusual weather conditions in Brazil, while the electronics materials and products field, the pharmaceutical-related field and other fields showed strong performance by capturing growing demand. In fiscal year 2025, there are concerns about a potential deterioration in economic sentiment and market conditions due to external factors such as the impacts of the U.S. tariff measures, but this group anticipates overall profit growth driven by a recovery in the agribusiness field.

Based on the above business environment, in the agribusiness field, we will focus on further enhancing functions and strengthening the sales of high value-added products such as bio-pesticides in order to strengthen resilience. In the basic chemicals field, we will further strengthen our distribution and logistics functions and focus on expanding our business by capturing changes in the supply-demand balance and trade flows. In the green chemicals field, we will continue to develop new businesses that address the needs for reducing environmental impact and ensuring economic security. In the fields of electronics and life science, we will work on strengthening and expanding existing businesses while aiming for further growth through the creation of new businesses.

Energy Transformation Business Group

This group is engaged in power generation business in Japan and overseas, domestic power retail business, development, production and sales of energy interests such as natural gas and LNG, offshore infrastructure and marine fuel supply business, and business development in the field of next-generation energy contributing to the realization of a carbon-neutral society.

The overseas power generation business is performing steadily, with increased revenue observed in the Asian and Western markets. In the domestic electricity retail business, demand remained strong due to the intense heat, but there was a decline compared to the previous period's strong performance. In the energy sector, although there was a rebound from the previous fiscal year's strong performance in some trade businesses, the energy trade business performed well by successfully monetizing high market prices and price fluctuations. In light of this environment, this group will further strengthen its market risk management in order to prepare for the rising global geopolitical risks.

In addition, in order to achieve carbon neutrality by 2050, we will promote the commercialization of new power and energy services that will facilitate the low-carbon transition of our power generation portfolio and continue to develop next-generation energy-related businesses.

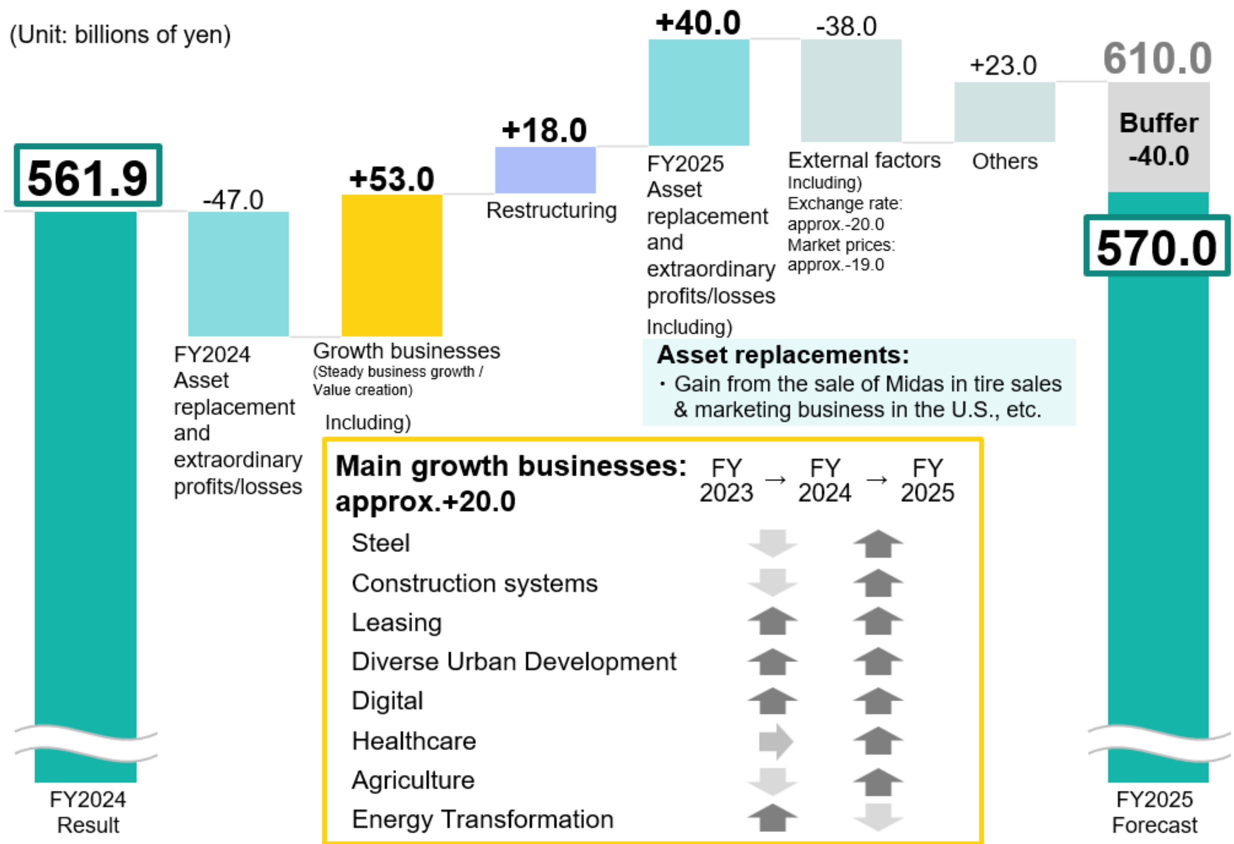
We will drive the energy transformation business of this group as a whole, by viewing the irreversible GX trend as a business opportunity to build the decarbonization and recycling energy system and realize a sustainable carbon cycle.

2. Quantitative Targets

Profit plan

In FY 2025, the company plans to achieve 53.0 billion yen increase in profit by improving the performance of its growth areas—Steel, Construction Machinery, and Agriculture—which were struggling last year, and by further allocating management resources to its areas of strength. In addition, the company is also looking at a profit of 40.0 billion yen from asset replacement, such as sale of Midas in tire sales & marketing business in the U.S., and special gains, which will result in a cumulative profit of 610.0 billion yen. On the other hand, considering the uncertain business environment, including the US market conditions, we have set a buffer of 40.0 billion yen, and the full-year earnings forecast is 570.0 billion yen.

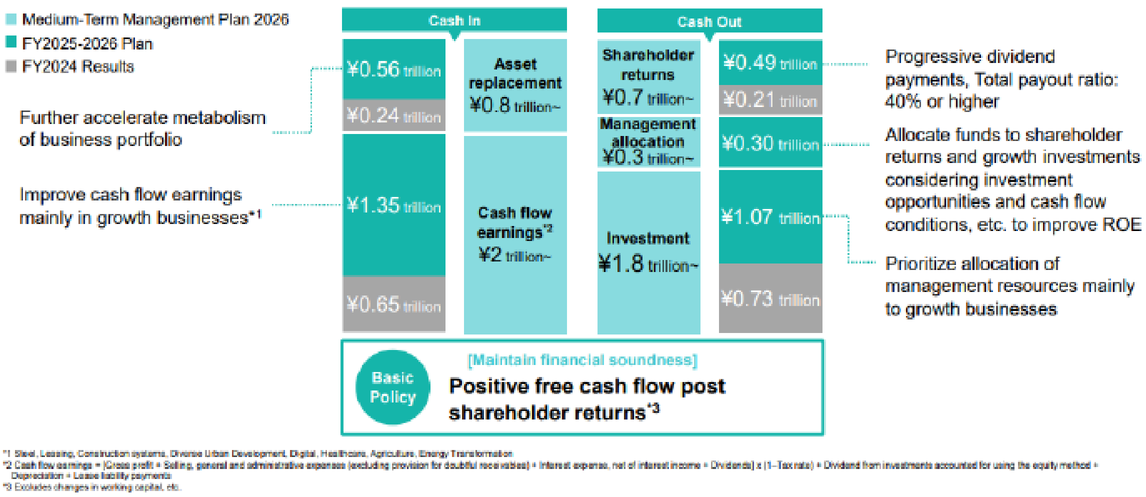
Although it is currently difficult to estimate the impact of U.S. tariff measures on our business and performance,
the direct tariff burden on the Company as a contracting party in cross-border transactions is expected to be limited. However, certain indirect impacts may arise. Considering these and other risk factors, we have incorporated a buffer of 40.0 billion yen into our consolidated earnings forecast for FY2025.



<u>Cash flow allocation</u>

Basic policy of positive free cash flow post shareholder returns and cash flow allocation policy remain the same.

For the results in FY2024 and plan in Medium-term Management Plan 2026 are as follows.



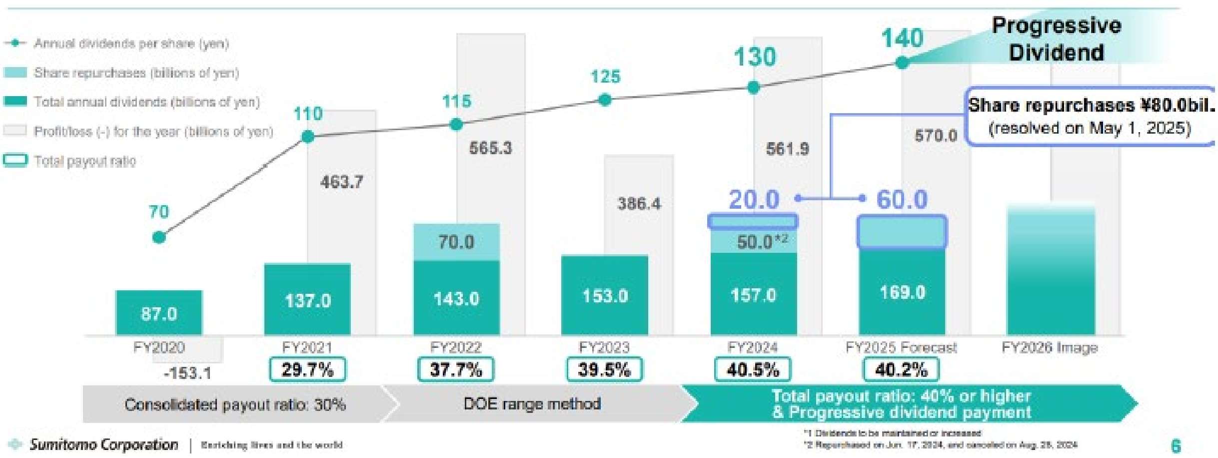
(3) Shareholder Return Policy

Our shareholder return policy in the Medium-Term Management Plan 2026 and thereafter are as follows:

- Pay dividends and repurchase our shares in a flexible and agile manner with a total payout ratio of 40% or higher
- Further improve dividend stability and increase dividends in line with profit growth through progressive dividend payment

Based on a full-year profit forecast for FY2025 of 570.0 billion yen, we plan to pay an annual dividend of 140 yen for FY2025, representing an increase of 10 yen from the previous fiscal year. Further, at the meeting of the Board of Directors held on May 1, 2025, it was resolved to repurchase shares of our common stock up to 80.0 billion yen (of which 60.0 billion yen will be allocated as shareholder returns for FY2025).

We will pursue sustainable profit growth and further strengthening our earnings base to enhance our earnings base to enhance shareholder returns and increase shareholder value.



2. Our Approach and Initiatives to Sustainability

- **Our Approach to Sustainability**

"Enriching lives and the world" is the corporate message of the Group. We are developing our business around the world with the aim of realizing a sustainable society and enriching people's lives. The background to this message is a phrase that conveys the Group's business philosophy: "Benefit for self and others, private and public interests are one and the same." It means that Sumitomo's business, while benefiting Sumitomo, must also benefit the nation and benefit society. This philosophy is the source of the Group's sustainability management, and under this philosophy, we strategically allocate management resources in anticipation of the long-term shifting business landscape impacted by these social issues, and we leverage our strengths to continue creating the value that society truly needs. We promote sustainability management in the belief that each of these actions will create a sustainable society and achieve sustainable growth for Sumitomo Corporation.

- **Our Initiatives to Sustainability**

In the following sections, we describe the overall picture of our sustainability management, as well as our initiatives in climate change, respect human rights, and human capital. For each section, we describe our initiatives in four parts: 1. Governance, 2. Strategy, 3. Risk Management, and 4. Metrics and Targets.

(1) Overall picture of sustainability management

1. Governance

(a) Overseeing Sustainability Management

The board of directors renders decisions concerning key management matters in light of the diverse opportunities and risks related to sustainability in the Group's wide range of business activities. Additionally, the board of directors oversees the decision-making and operation of the business by the management council and executive officers.

For decision-making on important management matters, the Board of Directors deliberates and determines on the formulation and revision of sustainability-related policies and targets, risks and opportunities in the overall business portfolio including sustainability - related, important initiatives related to the promotion of sustainability, and the handling of important issues related to policies on response to sustainability issues, which are submitted to the Board of Directors after review by the Management Council and its advisory bodies, including the Company Investment Committee, Corporate Sustainability Committee and Corporate Strategy Promotion Committee.

Furthermore, the Board of Directors receives regular reports on the strategy and progress of each business area, as well as on the status of risks and opportunities in the overall business portfolio including sustainability-related. Specifically, the Board of Directors receives reports on company-wide measures and themes several times a year, including a review of the progress of medium- and long-term goals based on materiality, a review of compliance with sustainability-related policies and sustainability-related risk and opportunities and supervises the status of initiatives by the business execution side as the Board of Directors.

In addition, the Board of Directors has identified the types of knowledge, experience, and competencies, etc. (hereinafter "Skills") which enables the Board of Directors to adequately fulfill its roles of making decisions on important business matters and supervising business execution. Sustainability is one of the Skills. The Skills of individual Directors are determined after considering all their attributes, including their careers, knowledge, experience, capabilities, qualifications, and specific achievements, and discussing these with individuals concerned. For details, please refer to the sustainability page in our website.

Also, to ensure that the Company's officers, including directors, are more aware of our commitment to the advancement of sustainability management, evaluation based on the non-financial indicators ("climate change", "promotion of women's active engagement" and "employee engagement") is used to calculate the amount of the remuneration of officers.

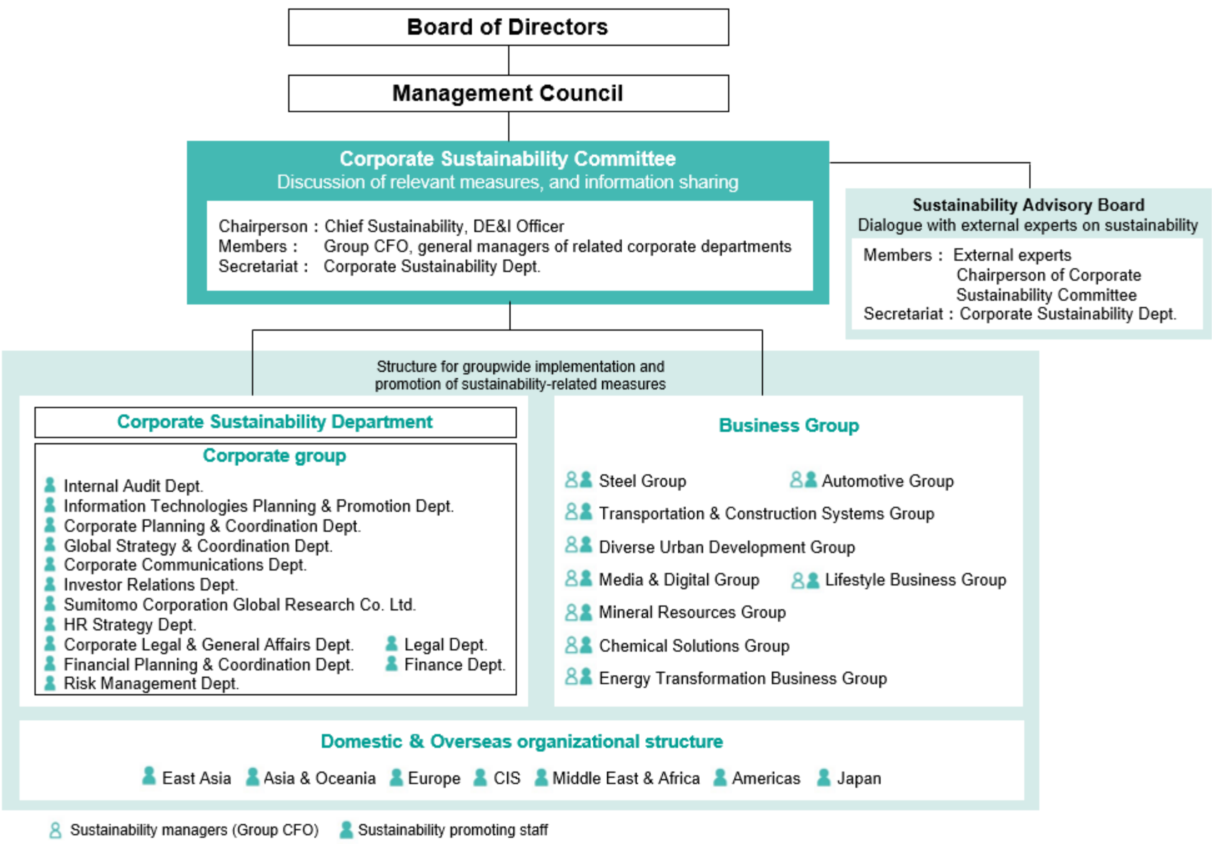
(b) Execution of Sustainability Management

Management Council and executive management are responsible for decision-making and business execution of important sustainability-related management matters of the Group according to the company regulations. The Management Council makes comprehensive decisions after consulting with the Corporate Sustainability Committee and other committees in order to assess and manage sustainability-related risks and opportunities and make effective decisions.

In addition, with regard to sustainability-related initiatives and responding to risks and opportunities, the Corporate Sustainability Department, which is a specialized organization in charge of planning and disseminating measures to promote sustainability within the Company, and related corporate organizations such as the Corporate Planning & Coordination Department, which plans the Company's overall management plan and important measures, as well as and the person in charge of sustainability promotion in each business group, and overseas regional organizations work together. Based on information provided by the Company's internal research organizations, the Business Groups, overseas regional organizations, etc., we formulate and promote company-wide plans and measures.

In addition, we have established the Sustainability Advisory Board, which is comprised of outside experts on ESG, to obtain advice and recommendations on our overall sustainability management.

The corporate governance structure for our sustainability management is as follows.



2. Strategy

The Group conducts its business activities based on the belief that, building on the business foundation that has been established over the years, each SBU and group company's ongoing commitment to sustainability in the face of stakeholders will lead to the acquisition of various business opportunities and the sustainable growth and development of the Group.

On the other hand, if SBUs and group companies fail to recognize the importance of sustainability and address it through their business activities, there is a risk that our enterprise value will be damaged due to the loss of trust from stakeholders and, in the long run, the loss of customers and the negative impact on securing the human resources necessary for operation. Since the Group has a wide variety of business models with various stakeholders globally in a wide range of industries, in order to continue to promote business activities that lead to sustainable growth and development, we recognize that it is necessary to identify and respond to sustainability-related risks and opportunities throughout the value chain in cooperation with not only the Group but also many stakeholders in the value chain. Therefore, we are working on the following measures.

(a) Identification of Material Issues and setting and implementation of medium- to long-term targets

We identified the 6 Material Issues as a medium- to long- term commitment that goes one step further toward addressing key social challenges that the Group must undertake. We will continue to implement the PDCA cycle of goal setting, action implementation, and progress review for each Material Issue of “Build resilient and prosperous society,” “Overcome climate change,” “Preserve and regenerate natural capital,” “Respect human rights,” “Develop talent and promote DE&I” and “Maintain and strengthen governance”. For details, please refer to “4. Metrics and Targets" below.

(b) Formulation of sustainability-related policies

The Group's activities consist of businesses across a wide range of fields and regions, and are involved in various social issues. In order to always take these social issues into consideration and fulfill our social responsibilities together with our business partners to realize a sustainable society, the Group has formulated and disseminated comprehensive policies such as “Sumitomo Corporation Group Environmental Policy” “Policies on Climate Change Issues” “Sumitomo Corporation Group’s Human Rights Policy” and “Sumitomo Corporation Group CSR Action Guidelines for Supply Chain Management” as well as individual policies, such as “the Forest Management Policy” and “the Sourcing Policy for Forest Products”, related to major natural resources that require sustainable procurement and engages in business activities to respect international conduct standards and fulfill our social responsibilities together with our business partners toward the realization of a sustainable society.

3. Risk Management

(a) Companywide Sustainability-Related Risk Management

In order to respond to various risks when considering companywide portfolio strategies, the Group selects and manages multiple risk factors contained in business activities. We consider sustainability as one of the important factors in the companywide risk management process, and the Board of Directors and Management Council receive proposals and reports the same as other risks.

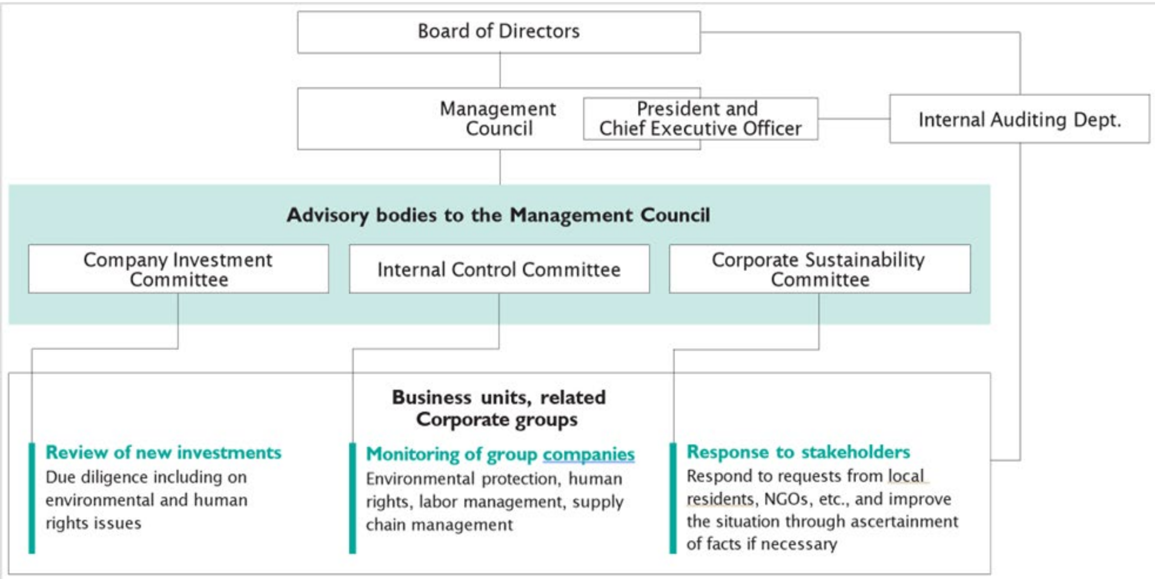
Specifically, in regular reviews of the business status of the entire Group based on the medium-term management plan, future management and response policies for sustainability-related and other types of risks are discussed at Management Council and Board of Directors, and are reflected in the consideration of specific measures in the medium-term management plan. For details, please refer to “(2) Disclosure on Climate Change Initiatives, 2. Strategy".

(b) Sustainability-Related Risk Management for Individual Business

For new business, we check that the business is soundly managed and does not have severe impacts on stakeholders such as environment, society and employees through an environmental assessment by an environmental consultant and assessment of human rights and labor issues by a law firm, considering the characteristics of each business during due diligence. Each responsible SBU prepares a self-assessment sheet on sustainability-related risks and opportunities, and based on previous cases in the same sector or country, identify and assess likelihood of potential risks and opportunities as well as the impacts on society, environment and our own business when becoming apparent, and then the Corporate Sustainability Department reviews it considering related external information. Also, the Company Investment Committee considers and checks value creation as well as prevention of loss of value following sustainability-related risks and Opportunities.

Also, each investee's status of the comprehensive management of various risks and opportunities including social and environmental risks are monitored regularly. Specifically, we confirm the status of the management of social and environmental risks and opportunities of group companies through dialogue with group companies and internal audit process. If an issue arises, remedial action is taken in line with the specifics of the case. When a case relating to the impact of the 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.

The management process of Sustainability-related risks has remained the same since the previous reporting period.



4. Metrics and Targets

For the six identified Material Issues, we have set the long-term and medium-term goals to each Material Issue as follows and have been working on them.

The progress of actions based on the long-term and medium-term targets is reported to and discussed at the Management Council and the Board of Directors after being monitored by the Corporate Sustainability Committee.

The progress of actions based on the long-term and medium-term goals as of the end of FY 2024 will be disclosed on the sustainability page in our website in September 2025.

Long-term and medium-term goals and progress to our Material Issues

Material Issues	Long-term goals	Medium-term goals
Build resilient and prosperous society	■ Contribute to the development of local communities and economies	■ **Develop safe, comfortable and resilient industrial and social infrastructure** ■ **Provide advanced services and functions that further enrich the lives of people**
	■ Develop human resources who will drive the future by providing quality education	■ **Develop human resources who will drive the future through business and social contribution activities** – Provide job training and educational opportunities in line with local needs, and expand the scope of beneficiaries – Promote 100SEED program(*1) by having 5% or more of all employees participate annually
Overcome climate change	■ Aim for carbon neutrality of the Sumitomo Corporation Group's businesses by 2050 ■ Contribute to carbon neutrality of society	■ **Reduce the Group's CO2 emissions 50% or more by 2035 (compared to 2019)** – Reduce CO2 emissions of the power generation business by 40% or more by 2035 (of which reduce 60% or more for coal-fired power generation business) while expanding the renewable energy power generation business (expand the supply of renewable energy from 1.5 GW in 2019 to 5 GW or more by 2030) – In fossil fuel upstream business, reduce indirect CO2 emissions generated from thermal coal mines to zero by the end of the 2020s. For upstream gas development, only undertake those that contribute toward society's energy transition. – Reduce CO2 emissions in all other businesses (*3) ■ **Build a sustainable energy system and carbon cycle with an overview of supply chains** – Improve energy and carbon efficiency, and expand businesses that encourage energy conservation – Expand renewable energy and new power and energy services, encourage electrification and fuel conversion, and develop and implement hydrogen and other forms of carbon-free energy – Promote capture, store and utilize CO2 (forestry business, CCUS, blue carbon, etc.)
Preserve and regenerate natural capital	■ Achieve a world living in harmony with nature through initiatives including the building of a circular economy and supply chain management	■ **Accelerate initiatives toward a nature-positive world by 2030** – Analyze nature-related risks and opportunities in each business – Reduce risk of the entire supply chain, including sustainable procurement of major natural resources – Pursue new business by developing products, services, and scheme that encourage the shift toward Nature Positive and a circular economy
Respect human rights	■ Respect the human rights of all stakeholders in all 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** – Reduce human rights risks by further strengthening human rights due diligence and grievance mechanisms(*4) across the entire supply chain – Promote initiatives and improve transparency through stakeholder engagement and enhancement of information disclosure ■ **Ensure a safe workplace environment**
Develop talent and promote DE&I	■ Create workplaces that allow diverse employees to apply their capabilities with passion in their own ways	■ **Increase diversity in decision-making positions** ■ **Cultivate inclusive leadership**
Maintain and strengthen governance	■ Develop a robust governance system to enhance the corporate value	■ **Further improve the effectiveness of oversight functions for ensuring the efficiency, soundness, and transparency of management** ■ **Establish Group management system that responds to changes in the business environment with agility**

(*1) Social contribution activity program with employee participation at the Group

(*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) 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

(2) Disclosure on Climate Change Initiatives

We put an importance on the international determinations stipulated in the Paris Agreement, and we set "Policies on Climate Change Issues" in order to play a more active role in achieving the carbon neutrality goal of society in aligned with the Agreement.

The Board of Directors adopted a resolution concerning the Group's policies on climate change issues in 2019 and we have been regularly reviewing our policies. In May 2024, in response to the changes in the external environment including climate change countermeasures and energy security, we have updated our equity generation capacity-based ratio target among the Group's climate-related targets. In addition, we have added a commitment to reduce indirect CO2 emissions from general coal mines to zero by the end of 2020s, and to work on natural gas only in projects that contribute to the realization of a carbon neutral society.

Policies on Climate Change Issues

➢Basic Policy

- Aim to make the Sumitomo Corporation Group carbon neutral by 2050 (*1). Develop technologies and business models for creating sustainable energy cycle by reducing CO2 emissions and achieving negative emissions (*2) for society as a whole.
- In addition to reducing and absorbing CO2 emissions from our businesses, 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 CO2 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 environment burdens in the power generation portfolio.
- 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 CO2 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 the end of the 2020s. We will only undertake upstream gas development that contribute toward society's energy transition.

*1 The scope of business targeted for carbon neutralization is as follows:

- 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)

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.

*2 Negative emission refers to the absorption, capturing, and removal of CO2 emitted in the past and accumulated in the atmosphere.

■ Disclosure on TCFD Recommendations

To identify the risks and opportunities arising from climate change and apply them to our business activities, we supported the TCFD recommendations in March 2019, and since then we have made disclosures based on the TCFD framework.

The disclosure for FY2024 is scheduled to be published in the sustainability page in our website.

1. Governance

(a) Overseeing

The Board of Directors is responsible for making decisions on important management matters based on the Group's climate change-related risks and opportunities, and for supervising the execution of business operations. For details, please refer to "(1) Overall picture of Sustainability Management, 1. Governance, (a) Overseeing Sustainability Management".

According to the division of roles stipulated in the Board of Directors regulations, the Board of Directors deliberates and determines on the formulation and revision of climate change-related policies and targets, risks and opportunities in the overall business portfolio including climate change related, and the handling of important issues, which are submitted to the Board of Directors after review by the Management Council and other bodies.

Also, the Board of Directors receives reports on macro-environmental analyses and responses to climate change issues several times a year and supervises the efforts of the business execution side.

(b) Execution of Duties

Management Council and executive management are responsible for decision-making on assessing, managing climate-related risks and opportunities, and execute necessary measures of the Group.

For more details, please refer to “(1) Overall picture of Sustainability Management, 1. Governance, (b) Execution of Sustainability Management.”

2. Strategy

We conducted a scenario analysis in accordance with the TCFD recommendations.

In analyzing scenarios, in FY2023, we took up following business models: Energy; Resources; Transportation; Material Industry; Real estate and others.

For the details of the analysis, please refer to the sustainability page in our website. We analyzed the impacts of transition risks and opportunities to our business models toward 2050, using IEA’s and PRI’s scenarios, in order to identify new business opportunities and assess businesses’ resilience in the case of the occurrence of significant changes of our business environment. In terms of the timeframe of the analysis on risks and opportunities, we set mid-term: by 2030 and long-term points: by 2050. For details of the analysis for FY2024, please refer to the sustainability page in our website.

The scenarios mentioned above are used as references to analyze our business activities and do not prejudge our future management policies and business strategies.

<Business models selected for scenario analysis>

Business models (Business Sectors)	Breakdowns of each business model
1. Energy	Thermal power generation (coal, gas), Renewable energy power generation, Next generation energy (hydrogen, ammonia, synthetic fuels, energy management, storage battery, CCUS）
2. Resources	Thermal coal and coking coal, Iron ore, Natural gas and LNG, Metals and rare metals (nickel, copper)
3. Transportation	Vehicles, Shipping, Aviation
4. Material Industry	Steel (steel sheets and tubular products), Cement, Chemicals, Aluminum
5. Real Estate	Office buildings/residential building
6. Others	Forestry

< Identified climate-related risks and opportunities>

Category	**Identified risks and opportunities**	**Relationship with business models**
Transition risks and opportunities	**Risks** Our business environment may presumably be affected by introducing regulations for reducing GHG emissions or decarbonization in the future, strengthening international climate actions, updates of each country's GHG reduction target and changes of technologies and market trends in broad industrial sectors. **Opportunities** Our business environment may presumably be affected by increase of societal needs for low-carbon and energy-saving products and services and creation of new climate-favored market, corresponding to introducing regulations for reducing GHG emissions or decarbonization and change of preferences of consumers.	Business models with relatively higher risks described left are electricity generation and energy resource; automobile; aircraft; shipping; steel; chemicals; cement; aluminum smelting; real estate. Throughout the analysis on these business models, we periodically recognize risks to affect our business activities in taken up business models and gravity of the risks and consider implementing necessary measures to minimize negative impacts on our performance. In order to take advantage of opportunities, we have been strengthening our business activities to contribute to realizing a carbon neutral society by formulating strategies including investing in potential businesses such as next generation energy and increasing evaluations of existing climate-related businesses through improving business efficiency.
Physical risks	**Chronic physical risks** Our business environment may presumably be affected by occurrence of average temperature increase, precipitation pattern change and sea level rise in a continuous and chronic manner. **Acute physical risks** Our business environment may presumably be affected by intensification of extreme weather events such as storms, floods, droughts, and forest fires in an acute manner.	We analyzed physical risks described left focusing on power generation including renewable energy, upstream energy resource, real estate, agriculture and forestry businesses as areas with relatively higher physical risks in terms of possessing larger scale assets or requiring more natural resources for their operation. We manage these physical risks by assessing impacts related to local weather conditions and geological factors before investing, conducting continuous assessment after involved, clarifying scope of contractual responsibility and securing coverage of damage insurance.

3. Risk management

Our business activities are comprised of a broad range of fields and regions and correlated with various social issues. Therefore, we formulated several policies to properly address social and environmental impacts resulting from our business activities and these policies are fully publicized in the Group in order to take account of the various social issues. In detail, we evaluate social and environmental risks and check each business plan on how to respond to the risks as a part of our deliberation processes when considering and executing new businesses. Especially on climate change, we assess the following climate-related risks and opportunities resulting from various adverse effects and business environmental changes from climate transition, which may possibly have negative impacts on our business activities' feasibility. Then, those are discussed at Management Council and the Board of Directors according to the company regulations checking mainly the below points.

- Impacts of climate change such as the frequent occurrence of natural disasters and extreme weather events;
- Impacts of introduction of regulations;
- Impacts of technological changes;
- Potentials of business expansion and performance improvement resulting from mitigation and adaptation actions in markets.

Regarding our existing business, we regularly monitor both companywide and individual business management status on social and environmental risks in order to make use of such monitoring information for strategic decisions. Regarding response to climate-related risks, we regularly report the Board of Directors and the Management Council about the risk information from which each Group collecting climate-related regulations and market's changes when it expands its businesses and the Corporate Sustainability Department collecting and analyzing global climate trends including specific climate actions and regulations. In case that there are any unacceptable risks from the perspective of risk management for our business portfolio, measures including reduction of exposures may be considered and executed in collaboration with organizations responsible for risk management.

4. Metrics and Targets

(a) GHG emissions and other climate-related metrics

■ CO2 emissions from the scope of the Group's carbon neutrality target

We set "Policies on Climate Change Issues" and aim for realizing carbon neutrality by 2050. The scope of business targeted for carbon neutralization includes the power generation businesses and fossil energy concession businesses in addition to Scope 1 and 2 of the Submitting Company and its subsidiaries. As for the results of power generation businesses, including the base year, we have included the estimated figures after the construction and operation of the businesses, even if the project is still under construction.

Preliminary figures of CO2 emissions from the scope of our carbon neutrality target by 2050 are as below. The finalized figures will be disclosed on our website in September 2025.

< CO2 emissions from the scope of the Group's carbon neutrality target > (Calculation scope is described as below *)

(Unit: thousand t-CO2e)

	Base Year FY2019	FY2023	FY2024	Rate of Reduction Compared to the Base Year
Business other than power generation	1,005	782	672	(33.2%)
Power generation business	43,126	39,632	38,622	(10.4%)
Fossil energy concession	15,808	11,192	11,564	(26.8%)
(Thermal coal mine business in fossil energy concession)	(12,538)	(10,164)	(10,248)	(18.3%)
Total	59,939	51,606	50,857	(15.2%)

(*) The specific scope of the calculation is as follows.

- 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)

- Indirect CO_2 emissions associated with the use of energy resources produced by fossil energy concession of Sumitomo Corporation, 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.

■ GHG emissions (Results of calculations based on GHG Protocol)

Preliminary figures of our greenhouse gas (GHG) emissions are described as below. Confirmed figures of our GHG emissions are to be disclosed in the sustainability page of our website in September 2025.
GHG emissions are calculated based on our policy, referring to the GHG Protocol. In the calculation of GHG emissions, emission factors are based on data from "Calculation, Reporting, and Disclosure System" of Ministry of the Environment of Japan and 2022 country specific data of "Emission Factors 2024" of IEA.

<Scope1/2 GHG emissions> (Calculation scope is described as below *)

(Unit: thousand t-CO2e)

	FY2023	FY2024	Increase/(Decrease)
Scope1 (CO_2 emissions from energy combustion)	4,485	6,630	2,145
Scope1 (Other than CO_2 emissions from energy combustion)	45	36	(9)
Scope2	572	490	(82)
Total	5,102	7,157	2,055

(*) We apply the operational control approach recommended in the GHG Protocol to decide the calculation scope.

■ Internal Carbon Pricing

From April 2023, we have been operating an internal carbon pricing (ICP) system to calculate carbon emission costs. We utilize analysis from the system to consider companywide measures to create new climate-related business opportunities and check potential impacts on future businesses for decisions on investment.
In the ICP system, we use the outlook on carbon price of the Net Zero Emission Scenario (NZE) in the World Energy Outlook 2024 published by the IEA for conducting scenario analysis according to the location of new and existing projects.

<Carbon price in our ICP>

($ /t-CO2)

	2030	2035	2040	2050
Advanced economies with net zero emissions pledges	140	180	205	250
Emerging market and developing economies with net zero emissions pledges	90	125	160	200
Selected emerging market and developing economies (without net zero emissions pledges)	25	50	85	180
Other emerging market and developing economies	15	25	35	55

(b) Climate-related targets

We set our carbon neutral target by the FY 2050 and its mid-term target to realize reductions of the Group's CO_2 emissions by more than 50% by the FY 2035 compared to the FY 2019. The targets' objective is to play our role in actively contributing to realize carbon neutrality in society as stipulated in the Paris Agreement and other relevant international agreements.

The scope of the Group's carbon neutral target by 2050 includes 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), and indirect CO_2 emissions associated with the use of energy resources produced by fossil energy concession of the Group, its subsidiaries, and affiliated companies.

■ Reviewing and monitoring climate-related targets

The Group's climate change-related targets are reviewed by the Board of Directors after submission to the Management Council. For details, please refer to the section "(1) Overall picture of Sustainability Management, 1. Governance."
As metrics for monitoring the progress of our climate-related targets, we set Scope 1 and 2 emissions, and CO_2 emissions from power generation, businesses, renewable energy generation capacity and indirect CO_2 emissions from thermal coal mine business in fossil energy concession for monitoring the FY2035 target.

(3) Disclosure on Protecting Human Rights

As corporate activities expand globally, and as supply chains expand and become more complex across national borders, the impact of corporate activities on human rights is becoming increasingly significant. We declare in our management principles that we aim to be a global organization that contributes broadly to society and places prime importance on utmost respect for the individual, and we have reaffirmed our commitment to respect human rights by establishing "Sumitomo Corporation Group's Human Rights Policy".

We also respect the "International Bill of Human Rights" and the International Labor Organization's "Declaration on Fundamental Principles and Rights at Work", and we operate in accordance with the "United Nations Guiding Principles on Business and Human Rights".

Sumitomo Corporation Group's Human Rights Policy

Established in May 2020

Sumitomo Corporation declares in its management principles that it aims to be a global organization that contributes broadly to society and places prime importance on utmost respect for the individual. We will respect human rights to fulfill our corporate social responsibility, and pursue sustainable growth with society.

Sumitomo Corporation became a signatory in 2009 to the "Ten Principles of the United Nations Global Compact", which advocates for values common to its own management principles, including those regarding human rights and labor. We also respect the "International Bill of Human Rights" and the International Labor Organization's "Declaration on Fundamental Principles and Rights at Work", and we operate in accordance with the "United Nations Guiding Principles on Business and Human Rights".

Scope of application

Sumitomo Corporation endeavors to ensure that all executives and employees within its group fulfill their responsibility to respect human rights. In addition, we encourage our suppliers and business partners to accept, understand and practice this policy so that we can work together to fulfill our social responsibilities, including respect for human rights in the relevant value chain.

Human rights due diligence

Sumitomo Corporation strives to identify and to prevent or mitigate any adverse impact on human rights through the application of human rights due diligence processes. Where we identify that our group's practices have caused or contributed to an adverse impact on human rights, we will endeavor to take appropriate remedial measures.

Compliance with relevant laws

Sumitomo Corporation will comply with national and regional laws and regulations applicable to its group operations. When those laws and regulations are incompatible with internationally recognized human rights, we will seek to employ measures to respect international human rights norms.

Stakeholder engagement

Sumitomo Corporation will seek to improve and progress human rights measures through engagement and dialogue with relevant stakeholders.

Education

Sumitomo Corporation will appropriately educate its executives and employees within its group in order to ensure that this human rights policy is understood and implemented effectively.

Reporting

Sumitomo Corporation will disclose appropriate information regarding its efforts to respect human rights.

1. Governance

The governance of the Group's human rights is integrated into the overall governance of our sustainability management. For details, please refer to "(1) Overall picture of Sustainability Management, 1. Governance, (a) Overseeing Sustainability Management."

2. Strategy

(a) Promoting Awareness and Understanding of Respecting Human Rights

The Group's business activities cover a wide range of countries, regions and industrial fields.

In order to realize respect for human rights in our business activities, it is necessary for all our executives and employees to understand the concept of business and human rights, and to encourage suppliers and other business partners to work for respecting human rights throughout our supply chain. If the parties involved in the supply chain fail to understand the concept of business and human rights, the adverse impact on related rights holders, such as employees and local communities, will be overlooked, and business activities will increase further adverse impact, resulting in deterioration of corporate performance due to stagnation in the supply of products and services, as well as deterioration of reputation. As a result, there is a risk of damage to corporate value. On the other hand, by working within the Group and supply chain, it is expected to strengthen the resilience of our supply chain and attract and retain human resources by enhancing our reputation.

We have established relevant policies such as "Sumitomo Corporation Group's Human Rights Policy" and "Sumitomo Corporation Group's CSR Action Guidelines for Supply Chains" and is making efforts to disseminate them to our employees and seek understanding and endorsement from the Group companies and business partners.

In addition, we are working on individual policies for major natural resources that require particularly sustainable procurement. In March 2022, we have established "Sumitomo Corporation Group Forest Management Policy" and "Sumitomo Corporation Group Sourcing Policy for Forest Products" regarding sustainable forest management and procurement of forest products. Based on these policies, we confirm our commitments to our forest management business companies and suppliers of forest products, including human rights, as stipulated in our procurement policies.

(b) Human Rights Due Diligence

In accordance with the Sumitomo Corporation Group's Human Rights Policy, Sumitomo Corporation began human rights due diligence in 2020 to identify, prevent, and mitigate any adverse human rights impact that the Group business activities may cause or contribute to. As a first step, in FY 2020, in order to assess the impact and the risks that may be applied to the whole Group, we have worked to identify salient human rights issues that should be addressed with priority. From FY2021 to FY2024, we conducted human rights due diligence across all businesses, identifying and assessing human rights risks. This initiative has led to a better understanding of business and human rights among employees.

Please refer to our website for the results of the human rights due diligence to date.

Having completed a round of human rights due diligence across all businesses, we conducted company-wide risk mapping in FY2024, based on matters such as the results of the previous human rights due diligence to date as well as the characteristics and risks of each business to identify businesses that pose high human rights risk within our Group. Moving forward, we will adopt a risk-based approach through enhanced human rights due diligence, including engagement with rights holders.

In addition, we have rolled out an e-learning with respect to the necessity of respecting human rights throughout the supply chain and human rights issues that require attention in conducting business activities to all employees on a non-consolidated basis. In FY2024, we expanded and completed this initiative to cover overseas regional organizations and consolidated subsidiaries.

(c) Grievance Mechanism（Whistleblower report for external stakeholders）

As we strive to identify human rights risks associated with our business activities and to prevent and mitigate adverse impacts on human rights through initiatives such as promoting awareness of respecting human rights and human rights due diligence, we recognize it difficult to avoid all adverse impact on human rights and important to promptly correct any adverse impacts that have occurred.

In addition to an internal whistleblower system for employees, we accept opinions and grievance from external stakeholders, including the general public and customers.

Since FY2024, we have been a regular member of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), a general incorporated association that provides a platform for redress of grievances in compliance with the UN Guiding Principles on Business and Human Rights, and we accept various opinions on human rights from external stakeholders on the platform provided by JaCER. We accept opinions through a third party with expertise to improve fairness and transparency. Besides, the content of grievance is reported to the management, including Chief Sustainability, DE&I Officer and the Corporate Sustainability Committee, to ensure that issues are corrected and prevented from recurrence in a timely and appropriate manner.

3. Risk Management

(a) Risk assessment of new investment

When conducting due diligence for making new investments, we assess environmental as well as human rights and labor risks, considering the characteristics of each business. To enhance the efficiency of the risk management process, we have prepared a self-assessment sheet based on risk information described in SASB standards and other relevant social and environmental risks to be used at the time of application of new investment to identify any anticipated risks and opportunities deriving from the nature of the businesses and characteristics of the regional characteristics where it operates. We also have a decision-making framework in meetings such as the Company Investment Committee where they consider social and environmental impacts for each business.

(b) Risk Assessment of Existing Businesses

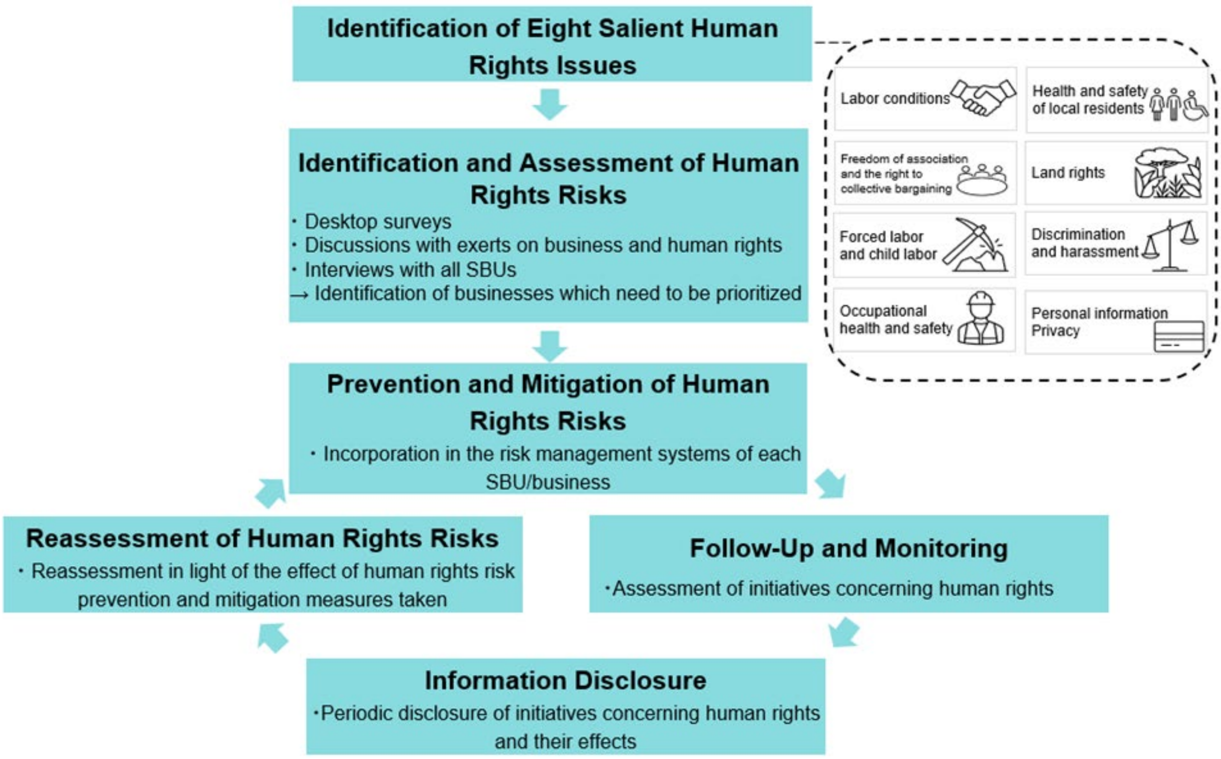
As mentioned above, we started conducting human rights due diligence from 2020.

＜Process of Human Rights Due Diligence＞

From FY 2021 to FY 2024, we interviewed all SBUs with the support from outside experts to confirm the actual business situation and actual examples including the impact on stakeholders, such as local residents and others related to the supply chain and business activities of each business. We also identified anticipated potential risks and discussed how those risks would be taken care of. Based on the results of the interview, we identified SBUs, or individual businesses within SBUs which should be prioritized in their efforts to reduce human rights risks, from the perspective of the likelihood of such risks occurring and the severity of the risks if it did occur. Corporate Sustainability Department and relevant SBUs and group companies are now considering and implementing specific measures to prevent or mitigate the identified human rights risks.

In order to undertake human rights due diligence using a risk-based approach going forward, it is necessary to identify businesses with high human rights risks. Therefore, in FY 2024, as mentioned above, we conducted company-wide risk mapping based on matters such as the results of human rights due diligence to date as well as the characteristics and risks of each business. Specifically, based on the OECD's due diligence guidance, we took into consideration four risk factors (sector, product, geographic, and enterprise-level) and sought the opinions of external experts to identify business areas within the Group that pose high human rights risks.

Timelines and ways of responding to human rights risks vary according to number of factors, including the severity of the risks and their level of involvement in each business. For this reason, each SBU and each group company should be responsible for their related human rights risks. For those risks which we identified and assessed through our human rights due diligence, each SBU and each group company prioritizes the risks based on their severity of the impact, incorporate them into concrete action plans, and implement the plan-do-check-act (PDCA) cycle. The progress of these initiatives will continuously be monitored and followed- up as concrete initiatives aiming to achieve the long-term and medium-term materiality goals and will be regularly reported to the Management Council and the Board of Directors from the Corporate Sustainability Committee for further discussion.



* Also promote human rights due diligence in SBUs/businesses other than those identified in human rights due diligence for all businesses.

(c) Response to the Report regarding Human Rights

Various human rights concerns raised by internal and external stakeholders through our grievance mechanism and group companies are reported to the management, including Chief Sustainability, DE&I Officer and the Corporate Sustainability Committee, to ensure that issues are corrected and prevented from recurrence in a timely and appropriate manner. The progress and measures taken are discussed and reported to the Corporate Sustainability Committee and the Management Council, depending on the importance of the issue.

4. Metrics and Targets

We have placed “Respect human rights” in Material Issues which we defined in FY 2024, and established long-term and medium-term goals as below. For details, please refer to “(1) Overall Picture of Sustainability Management, 4. Metrics and Targets.”

Material Issues	Long-term goals	Medium-term goals
Respect human rights	Respect the human rights of all stakeholders in all 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 • Reduce human rights risks by further strengthening human rights due diligence and grievance mechanisms across the entire supply chain • Promote initiatives and improve transparency through stakeholder engagement and enhancement of information disclosure Ensure a safe workplace environment

For details on the progress of human rights initiatives, please refer to the sustainability page of our website. And the progress of our initiatives in FY2024 are to be disclosed in the sustainability page in our website in September 2025.

(4) Disclosure on Human Capital

1. Governance

Important HR management policies, strategies, and measures are discussed at meetings of the Management Council. The Board of Directors defines directions and engages in supervision and monitoring accordingly.

2. Strategy

(a) Human Capital Policy and Philosophy

For over 400 years, we have inherited the Sumitomo business philosophy. One of its core tenets—"Recognize human resources as the most important asset"—represents our unwavering belief that our competitiveness and driving force behind our growth lie in our people. This culture of valuing our people has been perpetuated as an integral part of the Group’s DNA and this belief is reflected in our Management Principles and Activity Guidelines. We are practicing the vision and philosophy regarding global talent management as indicated in our Global HR Management Policy.

Our Sumitomo Corporation group, having engaged in global business development dealing with a diverse array, leverages our management capital to create new value by addressing social challenges, aiming to enhance corporate value sustainably over the medium to long term. The driving force behind this value creation model is our people — individuals with various knowledge and experience who envision and promote business. Therefore, our group continuously invests in the development and advancement of our human capital, ensuring that our diverse talent is empowered to take on challenges that shape a better future.

(b) Human Capital Initiatives

First, we enhance employees’ motivation and sense of belonging by sharing and embedding our Group’s DNA and corporate culture. This fosters an organizational climate where everyone unites as one toward common goals, transcending organizational boundaries. We also promote the creation of an environment where diverse talents are recognized, respected, and empowered to thrive in their own way. This cultivates a foundation for diverse ideas and innovation.

In addition, we develop talent with the skills, experience, and capabilities necessary for executing business strategies, and build a pipeline of global management talents. Such investments in growth opportunities for employees not only enhance individual market

value but also contribute to strengthening organizational capabilities.
Moreover, to maximize employees' productivity and performance, we are enhancing workplace environments and supporting the physical and mental well-being of our workforce. We also provide fair and transparent total rewards that include not only competitive compensation but also career development and personal growth opportunities.
Through these initiatives, we aim to realize a virtuous cycle where employee growth drives business growth, and the value generated is reinvested into our people. We believe that this sustainable cycle—powered by human capital—is the foundation of our Group's long-term success.

＜Ensuring Diversity＞
As a corporate group operating globally, we are committed to fostering an organizational culture where each individual with diverse perspectives and ways of thinking can demonstrate their unique capabilities. We believe that creating such an environment is key to unlocking individual potential, generating new value and innovation, and ultimately enhancing our corporate value. Specifically, we are implementing various initiatives as follows:

- Appointments and Career Support regardless of age, gender, nationality, etc.: A job grade system based on "Pay for Job, Pay for Performance", career development programs that support autonomous career development.
- Internal awareness for understanding diversity: Continuous holding of Diversity Weeks, including president panel discussion and messages from the managements, various training sessions, employee roundtable discussions on childcare and family care, alumni seminars, and family days co-hosted with the labor union.
- Support for Women's Empowerment: Implementing an internal mentorship program and offering internal and external management training programs, formation of women's community for mutual consultation within the company, flexible assignment responses to life events such as spouse transfers, etc.
- Support for Employees with Disabilities: Established Sumisho Well Support Co., Ltd., a special subsidiary company in 2014, for the purpose of improving the working environment for people with disabilities and promoting their employment and retention. The company actively supports continued employment by providing opportunities tailored to each individual's abilities and needs, and by developing a supportive environment where essential work habits and skills can be acquired.
- Initiatives for LGBTQ+: Welfare and HR systems applicable to same-sex partners, allowing the use of preferred names, and installation of universal restrooms for everyone regardless of gender, etc.

Note: The Sumitomo Corporation Group recognizes "Diversity, Equity and Inclusion（DE&I)" as "the core enabler for value creation, innovation and competitiveness." In terms of recruitment and appointments, we adhere to employment-related laws and regulations in each country and are committed to providing opportunities based on individual aptitude and ability. We do not engage in any form of unfair preference or discrimination based on personal attributes such as race, nationality, gender, age, sexual orientation, gender identity, gender expression, etc.

＜Health and productivity management and work style reform＞
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. To realize an output-oriented workstyle that generates high added value, we are promoting autonomous and flexible ways of working. Specifically, we are implementing various initiatives as follows:

- Development of infrastructure to support physical and mental health: In-house medical clinics (internal medicine, dentistry, and psychosomatic medicine), a counseling center, and massage rooms.
- 'Women's health awareness: Internal FemTech exhibitions where products can be viewed in person.
- Health literacy and preventive care initiatives: Various health seminars are conducted from the perspective of early detection and prevention. In collaboration with the health insurance society, we implement health promotion programs. Stress assessments are conducted globally, including overseas offices, and the results are used to improve workplace environments. Global medical support is also provided for employees on overseas assignments. Additionally, interviews are conducted with

employees working long hours to identify root causes and promptly implement corrective measures to prevent excessive working hours.

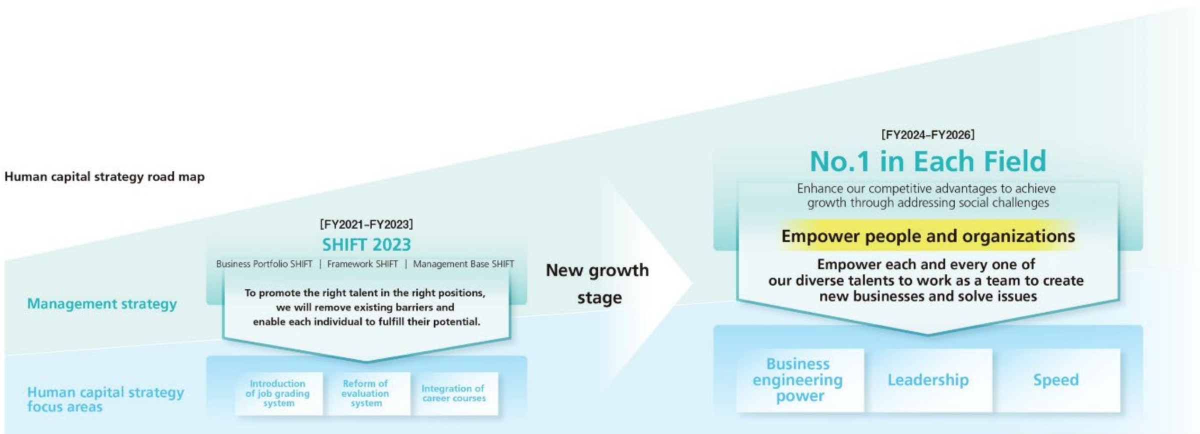
- Various support programs: Subsidies for medical checkups and comprehensive health screenings, advanced healthcare expense coverage program, and enhanced support for health, childcare, and family care through the Company's cafeteria plan.
- Promotion of flexible working styles: Introduction of teleworking system, super flexible work hours system, and dress code modification.
- Programs to support diverse life and career paths: Providing support system for employees with overseas assignments to accompany only their children, encouraging men to take childcare leave, a reinstatement program for employees who resign due to a spouse's job transfer, partnering with childcare facilities, and seminars on caregiving issues, and consultation sessions with family care experts.

(c) Human Capital Strategy Roadmap

In addition to a long-term perspective, we are promoting our human capital strategy by identifying the measures to be focused on at each strategic stage to enhance our strategy execution capability towards the realization of the Medium-Term Management Plan. In the previous Medium-Term Management Plan, we worked on the foundation of our HR systems as part of the Management Base Shift. Specifically, we introduced the job grading system, which eliminates seniority-based management and determines grades based on the scope of the job. We also reformed the evaluation system, shifting from relative evaluations based on comparisons with others to absolute evaluations focused on individual development. Additionally, we integrated career courses, eliminating course-based personnel management and unifying them under the professional track. These three measures aimed to remove existing barriers and achieve the right talent in the right position, enabling each individual to maximize their performance.

In the Medium-Term Management Plan 2026, which started in 2024, we have positioned "Empowering People and Organizations" as one of the key elements to achieve the “No.1 in Each Field.” In the current Medium-Term Management Plan, having made significant progress in our growth stage, we will enhance our strategy execution capability by unleashing the power of our people and organizations more than ever before. In the face of rapidly evolving VUCA business environment, we are empowering our diverse talents to "Unlock Your Power," and passionately pursue the realization of "Enriching lives and the world." By cultivating an engaging work environment, we are enabling our people to unleash their full potential, driving the creation of new business opportunities, and addressing social challenges. Specifically, we are prioritizing "Business Engineering Power," "Leadership," and "Speed" as critical capabilities for our people and organizations, and implementing various measures to ensure dynamic growth.

- Development of management talent: To systematically develop successors for future key positions, we aim to nurture rich and strong talent pipelines of individuals who have acquired the necessary skills and experience. We cultivate management talent by identifying high-potential talent at an early stage through nomination, building talent pools, assigning them to challenging developmental roles, and implementing a continuous development cycle.
- Initiatives to fulfill the willpower and potential of diverse individuals: Respecting the willpower of each employee and supporting autonomous career development, we have expanded our internal job posting system to be more flexible. As part of providing equal career development opportunities, we introduced an e-learning platform in April 2024 that allows employees to learn anytime, anywhere, at their own pace. For future employees, we conduct a "WILL-based” hiring process during new graduate recruitment in Japan, which allows initial assignments to be determined before joining the company, which is intended to value each job applicant's "willingness to be engaged in a specific business field."
- Line manager empowerment: We delegate authority over HR-related matters such as appointments, transfers, and evaluations to line managers, enabling them to engage more effectively with each employee and promote efficient and effective organizational management in alignment with the strategy. We focus on improving the skills required of line managers, providing e-learning and opening a website dedicated to line managers.



3. Risk Management

For further details, please refer to “(3) Risks by type 15. Risks related to human capital”.

4. Metrics and Targets

Indicator	Actual ratio		Goal
	FY2023 *1	FY2024 *1	
(a) Great place to work and employee engagement (*1)			
Employee engagement index	68%	70%	Maintain or improve year-on-year levels
Employee enablement index	68%	71%	
(b) Women's empowerment (*2)			
Female manager ratio	9.6%	10.4%	20% or more
Female Department General Manager ratio	2.4%	2.6%	10% or more
Female Director and Audit & Supervisory Board Member ratio	18.8%	18.8%	30% or more
			(Goals to be achieved by FY2030) (*3)

*1 Indicators and goals are not set for all companies in Sumitomo Corporation Group. Regarding “Great place to work and employee engagement,” indicators and goals of the Company and offices at both domestic and overseas are listed.

*2 Regarding “Women's empowerment,” indicators and goals of the Company (as of April 1 of the year following the fiscal year) are listed.

*3 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.

(a) Great place to work and employee engagement Employee engagement index and employee enablement

Starting in FY2023, we are conducting an annual engagement survey on a global basis. This involves surveying employees worldwide, including those hired at both domestic and overseas offices. Based on our policy and approach to human capital as outlined above, we believe that as we implement initiatives related to human capital, the indicators measured by the engagement survey—namely, “employee engagement” and “employees enablement”—will improve. This survey assesses two key areas: (1) employees’ level of commitment to the organization and their willingness to take initiative in their work, and (2) whether their work environment enables them to maximize their performance. The results of the survey are shared with employees, and various initiatives are implemented at each workplace. The annual goals of executive officers also include numerical targets related to engagement and DE&I, and the results of the survey will be reflected in the share grant ratio of their restricted performance share unit-based remuneration.

(b) Women's empowerment

To continuously foster female professionals who thrive globally across diverse fields, the Company has set the goals to be achieved in FY 2030 in light of the present circumstances, and is steadily advancing related initiatives.

In 2022, the Company integrated career courses and eliminated the rigorous course-based career system. This system had been a long-standing practice in Japan, which created a glass ceiling for women who are recruited for administrative roles, limiting them from pursuing a broader range of career paths. By integrating career courses into a single professional track, the Company transitioned to a framework that enables career development based on individual skills, capabilities, and aspirations, regardless of previous job classifications. In addition to existing support measures that help employees balance life events and work, the Company has implemented enhanced initiatives to further accelerate the promotion and development of female leaders. These initiatives were developed through senior management discussions. These include flexible assignment in response to life events such as spouse transfers, formation of women's community for mutual consultation within the company. By removing barriers to success, the Company aims to provide an environment where individuals are empowered to demonstrate their full potential and pursue continuous growth. Furthermore, each organization is also addressing its specific challenges through initiatives such as mentoring programs, coaching, and networking opportunities.

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.

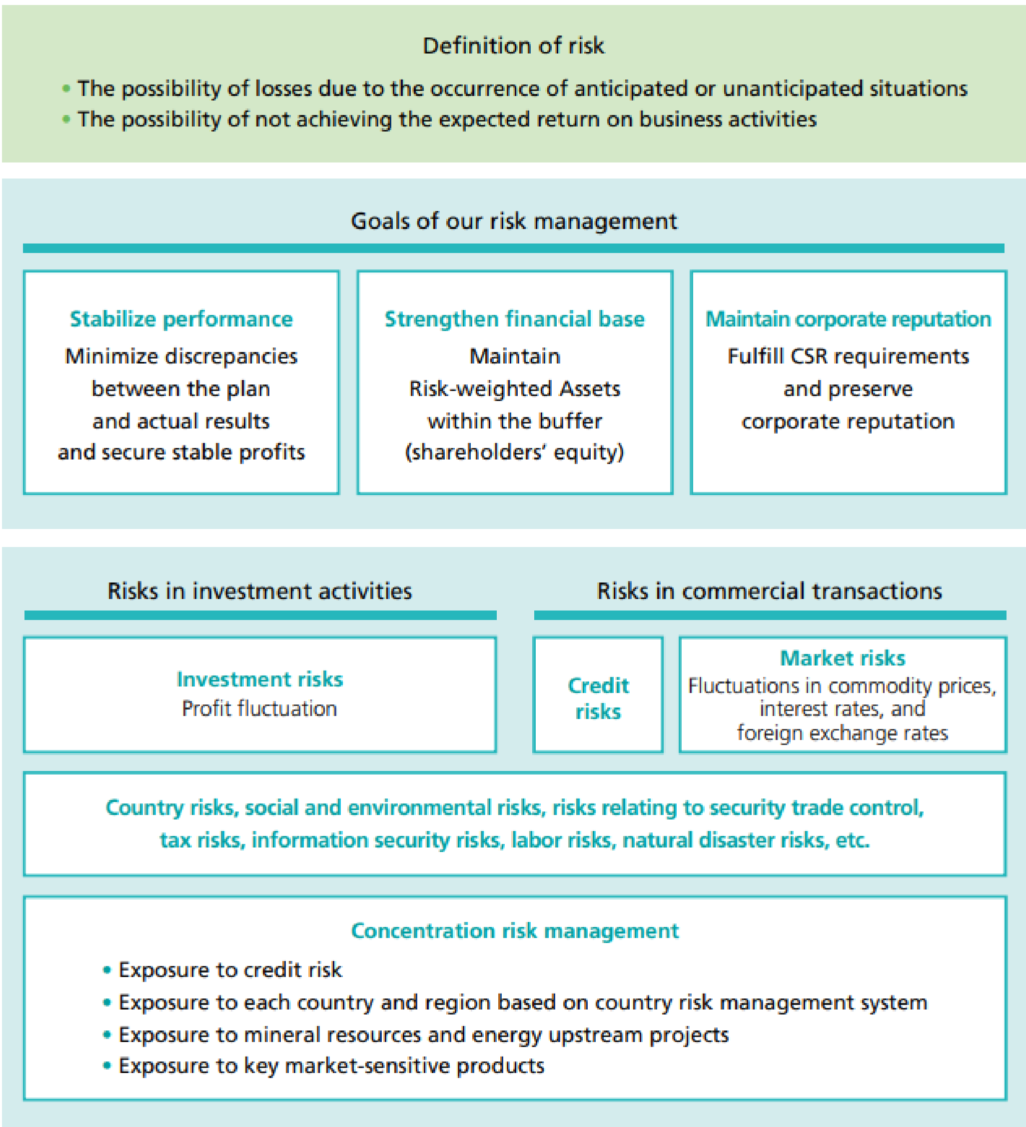
Unless otherwise stated, the future information is based on the Company's judgments, plans and forecasts based on certain assumptions as of the end of the current consolidated fiscal year, and may not be realized due to various factors. There is also a possibility that the Medium-Term Management Plan, 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 315 consolidated subsidiaries and 192 equity-accounted investees as of the end of this consolidated fiscal year (*1). 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 operational reasons such as loss of key customers, escalation of raw material costs, 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.

(*1) As of March 31, 2025, a total of 339 sub-consolidated subsidiaries and 72 associated companies are excluded from the count above. These include companies that are sub-consolidated and accounted for under the equity method by other subsidiaries.

(a) When making new investments

The Company identifies "investment thesis" 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, calculating the "fair price" of investment targets through the application of discount rates corresponding to these industry/business risks, as well as evaluating investment opportunities through strict investment discipline which was established in 2021 based on a comprehensive analysis of factors such as missed targets and losses incurred in past major investments. Decisions on investment matters at each stage of consideration and execution are made at meetings of the Company's Management Council and its advisory body, the Company's Investment Committee, or the Group Management Council (the investment decision-making body of each business group) 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.

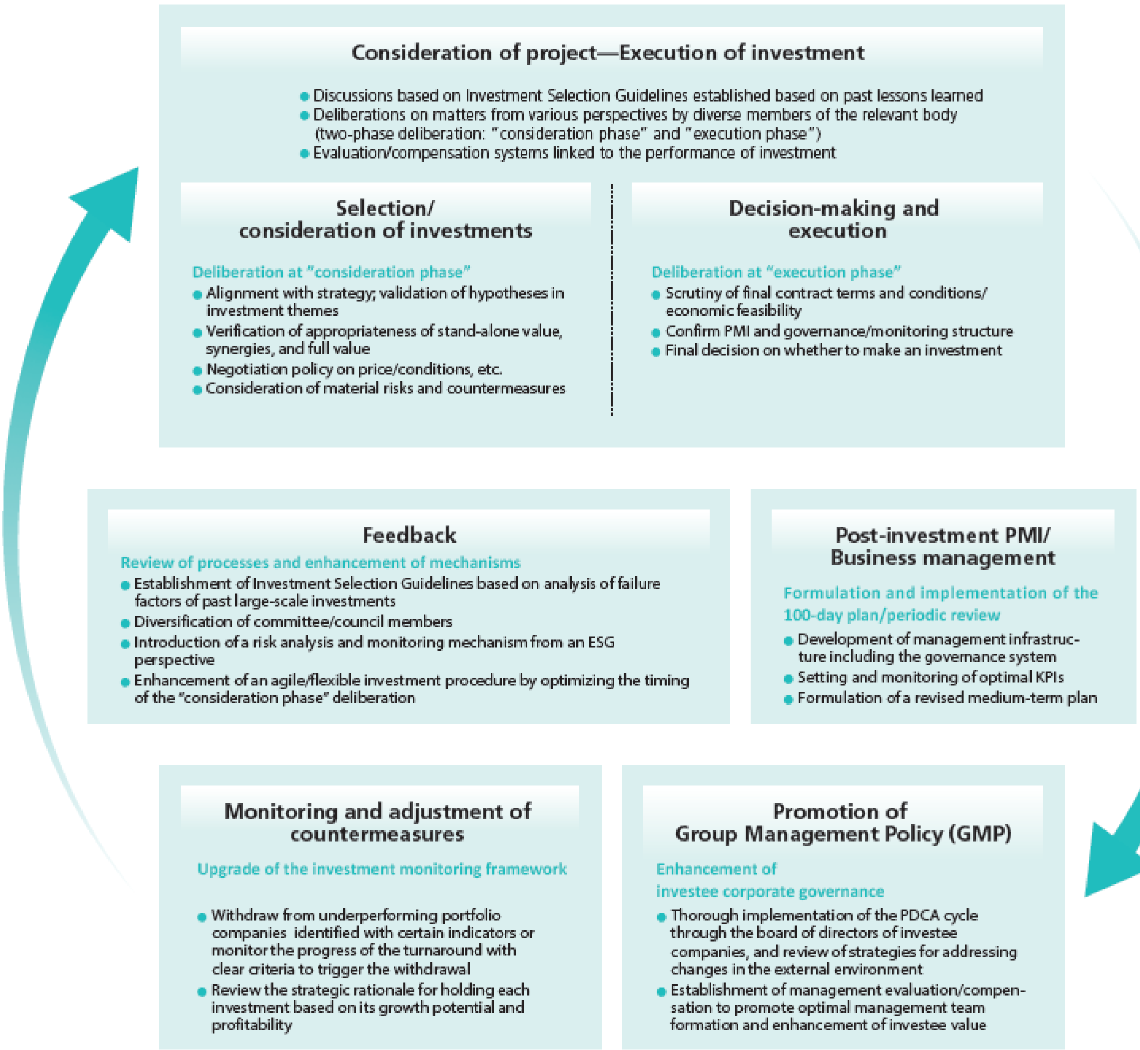
(b) After making investments

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, the "100-day plan (*2) execution support system," which provides integrated support functions, has been established. In addition, we introduced a "full potential plan" investment monitoring system in fiscal 2018 where 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). As the quality of the investment portfolio had been improved through the full potential plan, we have revised the monitoring system which is effective in fiscal 2025. The new system identifies candidates for withdrawal based on certain quantitative criteria, and based on the policy of autonomous management of each business group, the framework of the investee review system has been upgraded in order to further focus on the growth potential and profitability of each investee, as well as the progress of new investments, which is intended to lead to further optimization of our business portfolio. In addition, with the aim of enhancing group governance, 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 improvement of business value.

Furthermore, to enhance the commitment of our people in charge to value-up of the investment portfolio, a new incentive plan linked to the performance of each of the newly invested companies was implemented.

(*2) Activities, performed mainly in the first 100 days immediately after the investment has been executed, to build and maintain management infrastructure aimed at drawing up a medium-term plan that seeks to maximize business value, including management and financial indicators should be targeted.

Investment risk management framework



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, so efforts are being made to control these aforementioned risks through portfolio management.

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

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

(c) Production volumes falling 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

(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 company, 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 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. We are promoting initiatives such as a continuous shift to a business portfolio with a lower environmental burden including a shift to renewable energy in the Group's power generation business. In addition, regarding respect for human rights, we have set a goal to ensure that human rights are respected across all of our businesses and supply chains. Based on the results of the human rights due diligence conducted across all of our businesses and supply chains, we have conducted company-wide risk mapping and identified business areas within the Group that pose high human rights risks. Each SBU and each group company will take the initiative in working to reduce and prevent human rights 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 groups, 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, we have established basic regulations on internal controls and are working on enhancing group governance and improving the overall quality of groupwide operations through the development, operation, evaluation, and improvement of appropriate internal controls.

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."

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 in a timely manner, we strive to create a more attractive work environment where diverse talents with wide-ranging knowledge and experience can feel fulfilled and dedicated to pioneering future challenges. This is achieved through initiatives such as hiring year-round, talent development and training, promoting health management, work style reforms, offering competitive compensation, and providing career development opportunities.

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 groups 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.
- Project values are regularly monitored for upstream resource and energy projects.
- 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) Economic Environment

Although the global economy continued to gradually recover during the year, policy uncertainty grew due to governmental changes in many countries. In particular, political and economic uncertainty worldwide has increased since the US presidential election, dampening the economic outlook. In the United States, household consumption drove economic activity on the back of strong employment while financial policy shifted to easing for the first time in approximately two and a half years due to sluggish investment activity. In Europe, economic recovery was delayed due to persistently high energy prices, stagnant green investment, and other negative factors, leading to a shift in governmental policy to increase fiscal spending to support a return to the growth track. In China, the ongoing real estate issue weighed down an economic recovery, and domestic demand remains weak. Although Asian countries continued to recover, the pace of recovery slowed due to stronger export pressure from China and the US tariff hike.

While there have been some moves toward a ceasefire agreement in the ongoing conflicts between Russia and Ukraine and between Israel and Hamas, the situation continues to be unpredictable. The United States' exit from international frameworks such as the Paris Agreement, the WHO, and the IPEF (Indo-Pacific Economic Framework), along with its reduced involvement in NATO, has influenced the business decisions of many companies and resulted in changes to global trade and investment. Furthermore, growing backlash against ESG and DE&I, particularly in the United States, and a review of sustainability-related measures in Europe have affected investments and financing in renewable energy and sustainability-related projects by financial institutions and enterprises.

In the international commodity markets reflected anxiety over the future, with gold prices reaching record highs. In the energy sector, European natural gas prices rose due to severe cold weather, although this was only a temporary rise. In the petroleum sector, prices remained generally low despite coordinated production cuts. On the other hand, concerns have risen regarding the supply of minerals related to climate change and security, while demand for electric vehicles and wind power generation has weakened, leading to unstable supply and demand balances of these minerals.

The Japanese economy has shown a steady recovery, with nominal gross domestic product (GDP) surpassing 600 trillion yen for the first time. Capital investment has also continued to recover due to initiatives like GX (green transformation) and DX (digital transformation). On the other hand, personal consumption remained flat due to rising prices, mainly food, and the lack of steady growth in real wages.

The exchange rate has temporarily dropped to 160 yen per dollar, the lowest level in approximately 35 years.

Reflecting strong corporate earnings, the Nikkei Stock Average surged to a record high of around 42,000 yen.

However, it later fell back due to a pause in the foreign exchange market, rising long-term interest rates, and growing uncertainty about the future.

(2) Operating Results

	Billions of Yen			Millions of U.S. Dollars	Remarks
	2025	2024	Increase/ (Decrease)	2025	
Revenues	7,292.1	6,910.3	+381.8	48,646	
Gross profit	1,444.8	1,342.5	+102.3	9,638	- Automotive sales & marketing: stable - Digital business: increasing earnings from the acquisition of Net One Systems by SCSK - Overseas IPP/IWPP business: increasing earnings from existing businesses
Selling, general and administrative expenses	(1,039.7)	(927.6)	(112.1)	(6,936)	- Impact of increases mainly in personnel costs
Gain (loss) on property, plant and equipment, net (*1)	(0.2)	(30.7)	+30.4	(1)	
Other, net	(11.9)	(30.0)	+18.1	(79)	
Interest expense, net of interest income	(27.3)	(16.3)	(10.9)	(182)	
Dividends	14.9	13.7	+1.3	99	
Gain (loss) on securities and other investments, net	38.0	3.7	+34.3	254	- Gain related to selling T-Gaia in FY2024
Share of profit (loss) of investments accounted for using the equity method	277.0	172.4	+104.6	1,848	- Absence of provision for doubtful receivables in telecommunications business in Myanmar in FY2023 - Absence of impairment loss in Nickel mining & refining business in Madagascar in FY2023 - Absence of profits from the divestment of the retail portfolio in the tire business in the U.S. in FY2023
Profit before tax	695.6	527.6	+167.9	4,640	
Income tax expense	(86.6)	(101.5)	+14.9	(578)	
Profit for the year	609.0	426.1	+182.9	4,063	
Profit for the year attributable to: Owners of the parent	561.9	386.4	+175.5	3,748	

(*1) Gain (loss) on property, plant and equipment, net =Sum of Impairment reversal (loss) on long-lived assets and Gain (loss) on sale of long-lived assets, net

(3) Operating Segment

We conduct business through nine industry-based business operating segments (business groups).

Our nine business segments consist of Steel; Automotive; Transportation & Construction Systems; Diverse Urban Development; Media & Digital; Lifestyle Business; Mineral Resources; Chemical Solutions; Energy Transformation Business.

As of April 1, 2024, the "Business Units", "Energy Innovation Initiative" along with its "Divisions" and" Departments" have been removed and we operate our organization based on Strategic Business Units (SBUs). SBUs are structured into nine "Groups". 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, 2025 and 2024.

Breakdown of Gross profit by operating segment

	Billions of Yen				Millions of U.S. Dollars
	2025	2024	Increase/ (Decrease)	Increase/ (Decrease) (%)	2025
Steel	¥ 188.3	¥ 191.4	¥ (3.1)	(1.6)	$ 1,256
Automotive	166.2	156.4	+9.8	6.3	1,109
Transportation & Construction Systems	200.3	184.4	+15.9	8.6	1,336
Diverse Urban Development	119.6	117.1	+2.5	2.1	798
Media & Digital	164.2	133.6	+30.6	22.9	1,095
Lifestyle Business	236.2	218.0	+18.2	8.3	1,576
Mineral Resources	47.9	46.4	+ 1.4	3.0	320
Chemical Solutions	153.9	147.2	+6.7	4.6	1,027
Energy Transformation Business	166.0	157.4	+8.6	5.5	1,107
Segment Total	1,442.6	1,351.8	+90.7	6.7	9,624
Corporate and Eliminations	2.2	(9.3)	+11.6	—	14
Total	¥ 1,444.8	¥ 1,342.5	¥ 102.3	7.6	$ 9,638

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

	Billions of Yen		Millions of U.S. Dollars		Remarks
	2025	2024	Increase/ (Decrease)	2025	
Steel	68.4	69.2	(0.8)	456	- Tubular products: despite the weakening market conditions in North America, other regions performed strongly - Steel sheets: impact of sluggish demand in China and other regions
Automotive	51.2	51.8	(0.7)	342	- Automotive sales & marketing, domestic auto leasing business: stable
Transportation & Construction Systems	101.5	96.2	+5.3	677	- Transportation: stable mainly in leasing business and ship business - Construction & mining systems: profit decrease due to a slowdown in construction demand growth, and the increased costs of depreciation and others
Diverse Urban Development	77.1	46.5	+30.6	514	- Real estate: profit increased, driven by the promotion of asset turnover
Media & Digital	45.2	(1.0)	+46.3	302	- Major domestic businesses: stable - Telecommunications in Ethiopia: increase in start-up cost among others - Gain related to selling T-Gaia in FY2024 - Recognized provision for doubtful receivables in telecommunications in business in Myanmar in FY2023
Lifestyle Business	14.1	(3.7)	+17.8	94	- Fresh produce business in Europe and the Americas: banana and pineapple business performed strongly, recognized impairment loss on fixed assets in FY2023 - Mushroom business in North America: improved by measures to ensure stable production
Mineral Resources	91.1	(9.5)	+100.6	608	- Increase in copper and aluminum price, and other factors - Recognized impairment loss in nickel mining & refining business in Madagascar in FY2023
Chemical Solutions	21.4	16.4	+5.0	143	- Life Science: strong performance in pharmaceuticals trading & pet care business, recognized loss from the sale in FY2023 - Agribusiness: decrease in demand due to the impact of unusual weather in FY2023 and falling market price, recognized bad debt expense in FY2024
Energy Transformation Business	96.4	84.3	+12.1	643	- Overseas IPP/IWPP business: strong
Segment Total	566.4	350.1	+216.3	3,779	
Corporate and Eliminations	(4.5)	36.3	(40.8)	(31)	- Impact of revisions to the internal cost allocation policy in managerial accounting
Total	561.9	386.4	+175.5	3,748	

(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

There are no noteworthy matters in the year ended March 31, 2025. 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;
- under long-term construction contracts.

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

- services related to customized software development;
- 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;
- fees and commissions received on transactions for which we act as an agent.

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 Company recognizes 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) Material 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 material accounting policies, please refer to "Note 3. Material Accounting Policies to our consolidated financial statements."

The followings are the material 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 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. If the equity method investment loss recognized excesses the amount of the equity method investment in shares of the Project Companies, it is allocated to long-term interests, such as loans, that are considered to be substantially net investments. 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, and use key assumptions, including production volume at the Project Companies, future natural resources prices (mainly mid-long term price outlook of nickel and cobalt), as well as the discount rates for the estimating of its recoverable amounts.

The Restructuring Plan (a debt restructuring process under English law; "UK Restructuring Plan") filed by the Project Companies with the English Court was approved in November 2024, and the debt restructuring process was completed in December 2024.

As a result of considering the current situation and the recoverability of shareholder loans to the Project Companies, losses were recorded for the entire amount, including committed amount but not yet contributed under the UK Restructuring Plan. The loss of ¥14,107 million is included in "Share of profit (loss) of investments accounted for using the equity method" and the loss of ¥4,752 million is included in "Other, net" in the Consolidated Statements of Comprehensive Income.

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 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 revenue of parking business, 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

	Billions of Yen			Millions of U.S. Dollars	Remarks
	2025	2024	Increase/ (Decrease)	2025	
Total assets	11,631.2	11,032.6	+598.6	77,593	- Increase in operating assets - Net One Systems newly consolidated by SCSK
Shareholders' equity (*1)	4,648.5	4,445.5	+203.0	31,011	- Profit for the year - Dividend paid, share repurchased
Interest-bearing Liabilities (net) (*2)	2,672.5	2,523.4	+149.1	17,829	
D/E Ratio (net) (*3)	0.6	0.6	±0.0pt	—	

(*1) Shareholders' equity = equivalent to equity attributable to owners of the parent in consolidated statements of financial position.

(*2) Interest-bearing liabilities (net)= Sum of bonds and borrowings (current and non-current) – (cash and cash equivalents + time deposits) (excluding lease liabilities)

(*3) D/E Ratio (net) = Interest-bearing liabilities (net) / Shareholders' equity

(8) Cash Flows

	Billions of Yen		Millions of U.S. Dollars	Remarks
	2025	2024	2025	
Cash flows from operating activities	612.3	608.9	4,085	- Steady cash generation by core businesses
Cash flows from investing activities	(461.4)	(219.2)	(3,078)	- Investment: Investment in the manufacturing business for the foundation of offshore wind power generation Investment in BIA Group, the distributor of construction and mining equipment Acquisition of domestic and overseas properties Investment in Net One Systems by SCSK Investment in city gas business in India, etc. - Asset replacement: Sale of cross-shareholdings Sale of T-Gaia, etc.
Free Cash Flows	150.9	389.6	1,007	
Cash flows from financing activities	(247.4)	(415.5)	(1,650)	- Dividend paid, share repurchased

	2025	2024	2025
Cash and cash equivalents at the end of year	570.6	667.9	3,807

(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, 2025, we had ¥3,254.7 billion of bonds and borrowings. Our short-term debt, excluding current maturities of long-term debt, was ¥292.5 billion, an increase of ¥6.5 billion from March 31, 2024. The entire amount is short-term debt, principally from banks. As of March 31, 2025, we had bonds and long-term debt of ¥2,962.3 billion, an increase of ¥46.5 billion from March 31, 2024, including current maturities of ¥287.6 billion. As of March 31, 2025, the balance of our borrowings from banks and insurance companies was ¥2,310.9 billion, a decrease of ¥71.1 billion from March 31, 2024, and the balance of notes and bonds was ¥651.3 billion, an increase of ¥117.6 billion from March 31, 2024.

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 net worth 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 Green Bonds. In February 2024, we expanded the scope of this framework to include more socially relevant businesses and revised it into the Sustainable Finance Framework.

As of March 31, 2025, our long-term and short-term credit ratings are Baa1/P-2 (stable outlook) from Moody's Investors Service, A-/A-2 (stable outlook) from Standard & Poor's and AA-/a-1+ (stable outlook) from Rating and Investment Information, Inc.
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 and Sumitomo Corporation Capital Europe;
- 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, 2025, 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 ¥79.0 billion multi-currency facility;
- ¥135.0 billion line of credit provided by a syndicate of Japanese regional banks.

Capital resources and liquidity

As of March 31, 2025 and 2024			Billions of Yen		Millions of U.S. Dollars
			2025	2024	2025
Short-term			¥ 292.5	¥ 286.0	$ 1,951
	Loans, principally from banks		292.5	212.8	1,951
	Commercial paper		—	73.2	—
Long-term, including current maturities of long-term debt			2,962.3	2,915.8	19,762
	Secured long-term debt				
		Loans	250.4	284.3	1,670
	Unsecured long-term debt				
		Loans	2,060.5	2,097.7	13,747
		Bonds and notes	651.3	533.7	4,345
Interest-bearing liabilities (gross)			3,254.7	3,201.7	21,713
Cash and cash equivalents & time deposits			582.2	678.3	3,884
Interest-bearing liabilities (net)			2,672.5	2,523.4	17,829
Total assets			11,631.2	11,032.6	77,593
Equity attributable to owners of the parent			4,648.5	4,445.5	31,010
Equity attributable to owners of the parent ratio (%)			40.0	40.3	

Debt-Equity Ratio (gross) (times)	0.7	0.7	
Debt-Equity Ratio (net) (times)	0.6	0.6	

As of March 31, 2025, 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	¥ 580.1	¥ 88.9
1-2 years	411.6	72.7
2-3 years	432.7	64.2
3-4 years	336.2	49.9
4-5 years	413.2	35.7
More than 5 years	1,080.9	217.5
Total	¥ 3,254.7	¥ 528.9

	Millions of U.S. Dollars	
	Bonds and borrowings	Lease liabilities
Less than 1 years	$ 3,870	$ 593
1-2 years	2,746	448
2-3 years	2,886	387
3-4 years	2,243	324
4-5 years	2,756	250
More than 5 years	7,211	1,526
Total	$ 21,712	$ 3,528

As of March 31, 2025, 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 ¥ 901.8 billion.
As of March 31, 2025, 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 "Note 36. Commitments and Contingent Liabilities to our consolidated financial statement." 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 ¥123.7 billion in acquisitions of property, plant and equipment and investment property and ¥562.2 billion in acquisitions of business and other investments in the year ended March 31, 2025. 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, 2025, we are contingently liable for guarantees (continuing through 2050) in the aggregate amount of ¥194.0 billion, including ¥131.3 billion relating to our equity-accounted investees and ¥62.7 billion to third parties. The guarantees are primarily to enhance the credit standings of our equity-accounted investees, suppliers and customers.

(11) 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, 2025, we had fair value exposure on our marketable equity securities in the aggregate amount of ¥196.8billion.

Risk Management Structure

Any business group 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.

5. Information about Audits

(1) Details of fees paid or payable to the certified public accountant auditor

The table below shows the amount of fees paid or payable to KPMG AZSA LLC by the Company and its consolidated subsidiaries, for the years ended March 31, 2025 and 2024.

	2025				2024	
	Audit fees		Non-audit service fees		Audit fees	Non-audit service fees
	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of Yen
Company	¥ 546	$ 4	¥ 19	$ 0	¥ 525	¥ 16
Subsidiaries	642	4	12	0	530	76
Total	1,188	8	31	0	1,055	92

(2) Details of fees paid or payable to the member firms which belong to the same network to which KPMG AZSA LLC belongs

The table below shows the amount of fees paid or payable to the member firms of KPMG (excluding KPMG AZSA LLC) by the Company and its consolidated subsidiaries, for the years ended March 31, 2025 and 2024.

	2025				2024	
	Audit fees		Non-audit service fees		Audit fees	Non-audit service fees
	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of U.S. Dollars	Millions of Yen	Millions of Yen
Company	¥ −	$ −	¥ 23	$ 0	¥ −	¥ 7
Subsidiaries	2,871	19	515	3	2,925	487
Total	2,871	19	538	3	2,925	494

Consolidated Statement of Financial Position

Sumitomo Corporation and Subsidiaries

As of March 31, 2025 and 2024

	Millions of Yen		Millions of U.S. Dollars
	2025	2024 As restated	2025
ASSETS			
Current assets:			
Cash and cash equivalents (Note 9)	¥ 570,617	¥ 667,852	$ 3,807
Time deposits	11,626	10,447	78
Marketable securities (Notes 6, 9 and 27)	7,662	12,896	51
Trade and other receivables (Notes 2, 7, 9, 11 and 27)	2,028,193	1,912,657	13,530
Contract assets (Note 2, 27 and 28)	23,544	74,295	157
Other financial assets (Note 27)	157,864	176,934	1,053
Inventories (Notes 9 and 10)	1,653,842	1,486,770	11,033
Advance payments to suppliers	144,733	131,137	965
Assets classified as held for sale	4,622	7,058	31
Other current assets (Note 16)	471,429	457,892	3,145
Total current assets	5,074,132	4,937,938	33,850
Non-current assets:			
Investments accounted for using the equity method (Notes 9 and 11)	3,010,489	2,857,899	20,083
Other investments (Notes 6, 9 and 27)	437,632	485,540	2,919
Trade and other receivables (Notes 2, 7, 9, 11 and 27)	492,508	499,122	3,286
Other financial assets (Note 27)	206,131	228,372	1,375
Property, plant and equipment (Notes 8, 9 and 12)	1,232,605	1,152,019	8,223
Intangible assets (Notes 8 and 13)	640,729	349,829	4,274
Investment property (Notes 8, 9 and 14)	380,315	361,774	2,537
Biological assets (Note 15)	36,803	39,635	247
Deferred tax assets (Note 16)	48,246	47,055	322
Other non-current assets	71,571	73,400	477
Total non-current assets	6,557,029	6,094,645	43,743
Total assets (Note 4)	¥ 11,631,161	¥ 11,032,583	$ 77,593

	Millions of Yen		Millions of U.S. Dollars
	2025	2024 As restated	2025
LIABILITIES AND EQUITY			
Current liabilities:			
Bonds and borrowings (Notes 17, 18 and 27)	¥ 580,054	¥ 745,186	$ 3,870
Trade and other payables (Notes 11, 19 and 27)	1,822,237	1,713,936	12,156
Lease liabilities (Notes 8, 11 and 18)	88,880	77,651	593
Other financial liabilities (Note 27)	113,971	139,118	760
Income tax payables	56,033	46,068	374
Accrued expenses	149,318	147,383	996
Contract liabilities (Note 28)	191,147	133,999	1,275
Provisions (Note 20)	33,392	24,689	223
Other current liabilities (Note 27)	226,608	112,553	1,512
Total current liabilities	3,261,640	3,140,583	21,759
Non-current liabilities:			
Bonds and borrowings (Notes 17, 18 and 27)	2,674,690	2,456,547	17,843
Trade and other payables (Notes 11, 19 and 27)	52,262	50,796	349
Lease liabilities (Notes 8, 11 and 18)	440,014	427,457	2,935
Other financial liabilities (Note 27)	86,841	60,245	579
Accrued pension and retirement benefits (Note 21)	23,030	23,644	154
Provisions (Note 20)	48,051	42,839	321
Deferred tax liabilities (Note 16)	159,075	158,168	1,061
Total non-current liabilities	3,483,963	3,219,696	23,242
Total liabilities	6,745,603	6,360,279	45,001
Equity:			
Common stock (Note 22)	221,023	220,423	1,475
Additional paid-in capital (Note 23)	236,087	252,709	1,575
Treasury stock	(4,289)	(2,733)	(29)
Other components of equity (Note 24)	897,943	1,077,039	5,990
Retained earnings (Note 23)	3,297,698	2,898,056	21,999
Equity attributable to owners of the parent	4,648,462	4,445,494	31,010
Non-controlling interests	237,096	226,810	1,582
Total equity	4,885,558	4,672,304	32,592
Total liabilities and equity	¥ 11,631,161	¥ 11,032,583	$ 77,593

See the accompanying notes to the consolidated financial statements.

For restatement of the previous fiscal year, please refer to "2. Basis of Preparation (6) Other".

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2025 and 2024

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Revenues:			
Sales of tangible products	¥ 6,546,879	¥ 6,223,423	$ 43,675
Sales of services and others	745,205	686,879	4,971
Total revenues (Notes 4, 8, 14, 27, 28 and 31)	7,292,084	6,910,302	48,646
Cost:			
Cost of tangible products sold	(5,483,312)	(5,228,493)	(36,580)
Cost of services and others	(364,017)	(339,321)	(2,428)
Total cost (Notes 12, 13, 14, 21, 27 and 31)	(5,847,329)	(5,567,814)	(39,008)
Gross profit (Note 4)	1,444,755	1,342,488	9,638
Other income (expenses):			
Selling, general and administrative expenses (Notes 12, 13 and 30)	(1,039,732)	(927,594)	(6,936)
Impairment reversal (loss) on long-lived assets (Notes 12, 13 and 14)	(7,471)	(37,412)	(50)
Gain (loss) on sale of long-lived assets, net	7,255	6,752	48
Other, net (Note 31)	(11,928)	(30,031)	(79)
Total other income (expenses)	(1,051,876)	(988,285)	(7,017)
Finance income (costs):			
Interest income	70,703	72,014	472
Interest expense	(97,954)	(88,328)	(654)
Dividends	14,926	13,675	100
Gain (loss) on securities and other investments, net (Note 27)	38,047	3,710	254
Finance income (costs), net (Note 31)	25,722	1,071	172
Share of profit (loss) of investments accounted for using the equity method (Notes 4 and 11)	276,966	172,372	1,848
Profit (loss) before tax	695,567	527,646	4,640
Income tax expense (Note 32)	(86,601)	(101,530)	(578)
Profit (loss) for the year	608,966	426,116	4,062
Profit (loss) for the year attributable to:			
Owners of the parent (Note 4)	¥ 561,859	¥ 386,352	$ 3,748
Non-controlling interests	47,107	39,764	314

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	(26,953)	75,167	(180)
Remeasurements of defined benefit pension plans	(8,031)	10,345	(54)
Share of other comprehensive income of investments accounted for using the equity method	(3,812)	5,517	(25)
Total items that will not be reclassified to profit or loss	(38,796)	91,029	(259)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	(90,632)	358,465	(604)
Cash-flow hedges	(25,650)	20,899	(171)
Hedging cost	3,193	1,628	21
Share of other comprehensive income of investments accounted for using the equity method	11,879	(1,275)	79
Total items that may be reclassified subsequently to profit or loss	(101,210)	379,717	(675)
Other comprehensive income, net of tax (Note 24)	(140,006)	470,746	(934)
Comprehensive income for the year	468,960	896,862	3,128
Comprehensive income for the year attributable to:			
Owners of the parent	¥423,957	¥847,100	$ 2,828
Non-controlling interests	45,003	49,762	300

Earnings per share (Note 33):	Yen		U.S. Dollars
Basic	¥463.66	¥315.87	$ 3.09
Diluted	463.32	315.64	3.09

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, 2025 and 2024

For the year ended March 31, 2025 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	¥ 220,423	¥ 252,709	¥ (2,733)	¥ 1,077,039	¥ 2,898,056	¥ 4,445,494	¥ 226,810	¥ 4,672,304
Profit for the year					561,859	561,859	47,107	608,966
Other comprehensive income for the year (Note 24)				(137,902)		(137,902)	(2,104)	(140,006)
Comprehensive income for the year				(137,902)	561,859	423,957	45,003	468,960
Transaction with owners:								
Acquisition of treasury stock			(50,010)			(50,010)		(50,010)
Sales of treasury stock			211		(149)	62		62
Cancellation of treasury stock			48,243		(48,243)	−		−
Share-based payment transactions	600	(77)				523		523
Equity transactions with non-controlling interests and others		(16,545)				(16,545)	496	(16,049)
Cash dividends to the owners of the parent (Note 25)					(155,019)	(155,019)		(155,019)
Cash dividends to non-controlling interests							(35,213)	(35,213)
Transfer to Retained earnings				(41,194)	41,194	−		−
Balance, end of year	¥ 221,023	¥ 236,087	¥ (4,289)	¥ 897,943	¥ 3,297,698	¥ 4,648,462	¥ 237,096	¥ 4,885,558

For the year ended March 31, 2024 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	¥ 220,047	¥ 254,114	¥ (39,563)	¥ 637,538	¥ 2,706,557	¥ 3,778,693	¥ 197,894	¥ 3,976,587
Profit for the year					386,352	386,352	39,764	426,116
Other comprehensive income for the year (Note 24)				460,748		460,748	9,998	470,746
Comprehensive income for the year				460,748	386,352	847,100	49,762	896,862
Transaction with owners:								
Acquisition of treasury stock			(32,065)			(32,065)		(32,065)
Sales of treasury stock			253		(132)	121		121
Cancellation of treasury stock			68,642		(68,642)	—		—
Share-based payment transactions	376	(195)				181		181
Equity transactions with non-controlling interests and others		(1,210)				(1,210)	7,716	6,506
Cash dividends to the owners of the parent (Note 25)					(147,326)	(147,326)		(147,326)
Cash dividends to non-controlling interests							(28,562)	(28,562)
Transfer to Retained earnings				(21,247)	21,247	—		—
Balance, end of year	¥ 220,423	¥ 252,709	¥ (2,733)	¥ 1,077,039	¥ 2,898,056	¥ 4,445,494	¥ 226,810	¥ 4,672,304

For the year ended March 31, 2025 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	$ 1,470	$ 1,686	$ (18)	$ 7,185	$ 19,333	$ 29,656	$ 1,513	$ 31,169
Profit for the year					3,748	3,748	314	4,062
Other comprehensive income for the year (Note 24)				(920)		(920)	(14)	(934)
Comprehensive income for the year				(920)	3,748	2,828	300	3,128
Transaction with owners:								
Acquisition of treasury stock			(334)			(334)		(334)
Sales of treasury stock			1		(1)	0		0
Cancellation of treasury stock			322		(322)	–		–
Share-based payment transactions	4	(1)				3		3
Equity transactions with non-controlling interests and others		(110)				(110)	3	107
Cash dividends to the owners of the parent (Note 25)					(1,034)	(1,034)		(1,034)
Cash dividends to non-controlling interests							(235)	(235)
Transfer to Retained earnings				(275)	275	–		–
Balance, end of year	$ 1,474	$ 1,575	$ (29)	$ 5,990	$ 21,999	$ 31,010	$ 1,582	$ 32,592

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2025 and 2024

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Operating activities (Note 34)**:**			
Profit (loss) for the year	¥ 608,966	¥ 426,116	$ 4,062
Adjustments to reconcile Profit for the year to net cash provided by operating activities:			
Depreciation and amortization	219,467	200,172	1,464
Impairment reversal (loss) on long-lived assets	7,471	37,412	50
Finance income, net	(25,722)	(1,071)	(172)
Share of (profit) loss of investments accounted for using the equity method	(276,966)	(172,372)	(1,848)
(Gain) loss on sale of long-lived assets, net	(7,255)	(6,752)	(48)
Income tax expense	86,601	101,530	578
Changes in Inventories	(154,014)	(4,034)	(1,027)
Changes in trade and other receivables	(89,837)	(76,554)	(599)
Changes in prepaid expenses	2,004	(18,315)	13
Changes in trade and other payables	113,830	(83,175)	759
Other, net	30,877	130,279	206
Interest received	29,165	35,352	195
Dividends received	214,335	217,161	1,430
Interest paid	(67,188)	(71,713)	(448)
Income tax paid	(79,453)	(105,186)	(530)
Net cash provided by operating activities	612,281	608,850	4,085

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Investing activities (Note 34):			
Proceeds from sale of property, plant and equipment	7,782	9,385	52
Purchase of property, plant and equipment	(102,799)	(93,380)	(686)
Proceeds from sale of investment property	21,586	13,123	144
Purchase of investment property	(20,867)	(28,313)	(139)
Proceeds from sale of businesses, net of cash and cash equivalents disposed	2,323	3,579	16
Acquisition of businesses, net of cash and cash equivalents acquired	(271,701)	(62,343)	(1,813)
Proceeds from disposal of other investments	221,900	173,414	1,480
Acquisition of other investments	(290,455)	(238,220)	(1,938)
Collection of loan receivables	14,009	30,166	94
Increase in loan receivables	(43,164)	(26,621)	(288)
Net cash provided by (used in) investing activities	(461,386)	(219,210)	(3,078)
Financing activities (Note 34):			
Net increase (decrease) in short-term debt (Note 18)	5,017	(94,365)	34
Proceeds from issuance of long-term debt (Note 18)	572,921	337,960	3,822
Repayments of long-term debts (Note 18)	(521,527)	(379,502)	(3,479)
Repayments of lease liabilities (Notes 8 and 18)	(77,238)	(74,710)	(515)
Cash dividends paid (Note 25)	(155,019)	(147,326)	(1,034)
Capital contribution from non-controlling interests	13,688	6,403	91
Payment for acquisition of subsidiary's interests from non-controlling interests	(1)	(3,311)	(0)
Payment of dividends to non-controlling interests	(35,213)	(28,562)	(235)
Acquisition and disposal of treasury stock, net	(50,010)	(32,065)	(334)
Net cash used in financing activities	(247,382)	(415,478)	(1,650)
Net increase (decrease) in cash and cash equivalents	(96,487)	(25,838)	(643)
Cash and cash equivalents at the beginning of year	667,852	656,859	4,455
Effect of exchange rate changes on cash and cash equivalents	(748)	32,921	(5)
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets classified as held for sale	—	3,910	—
Cash and cash equivalents at the end of year	¥ 570,617	¥ 667,852	$ 3,807

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, 2025 and 2024

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, 2025 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, 2025 is included solely for the convenience of readers and has been made at the rate of ¥150 = U.S. $1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2025. 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 and estimates 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 judgments and estimates which have a significant 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 36 - 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, 2025. These applications had no material effect on the consolidated financial statements.

(6) Other

Considering the presentation of certain transactions included in Contract assets (Current assets) in the Consolidated Statements of Financial Position in more details in accordance with International Financial Reporting Interpretations Committee No.12 *Service Concession Arrangements* ("IFRIC 12"), the Companies have presented the transactions in Trade and other receivables (Current assets and Non-current assets) beginning with the current fiscal year. Those amounts for the previous fiscal year have also been restated to conform to the presentation in the current fiscal year. Furthermore, in Notes related to "Contract assets (Current assets)" and "Trade and other receivables (Current assets and Non-current assets)," those amounts for the previous fiscal year have also been restated.

3. Material Accounting Policies

Material 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 Company. 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 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 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 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;

<u>Financial assets measured at amortized cost</u>

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.

<u>Debt instruments measured at FVTOCI</u>

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 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 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 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, 2025 and 2024 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, 2025 and 2024 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 it 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 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.

Asset retirement obligations

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 taxes 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 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.

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, affects neither accounting profit nor taxable profit at the time of the transaction, and does not give rise to equal taxable and deductible temporary differences at the time of the transaction.

Deferred tax liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill.

Due to the application of the temporary exception in International Accounting Standard No.12 Income Taxes, deferred tax assets and liabilities for income taxes arising from tax laws enacted or substantively enacted to implement the Pillar 2 model rule published by the Organization for Economic Co-operation and Development are not recognized.

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.

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 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.

(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-based 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, 2025, are as follows. The impact caused by the application of those is being determined and cannot be estimated at this time.

IFRS	Title	Reporting periods on or after which the applications are required	Reporting periods of the application by the Companies (The reporting period ended)	Summary of new IFRS and amendment
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	March 31, 2028	Introduction of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies

4. Segment Information

(1) Operating Segments

We conduct business through nine industry-based business operating segments (business groups).

The Companies' industry-based reporting segments are:

Steel Group	Lifestyle Business Group
Automotive Group	Mineral Resources Group
Transportation & Construction Systems Group	Chemical Solutions Group
Diverse Urban Development Group	Energy Transformation Business Group
Media & Digital Group	

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

Steel Group—The Steel Group encompasses various steel products such as tubular products and steel sheets. In the tubular products field, this group 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 group 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 group 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. This group consists of Energy Tubular SBU, Steel Products SBU and Steel GX SBU.

Automotive Group—The Automotive Group engages in global transactions involving motor vehicles, tires and related components and parts. This group covers a wide range of businesses, ranging from selling, servicing and leasing to manufacturing. This group consists of Automotive Manufacturing and Engineering SBU, Automotive Sales & Marketing SBU, Mobility Services SBU, Tire SBU and Beyond Mobility SBU.

Transportation & Construction Systems Group—The Transportation & Construction Systems Group engages in global transactions involving ships, aircrafts, construction equipment and related components and parts.

This group covers a wide range of businesses, ranging from selling and servicing, leasing and financing to manufacturing.

This segment consists of Leasing SBU, Commercial Aviation SBU, Aerospace Defense & Technology SBU, Ship & Marine SBU, and Construction & Mining Systems SBU.

Diverse Urban Development Group—The Diverse Urban Development Group engages in real estate businesses, such as buildings, retail facilities, residences, logistics facilities, real estate funds. This group also engages in sustainable city project and development and operation of industrial parks, construction material and machinery business, including cement and industrial facilities. This group also engages in integrated logistics infrastructure business and insurance, and social infrastructure businesses including transportation, airports, ports, and water businesses. This group consists of Real Estate SBU, Industrial Park and Sustainable City SBU, Industrial System & Material SBU, Logistics and insurance SBU, Social Infrastructure SBU.

Media & Digital Group—The Media & Digital Group engages in digital solution business, smart communications infrastructure business, value-added service business, 5G related businesses, media businesses in the cable television, TV shopping business, video content-related businesses, global corporate venture capital, etc.. This group consists of Digital SBU, Smart Communication Platform SBU, 5G SBU, Cable Platform SBU, Media Commerce & Contents SBU and Innovation & Investment SBU.

Lifestyle Business Group—The Lifestyle Business Group engages in retail businesses (including supermarkets and brands), food businesses (including food products, food ingredients and fresh produce), and healthcare businesses (including drugstores, pharmacies, and managed care organizations, clinics). This group consists of Retail SBU, Food SBU, and Healthcare SBU.

Mineral Resources Group—The Mineral Resources Group engages in businesses in the fields of mineral resources such as copper, nickel, aluminum, coal, iron ore, and precious metals. It is involved in the promotion of businesses of mining and smelting business through holding interests in the development, operation and production, as well as trading business with offering a wide range of functions, including the use of commodity derivatives. This group consists of Non-Ferrous Metals SBU, Aluminum SBU, Coal and Nuclear Fuel SBU, Ferrous Raw Materials and Carbon SBU, and Commodity Business SBU.

Chemical Solutions Group—The Chemical Solutions Group engages in the development and trading of organic and inorganic chemicals, silicon wafers, pharmaceuticals, agricultural chemicals, fertilizers, and veterinary drugs. This group also operates electronics manufacturing services (EMS) mainly in Asia. This group consists of Basic Chemicals SBU, Electronics SBU, Green Chemical SBU, Life Science SBU, and Agri Business SBU.

Energy Transformation Business Group—The Energy Transformation Business Group 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 group also engages in development, production and sales of energy natural gas and liquefied natural gas (LNG), marine infrastructure and ship fuel supply business. This group also engages in electricity retail in Japan, environmental solutions, storage battery businesses and development in next-generation energy field. This group consists of Energy Innovation Initiative SBU, Japan Energy Solution SBU, Overseas Energy Solution SBU, Indonesia Energy Solution SBU, Gas Value Chain SBU and Maritime Energy Solution SBU.

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, 2025 and 2024 is summarized as follows:

2025

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
Steel	¥ 1,629,640	¥ 188,262	¥ 11,929	¥ 68,375	¥ 1,170,500
Automotive	717,214	166,245	14,908	51,173	848,551
Transportation & Construction Systems	795,093	200,308	90,346	101,477	1,736,941
Diverse Urban Development	424,085	119,595	11,306	77,075	1,619,868
Media & Digital	612,037	164,221	27,966	45,247	1,520,393
Lifestyle Business	1,016,661	236,162	6,856	14,123	769,990
Mineral Resources	298,300	47,854	63,106	91,118	1,493,888
Chemical Solutions	1,096,546	153,905	8,608	21,398	829,944
Energy Transformation Business	710,261	165,998	41,941	96,379	1,633,192
Segment Total	¥ 7,299,837	¥ 1,442,550	¥ 276,966	¥ 566,365	¥ 11,623,267
Corporate and Eliminations	(7,753)	2,205	―	(4,506)	7,894
Consolidated	¥ 7,292,084	¥ 1,444,755	¥ 276,966	¥ 561,859	¥ 11,631,161

2024

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
Steel	¥ 1,742,543	¥ 191,374	¥ 13,063	¥ 69,170	¥ 1,144,826
Automotive	668,203	156,424	31,887	51,825	839,644
Transportation & Construction Systems	708,186	184,425	84,353	96,153	1,582,008
Diverse Urban Development	382,557	117,088	(2,693)	46,483	1,513,736
Media & Digital	488,669	133,587	542	(1,004)	1,133,714
Lifestyle Business	938,551	217,963	6,077	(3,706)	766,263
Mineral Resources	262,433	46,444	5,962	(9,525)	1,284,576
Chemical Solutions	1,042,762	147,161	5,526	16,384	861,835
Energy Transformation Business	695,254	157,367	27,655	84,305	1,688,277
Segment Total	¥ 6,929,158	¥ 1,351,833	¥ 172,372	¥ 350,085	¥ 10,814,879
Corporate and Eliminations	(18,856)	(9,345)	—	36,267	217,704
Consolidated	¥ 6,910,302	¥ 1,342,488	¥ 172,372	¥ 386,352	¥ 11,032,583

2025

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
Steel	$ 10,872	$ 1,256	$ 80	$ 456	$ 7,808
Automotive	4,785	1,109	99	341	5,661
Transportation & Construction Systems	5,304	1,336	603	677	11,587
Diverse Urban Development	2,829	798	75	514	10,806
Media & Digital	4,083	1,096	187	302	10,143
Lifestyle Business	6,782	1,575	46	94	5,137
Mineral Resources	1,990	319	421	608	9,966
Chemical Solutions	7,315	1,027	57	143	5,537
Energy Transformation Business	4,738	1,107	280	643	10,895
Segment Total	$ 48,698	$ 9,623	$ 1,848	$ 3,778	$ 77,540
Corporate and Eliminations	(52)	15	—	(30)	53
Consolidated	$ 48,646	$ 9,638	$ 1,848	$ 3,748	$ 77,593

Notes:

1. As of April 1, 2024, the “Business Units", "Energy Innovation Initiative" along with its "Divisions" and "Departments" have been removed and we operate our organization based on Strategic Business Units (SBUs). SBUs are structured into nine “Groups”. 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.

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, 2024, impairment loss in the parking business in Nordic countries is recognized in the Automotive Group. The impact on the Profit (loss) for the year attributable to owners of the parent is a loss of ¥12,249 million.
7. In the year ended March 31, 2024, impairment loss in the telecommunication business in Myanmar is recognized in the Media & Digital Group. The impacts on the Profit for the year attributable to owners of the parent is a loss of ¥35,215 million.
8. In the year ended March 31, 2024, impairment reversals in the iron ore mining project in South Africa and impairment loss in nickel mining & refining business in Madagascar are recognized in the Mineral Resources Group. An impairment loss in Nickel Mining and Refining business in Madagascar is recognized in the year ended March 31, 2025. The impacts on the Profit for the year attributable to owners of the parent are a loss of ¥74,938 million ($126 million) and a loss of ¥18,859 million for the years ended March 31, 2025 and 2024, respectively.

(2) Geographic Information

The Companies' revenues by geographical area for the years ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Japan	¥ 2,584,624	¥ 2,423,884	$ 17,242
East Asia	361,933	376,732	2,414
Asia Pacific	825,497	726,630	5,507
Europe and CIS	951,196	832,406	6,347
Middle East and Africa	485,892	404,131	3,241
Americas:			
U.S.	1,423,959	1,518,241	9,499
Other Americas	658,983	628,278	4,396
Total	¥ 7,292,084	¥ 6,910,302	$ 48,646

The carrying amounts of non-current assets, excluding Financial assets and Deferred tax assets, by geographical area as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Japan	¥ 1,334,558	¥ 990,219	$ 8,903
East Asia	16,841	19,168	112
Asia Pacific	195,315	189,903	1,303
Europe and CIS	258,898	250,894	1,727
Middle East and Africa	5,354	3,770	36
Americas:			
U.S.	476,069	448,818	3,176
Other Americas	74,988	73,885	500
Total	¥ 2,362,023	¥ 1,976,657	$ 15,757

5. Acquisition of Subsidiaries

(1) For the year ended March 31, 2024

Business combinations during the year ended March 31, 2024 mainly consisted of acquisition of construction equipment rental business by Sunstate Equipment Co., LLC and acquisition of sulfuric acid business in North America. 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.

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, 2024.

	Millions of Yen
Fair value of the consideration transferred	¥ 64,513
Fair value of the previously held equity interest	11,473
Total	¥ 75,986
Total assets	¥ 50,426
Total liabilities	(7,976)
Net assets	¥ 42,450
Non-controlling interests	(1,774)
Goodwill	35,310
Total	¥ 75,986

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

(2) For the year ended March 31, 2025

On December 25, 2024, SCSK Corporation, a consolidated subsidiary of the Company, has acquired 79.69% of the voting rights of Net One Systems Co., Ltd. (hereinafter "Net One Systems") through a tender offer for the company's shares.

As a result of the acquisition of Net One Systems shares, we expect to create synergies that surpass those possible through simple capital and business alliances by deploying digital services ranging from network, security and cloud to data utilization and other applications.

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 acquisition-related costs of ¥1,113 million ($7 million) are included in “Selling, general and administrative expenses” in the Consolidated statement of comprehensive income for the year ended March 31, 2025.

As of March 31, 2025, a preliminary allocation of the acquisition cost has been performed based on currently available information, and the values of assets and liabilities as of the acquisition date have been adjusted. The allocation of goodwill to cash-generating units is not yet complete.

The primary adjustments include an increase in non-current assets of ¥106,014 million ($707 million), an increase in non-current liabilities of ¥32,461 million ($217 million). These amounts are based on provisionally estimated fair values. The increase in non-current assets primarily consists of customer-related assets, whose fair value has been calculated using the excess earnings method.

The estimated useful life of these customer-related assets is primarily 20 years.

Goodwill primarily represents the expected future excess earnings capacity from business development and is recognized in the Media & Digital Group.

	Millions of Yen	Millions of U.S. Dollars
Fair value of the consideration transferred	¥ 284,871	$ 1,900
Cash and cash equivalents	¥ 26,646	$ 178
Other current assets	103,352	689
Non-current assets	150,041	1,001
Current liabilities	(66,919)	(446)
Non-current liabilities	(58,106)	(388)
Net assets	¥ 155,014	$ 1,034
Non-controlling interests	(31,463)	(210)
Goodwill	161,321	1,076
Total	¥ 284,871	$ 1,900

There were no significant business combinations other than Net One Systems for the year ended March 31, 2025.

The provisional amounts for the item for which the acquisition accounting was incomplete as of March 31, 2024 have been properly allocated to each account during the year ended March 31, 2025. The effects due to this allocation on the consolidated financial statements for the year ended March 31, 2025 are immaterial

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
	2025	2024	2025
Marketable securities:			
FVTPL	¥ 118	¥ 6,429	$ 1
Amortized cost	7,544	6,467	50
Total	7,662	12,896	51
Other investments:			
FVTPL	¥ 112,155	¥ 54,073	$ 748
FVTOCI	317,763	424,006	2,120
Amortized cost	7,714	7,461	51
Total	¥ 437,632	¥ 485,540	$ 2,919

The fair values of "Marketable securities" and "Other investments" measured at amortized cost as of March 31, 2025 and 2024 are ¥15,258 million ($102 million) and ¥13,928 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, 2025 and 2024 are as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2025		2024		2025	
	Fair value	Dividends	Fair value	Dividends	Fair value	Dividends
Listed	¥ 194,773	¥ 5,816	¥ 311,451	¥ 6,969	$ 1,299	$ 39
Unlisted	122,990	7,192	112,555	6,009	821	48
Total	¥ 317,763	¥ 13,008	¥ 424,006	¥ 12,978	$ 2,120	$ 87

The fair values of “Other investments” measured at FVTOCI as of March 31, 2025 mainly consist of the following:

	Millions of Yen	Millions of U.S. Dollars
	2025	2025
Sumitomo Realty & Development Co., LTD.	¥ 28,899	$ 193
Sumitomo Forestry Co., Ltd.	19,764	132
MS&AD Insurance Group Holdings, Inc.	19,592	131
Nippon Steel Corporation.	19,454	130
Sumitomo Electric Industries, Ltd.	12,350	82
YAMATO KOGYO CO., LTD.	6,809	45
Sumitomo Rubber Industries, Ltd.	5,383	36
Nippon Coke & Engineering	4,864	32
The Sumitomo Warehouse Co., Ltd	4,671	31
SUMITOMO HEAVY INDUSTRIES, LTD.	4,551	30
Sumitomo Metal Mining Co., Ltd.	4,056	27
UACJ Corporation	3,578	24
SOSiLA Logistics REIT, Inc.	2,658	18
YAMAZAKI BAKING CO., LTD.	2,647	18
Sumitomo Bakelite Co., Ltd.	2,613	17

The fair values of “Other investments” measured at FVTOCI as of March 31, 2024 mainly consist of the following:

	Millions of Yen
	2024
Sumitomo Realty & Development Co., LTD.	¥ 29,953
Nippon Steel Corporation.	22,334
Sumitomo Forestry Co., Ltd.	21,539
YAMATO KOGYO CO., LTD.	21,138
MS&AD Insurance Group Holdings, Inc.	16,469
Sumitomo Electric Industries, Ltd.	11,756
Sumitomo Metal Mining Co., Ltd.	11,468
Nippon Coke & Engineering	7,579
SUMITOMO HEAVY INDUSTRIES, LTD.	7,045
Sumitomo Rubber Industries, Ltd.	6,316
YAMAZAKI BAKING CO., LTD.	5,836
The Sumitomo Warehouse Co., Ltd	4,338
Sumitomo Bakelite Co., Ltd.	3,630
UACJ Corporation	3,304
SOSiLA Logistics REIT, Inc.	3,011

“Other investments” measured at FVTOCI which were disposed of during the years ended March 31, 2025 and 2024 are as follows:

Millions of Yen						Millions of U.S. Dollars		
2025			2024			2025		
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
¥ 82,136	¥ 67,555	¥ 1,837	¥ 33,821	¥ 22,080	¥ 689	$ 548	$ 451	$ 12

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 ¥50,338 million ($336 million) and ¥16,572 million from Other components of equity to Retained earnings for the years ended March 31, 2025 and 2024, 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 ¥838 million ($6 million) and losses (net of tax) of ¥4,238 million from Other components of equity to Retained earnings for the years ended March 31, 2025 and 2024, respectively.

7. Trade and Other Receivables

The components of Trade and other receivables as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Notes receivable	¥ 52,182	¥ 60,492	$ 348
Accounts receivable	2,219,711	2,094,774	14,808
Loans receivable	109,356	135,866	730
Finance lease receivable	121,721	112,898	812
Other receivables	98,527	79,238	657
Less: Loss allowance	(80,796)	(71,489)	(539)
Trade and other receivables	¥ 2,520,701	¥ 2,411,779	$ 16,816

Financial assets measured at FVTPL of ¥178,133 million ($1,188 million) and ¥98,978 million are included in Accounts receivable as of March 31, 2025 and 2024, 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. The Companies continue to recognize the discounted notes receivables of ¥1,301 million ($9 million) and ¥3,218 million as of March 31, 2025 and 2024, 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 construction equipment, office buildings, vessels and certain other assets to third parties under operating leases. Costs of the properties subject to operating leases as of March 31, 2025 and 2024 are ¥900,713 million ($6,009 million) and ¥816,465 million, respectively. Accumulated depreciation and accumulated impairment losses as of March 31, 2025 and 2024 are ¥265,515 million ($1,771 million) and ¥243,522 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, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Due in 1 year or less	¥ 38,095	¥ 38,965	$ 254
Due after 1 year through 2 years	22,282	16,903	149
Due after 2 years through 3 years	14,699	12,915	98
Due after 3 years through 4 years	11,643	8,667	78
Due after 4 years through 5 years	9,502	6,250	63
Due after 5 years	37,575	14,311	251

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").

Future receivables under finance leases as of March 31, 2025 and 2024 are as follows:

	Minimum lease payments receivable		
	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Due in 1 year or less	¥ 67,875	¥ 64,002	$ 453
Due after 1 year through 2 years	36,016	34,543	240
Due after 2 years through 3 years	19,990	20,757	133
Due after 3 years through 4 years	8,632	8,062	58
Due after 4 years through 5 years	4,750	3,630	32
Due after 5 years	3,163	4,661	21
Unguaranteed residual value	1,716	3,266	11
Less: Future finance income	(20,421)	(26,023)	(136)
Net investment in the lease	¥ 121,721	¥ 112,898	$ 812

	Net investment in the lease		
	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Due in 1 year or less	¥ 61,975	¥ 57,387	$ 413
Due after 1 year through 2 years	29,737	27,140	198
Due after 2 years through 3 years	16,235	15,825	108
Due after 3 years through 4 years	7,298	6,389	49
Due after 4 years through 5 years	4,023	2,975	27
Due after 5 years	931	998	6
Unguaranteed residual value	¥ 1,522	¥ 2,184	$ 10

The amounts mainly recognized in the Consolidated statement of comprehensive income related to finance leases as a lessor for the year ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Financial income on lease receivables	¥ 15,769	¥ 16,827	$ 105
Income on variable lease payments not included in the measurement of lease receivables	50,928	30,767	340

(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, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Land and land improvements	¥ 19,131	¥ 21,036	$ 128
Buildings and leasehold improvements	353,891	317,347	2,361
Machinery and equipment	35,227	37,115	235

Depreciation expenses for right-of-use assets for the years ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Land and land improvements	¥ 2,211	¥ 2,313	$ 15
Buildings and leasehold improvements	56,098	52,469	374
Machinery and equipment	9,590	10,267	64

Acquisitions of right-of-use assets for the years ended March 31, 2025 and 2024 are ¥93,658 million ($625 million) and ¥49,821 million, respectively. Acquisitions of those through business combinations for the years ended March 31, 2025 and 2024 are ¥12,250 million ($82 million) and ¥2,902 million, respectively.

2. Maturity analysis of lease liabilities

The Companies' remaining contractual maturities for lease liabilities as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Due in 1 year or less	¥ 88,880	¥ 77,651	$ 593
Due after 1 year through 5 years	222,493	186,879	1,484
Due after 5 years	217,521	240,578	1,451

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

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Interest expense on lease liabilities	¥ 13,099	¥ 10,923	$ 87
Expense on variable lease payments not included in the measurement of lease liabilities	23,702	19,281	158
Income from subleasing right-of-use assets	3,375	3,738	23

4. Total cash outflows for leases

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Total cash outflows for leases	¥ 105,801	¥ 95,078	$ 706

9. Assets Pledged as Security

Assets pledged to secure borrowings, guarantee of contracts and others as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Cash and deposits	¥ 31,536	¥ 42,376	$ 210
Trade and other receivables	368,330	411,781	2,457
Inventories	26,978	21,646	180
Marketable securities and investments	275,360	257,985	1,837
Property, plant and equipment (Carrying amount)	8,772	7,265	59
Investment property (Carrying amount)	–	2,258	–
Others (Note)	53,465	45,455	357
Total	¥ 764,441	¥ 788,766	$ 5,100

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, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Real estate held for development and resale	¥ 385,753	¥ 347,206	$ 2,574
Commodities	963,746	910,622	6,429
Materials/Work in progress	304,343	228,942	2,030
Inventories	¥ 1,653,842	¥ 1,486,770	$ 11,033

Of the Inventories disclosed above, the carrying amounts of Inventories that are measured at fair value less costs to sell as of March 31,

2025 and 2024 are ¥151,416 million ($1,010 million) and ¥94,575 million, respectively.
The write-down of Inventories recognized as expense for the years ended March 31, 2025 and 2024 are ¥6,966 million ($46 million) and ¥6,080 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, 2025 and 2024 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Carrying amount			
Associates	¥ 1,584,882	¥ 1,408,668	$ 10,573
Joint Ventures	1,425,607	1,449,231	9,510
Total	¥ 3,010,489	¥ 2,857,899	$ 20,083

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Profit for the year			
Associates	¥ 174,251	¥ 43,861	$ 1,163
Joint Ventures	102,715	128,511	685
Subtotal	276,966	172,372	1,848
Other comprehensive income			
Associates	5,144	(8,305)	34
Joint Ventures	2,923	12,547	20
Subtotal	8,067	4,242	54
Comprehensive income for the year	¥ 285,033	¥ 176,614	$ 1,902

The impairment profit and loss for the year ended March 31, 2024 was 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. The segment information for the previous fiscal year has been reclassified to conform to the presentation in the current fiscal year.

In Iron ore mining project in South Africa, an impairment reversal of ¥13,782 million was recognized in the Mineral Resources Group, due to revision of the long-term business plan in line with market recovery in mineral resources.

In Nickel Mining and Refining business in Madagascar, production volume forecast was revised downward in light of the current operating conditions including plant equipment malfunctions and other factors, and business plan was recently reassessed. An impairment loss of ¥75,462 million was recognized in the Mineral Resources Group for investments and loans held by our group, as a result of acknowledging an impairment loss on fixed assets held in this business to the recoverable amount based on the reassessed business plan.

As a result of revaluation of lease receivables in the Telecommunications business in Myanmar mainly due to the ongoing dollar exchange regulations imposed by the Myanmar government, a loss of ¥35,215 million was included in the Media & Digital Group, considering the reversal of impairment loss in the fiscal year ended March 31, 2023.

In the current fiscal year, regarding Nickel Mining and Refining business in Madagascar, as a result of considering the current situation and the recoverability of shareholder loans to Ambatovy Minerals S.A. and Dynatec Madagascar S.A. in the Madagascar nickel project, losses were recorded for the entire amount, including uncalled committed amounts but not yet contributed under the UK Restructuring Plan (a debt restructuring process under English law) filed with the English Court. The loss of ¥14,107 million ($94 million) is included in "Share of profit (loss) of investments accounted for using the equity method" and the loss of ¥4,752 million ($32 million) is included "Other, net" in the Consolidated Statements of Comprehensive Income.

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, 2025 and 2024 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
	2025	2024	2025
Current assets	¥ 4,148,217	¥ 4,079,070	$ 27,673
Non-current assets	6,172,093	5,776,694	41,175
Total assets	¥ 10,320,310	¥ 9,855,764	$ 68,848
Current liabilities	¥ 3,318,507	¥ 2,983,159	$ 22,138
Non-current liabilities	5,298,673	5,340,993	35,348
Total liabilities	¥ 8,617,180	¥ 8,324,152	$ 57,486
Non-controlling interests	¥ 390,078	¥ 327,325	$ 2,602
Equity	1,313,052	1,204,288	8,760
Total equity	¥ 1,703,130	¥ 1,531,612	$ 11,362

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Revenues	¥ 1,333,036	¥ 1,284,766	$ 8,893
Profit (loss) for the year	160,296	153,376	1,069
Other comprehensive income	(3,184)	34,902	(21)
Comprehensive income for the year	¥ 157,112	¥ 188,278	$ 1,048

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, 2025 and 2024 are ¥21,227 million ($142 million) and ¥12,666 million, respectively.

Nickel Mining and Refining business in Madagascar

Nickel Mining and Refining business in Madagascar '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, 2025 and 2024 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Current assets	¥ 83,400	¥ 129,680	$ 556
Non-current assets	4,766	185,135	32
Total assets	¥ 88,166	¥ 314,815	$ 588
Current liabilities	¥ 43,788	¥ 82,054	$ 292
Non-current liabilities	11,255	224,514	75
Total liabilities	¥ 55,043	¥ 306,568	$ 367
Total equity	¥ 33,123	¥ 8,247	$ 221

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Revenues	¥ 104,785	¥ 137,354	$ 699
Profit (loss) for the year	(94,083)	(176,649)	(628)
Other comprehensive income	222	19,134	2
Comprehensive income for the year	¥ (93,861)	¥ (157,515)	$ (626)

Ambatovy Minerals S.A. and Dynatec Madagascar S.A. (the “Project Companies”) operate nickel mining and refining business in Madagascar.

Non-current assets in the summarized financial information include mining rights and long-lived assets including refining equipment of these operations, which was ¥179,877 million as of March 31, 2024.

If there is any indication of impairment for the PPE of the Project Companies and a subsequent 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. If the equity method investment loss recognized exceeds the amount of equity method investments in shares of the Project Companies, it is allocated to long-term interests, such as loans, that are considered to be substantially net investments. The recoverable amount of the PPE at the Project Companies will be either their value-in-use or their fair value after deducting disposal costs, whichever is higher, and key assumptions — the Project Companies’ production volume, future resource prices (primarily the medium- to long-term forecasted prices of nickel, cobalt, etc.) and discount rates, — will be used in making these estimates. Changes in any of these assumptions could have a significant impact on the Company’s business performance.

For the year ended March 31, 2025, the Restructuring Plan (a debt restructuring process under English law; "UK Restructuring Plan") filed by the Project Companies with the English Court was approved in November 2024, and the debt restructuring process was completed in December 2024.

As a result of considering the current situation and the recoverability of shareholder loans to the Project Companies, losses were recorded for the entire amount, including committed amount but not yet contributed under the UK Restructuring Plan. Consequently, the loss of ¥14,107 million ($94 million) is included in “Share of profit (loss) of investments accounted for using the equity method” and the loss of ¥4,752 million ($32 million) is included "Other, net" in the Consolidated Statements of Comprehensive Income.

(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, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Trade and other receivables	¥ 143,160	¥ 160,090	$ 955
Trade and other payables	25,080	34,673	167
Lease liabilities	11,228	11,217	75

(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, 2025 and 2024 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Management and secondment fees, received	¥ 5,408	¥ 5,669	$ 36
Interest income	11,164	10,945	74
Interest expense	(36)	(429)	(0)

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, 2025 and 2024 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, 2023	¥ 140,802	¥ 1,071,030	¥ 913,311	¥ 22,750	¥ 18,551	¥ 2,166,444
Acquisitions	2,043	54,725	119,602	41,324	–	217,694
Reclassification	4,568	11,482	(10,291)	(34,446)	–	(28,687)
Acquisitions through business combinations	364	3,357	7,246	7	–	10,974
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	(849)	(2,009)	(2,643)	–	–	(5,501)
Disposals	(745)	(44,577)	(36,521)	(91)	(570)	(82,504)
Exchange differences on translating foreign operations	4,719	34,858	89,970	2,298	1,862	133,707
Others	1,008	(5,785)	6,669	(2,184)	987	695
Balance as of March 31, 2024	¥ 151,910	¥ 1,123,081	¥ 1,087,343	¥ 29,658	¥ 20,830	¥ 2,412,822
Acquisitions	4,376	98,677	120,912	49,405	–	273,370
Reclassification	(11,133)	17,469	(12,515)	(39,754)	–	(45,933)
Acquisitions through business combinations	46	18,562	10,291	176	–	29,075
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	–	(1,900)	(196)	–	–	(2,096)
Disposals	(5,171)	(56,040)	(43,927)	(39)	–	(105,177)
Exchange differences on translating foreign operations	(1,565)	(4,358)	(19,160)	(1,792)	(1,466)	(28,341)
Others	(1,295)	(1,129)	(7,579)	(2,333)	8,413	(3,923)
Balance as of March 31, 2025	¥ 137,168	¥ 1,194,362	¥ 1,135,169	¥ 35,321	¥ 27,777	¥ 2,529,797

	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, 2024	$ 1,013	$ 7,492	$ 7,254	$ 198	$ 139	$ 16,096
Acquisitions	29	658	807	330	–	1,824
Reclassification	(74)	117	(84)	(265)	–	(306)
Acquisitions through business combinations	0	124	69	1	–	194
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	–	(13)	(1)	–	–	(14)
Disposals	(35)	(374)	(293)	(0)	–	(702)
Exchange differences on translating foreign operations	(10)	(29)	(128)	(12)	(10)	(189)
Others	(8)	(7)	(51)	(16)	56	(26)
Balance as of March 31, 2025	$ 915	$ 7,968	$ 7,573	$ 236	$ 185	$ 16,877

[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, 2023	¥ (14,806)	¥ (552,152)	¥ (538,573)	¥ (14,597)	¥ (1,120,128)
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	–	1,288	2,342	–	3,630
Disposals	2,205	52,134	27,548	448	82,335
Reclassification	(920)	(1,521)	26,488	–	24,047
Depreciation expenses	(2,313)	(76,290)	(84,859)	(621)	(164,083)
Impairment losses	(1,174)	(13,584)	(4,736)	–	(19,494)
Exchange differences on translating foreign operations	(741)	(16,627)	(50,957)	(1,469)	(69,794)
Others	187	4,189	(1,692)	–	2,684
Balance as of March 31, 2024	¥ (17,562)	¥ (602,563)	¥ (624,439)	¥ (16,239)	¥ (1,260,803)
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	–	1,900	183	–	2,083
Disposals	4,020	50,819	34,871	–	89,710
Reclassification	(276)	(1,062)	30,148	–	28,810
Depreciation expenses	(2,211)	(80,026)	(94,360)	(1,564)	(178,161)
Impairment losses	(18)	(2,840)	(3,620)	–	(6,478)
Exchange differences on translating foreign operations	260	2,004	9,019	874	12,157
Others	(30)	6,251	9,745	(476)	15,490
Balance as of March 31, 2025	¥ (15,817)	¥ (625,517)	¥ (638,453)	¥ (17,405)	¥ (1,297,192)

	Millions of U.S. Dollars				
	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Mining rights	Total
Balance as of March 31, 2024	$ (117)	$ (4,020)	$ (4,166)	$ (108)	$ (8,411)
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	–	13	1	–	14
Disposals	26	339	233	–	598
Reclassification	(2)	(7)	201	–	192
Depreciation expenses	(15)	(534)	(629)	(11)	(1,189)
Impairment losses	(0)	(19)	(23)	–	(42)
Exchange differences on translating foreign operations	2	14	59	6	81
Others	(0)	41	65	(3)	103
Balance as of March 31, 2025	$ (106)	$ (4,173)	$ (4,259)	$ (116)	$ (8,654)

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, 2025 and 2024 are ¥6,478 million ($43 million) and ¥19,494 million, respectively. The impairment losses mainly recognized in Lifestyle Business Group on Property, plant and equipment for the year ended March 31, 2024 was ¥18,849 million and the impairment losses mainly recognized in Automotive Group for the year ended March 31, 2025 is ¥3,202 million ($21 million) respectively.

[Carrying amount]

	Land and land improvements	Buildings and leasehold improvements	Machinery and equipment	Projects in progress	Mining rights	Total
2025 (Millions of Yen)	¥ 121,351	¥ 568,845	¥ 496,716	¥ 35,321	¥10,372	¥ 1,232,605
2024 (Millions of Yen)	¥ 134,348	¥ 520,518	¥ 462,904	¥ 29,658	¥ 4,591	¥ 1,152,019
2025 (Millions of U.S. Dollars)	$ 809	$ 3,795	$ 3,314	$ 236	$ 69	$ 8,223

13. Intangible Assets

(1) Goodwill

Cost and accumulated impairment losses of goodwill for the years ended March 31, 2025 and 2024 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Balance, beginning of year	¥ 272,332	¥ 227,630	$ 1,817
Acquisitions through business combinations	177,023	35,310	1,181
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	–	–	–
Disposals	–	–	–
Exchange differences on translating foreign operations	4,840	7,106	32
Others	3,130	2,286	21
Balance, end of year	¥ 457,325	¥ 272,332	$ 3,051

[Accumulated impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Balance, beginning of year	¥ (130,549)	¥ (111,936)	$ (871)
Impairment losses	–	¥ (12,249)	–
Deconsolidation of subsidiaries and reclassification to assets classified as held for sale	–	–	–
Disposals	–	–	–
Exchange differences on translating foreign operations	(5,232)	(6,364)	(35)
Others	(3)	–	(0)
Balance, end of year	¥ (130,549)	¥ (135,784)	$ (906)

In the Parking Business in Nordic countries, the impairment losses recognized on goodwill for the year ended March 31, 2024 was ¥12,249 million, and are included in "Impairment reversal (loss) on long-lived assets" in the Consolidated statement of comprehensive income.

[Carrying amount]

	Carrying amount
2025 (Millions of Yen)	¥ 321,541
2024 (Millions of Yen)	¥ 141,783
2025 (Millions of U.S. Dollars)	$ 2,145

Goodwill arising from business combinations is allocated to each of the Companies' CGU or group 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, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Steel	¥ 5,117	¥ 4,999	$ 34
Automotive	23,197	22,001	155
Transportation & Construction Systems	43,365	38,309	289
Diverse Urban Development	—	—	—
Media & Digital	179,151	17,523	1,195
Lifestyle Business	56,146	48,488	375
Mineral Resources	—	—	—
Chemical Solutions	14,457	10,355	96
Energy Transformation Business	—	—	—
Corporate and Eliminations	108	108	1
Total	¥ 321,541	¥ 141,783	$2,145

Note: According to the organizational reforms as of April 1, 2024, the breakdown of the previous year has been reclassified.

Main portions of goodwill as of March 31, 2024 were related to construction equipment rental business in the U.S. of ¥33,574 million, Parking business in Nordic countries of ¥20,646 million, and Fresh Produce business in Europe and the Americas of ¥13,392 million, respectively.

Main portions of goodwill as of March 31, 2025 are related to SCSK of ¥179,151million ($1,195 million), construction equipment rental business in the U.S. of ¥34,040 million ($227 million), and Parking business in Nordic countries of ¥21,842 million ($146 million), and Fresh Produce business in Europe and the Americas of ¥13,410 million ($89 million), respectively.

(2) Other Intangible Assets

Cost and accumulated amortization, and impairment losses of other intangible assets as of March 31, 2025 and 2024 are as follows:

[Cost]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2023	¥ 175,518	¥ 247,541	¥ 46,222	¥ 469,281
Acquisitions through business combinations	429	18,803	1,301	20,533
Separate acquisitions	19,544	1,526	2,104	23,174
Deconsolidation of subsidiaries	—	—	—	—
Disposals	(3,408)	(25)	(1,073)	(4,506)
Exchange differences on translating foreign operations	4,013	24,001	8,034	36,048
Others	3,458	(52)	(72)	3,334
Balance as of March 31, 2024	¥ 199,554	¥ 291,794	¥ 56,516	¥ 547,864
Acquisitions through business combinations	2,914	111,998	87	114,999
Separate acquisitions	20,019	565	5,825	26,409
Deconsolidation of subsidiaries	—	—	—	—
Disposals	(12,797)	(759)	(66)	(13,622)
Exchange differences on translating foreign operations	2,247	1,161	92	3,500
Others	—	1,039	161	1,200
Balance as of March 31, 2025	¥ 211,937	¥ 405,798	¥ 62,615	¥ 680,350

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2024	$ 1,331	$ 1,947	$ 377	$ 3,655
Acquisitions through business combinations	20	746	1	767
Separate acquisitions	133	4	39	176
Deconsolidation of subsidiaries	—	—	—	—
Disposals	(85)	(5)	(1)	(91)
Exchange differences on translating foreign operations	15	8	1	24
Others	—	7	1	8
Balance as of March 31, 2025	$ 1,414	$ 2,707	$ 418	$ 4,539

[Accumulated amortization and impairment losses]

	Millions of Yen			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of April 1, 2023	¥ (134,751)	¥ (151,755)	¥ (13,679)	¥ (300,185)
Disposals	3,175	14	1,050	4,239
Amortization expenses	(13,107)	(6,282)	(2,785)	(22,174)
Impairment losses	(541)	–	(9)	(550)
Impairment reversals	–	–	–	–
Deconsolidation of subsidiaries	–	–	–	–
Exchange differences on translating foreign operations	(2,652)	(12,951)	(552)	(16,155)
Others	(860)	(4,088)	(45)	(4,993)
Balance as of March 31, 2024	¥ (148,736)	¥ (175,062)	¥ (16,020)	¥ (339,818)
Disposals	10,380	448	269	11,097
Amortization expenses	(14,860)	(8,446)	(3,073)	(26,379)
Impairment losses	(891)	–	(102)	(993)
Impairment reversals	–	–	–	–
Deconsolidation of subsidiaries	–	–	–	–
Exchange differences on translating foreign operations	831	(6,167)	545	(4,791)
Others	(219)	44	(103)	(278)
Balance as of March 31, 2025	¥ (153,495)	¥ (189,183)	¥ (18,484)	¥ (361,162)

	Millions of U.S. Dollars			
	Software	Sales licenses, trademarks and customer relationships	Others	Total
Balance as of March 31, 2024	$ (992)	$ (1,168)	$ (107)	$ (2,267)
Disposals	69	3	2	74
Amortization expenses	(99)	(56)	(21)	(176)
Impairment losses	(6)	–	(1)	(7)
Impairment reversals	–	–	–	–
Deconsolidation of subsidiaries	–	–	–	–
Exchange differences on translating foreign operations	5	(41)	4	(32)
Others	(1)	0	(1)	(2)
Balance as of March 31, 2025	$ (1,024)	$ (1,262)	$ (124)	$ (2,410)

[Carrying amount]

	Software	Sales licenses, trademarks and customer relationships	Others	Total
2025 (Millions of Yen)	¥ 58,442	¥ 216,615	¥ 44,131	¥ 319,188
2024 (Millions of Yen)	¥ 50,818	¥ 116,732	¥ 40,496	¥ 208,046
2025 (Millions of U.S. Dollars)	$ 390	$ 1,445	$ 294	$ 2,129

Main portions of sales licenses, trademarks and customer relationships are related to SCSK, construction equipment rental business in the U.S., Fresh Produce business in Europe and the Americas, and Parking business in Nordic countries. Sales licenses, trademarks and customer relationships as of March 31, 2025 related to SCSK are ¥116,584 million ($778 million). Sales licenses, trademarks and customer relationships as of March 31, 2025 and 2024 related to construction equipment rental business in the U.S. are ¥23,950 million ($160 million) and ¥25,544 million, respectively. Sales licenses, trademarks and customer relationships as of March 31, 2025 and 2024 related to Fresh Produce business in Europe are ¥23,467 million ($157 million) and ¥24,904 million, respectively. Sales licenses, trademarks and customer relationships as of March 31, 2025 and 2024 related to Parking business in Nordic countries are ¥14,514 million ($97 million) and ¥15,652 million, respectively. The average remaining amortization periods of intangible assets with finite useful lives are 20 years for SCSK, 14 years for construction equipment rental business in the U.S., 15 years for Fresh Produce business in Europe and the Americas, and 7 years for Parking business in Nordic countries.

The impairment losses recognized on other intangible assets for the years ended March 31, 2025 and 2024 are ¥993 million ($7 million) and ¥550 million, respectively.

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, 2025 and 2024 are ¥28,974 million ($193 million) and ¥24,667 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:

<u>Fresh Produce Business in Europe and the Americas</u>

Goodwill and intangible assets with indefinite useful lives are tested for impairment in the Banana & 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, 2025 and 2024 are summarized as follows:

	2025 (%)		2024 (%)	
CGU Group	Growth rate	Discount rate	Growth rate	Discount rate
Banana & Pineapple business	2.0	6.1	1.9	5.3

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 Fresh Produce business in Europe and the Americas, even when the key assumptions used in the impairment test change within a reasonably predictable range, the risk of the recoverable amount falling below the book value is considered to be limited.

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 8 years. The key assumptions with significant impact on the calculation of the value in use are revenue of parking business, 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, 2025 and 2024 are summarized as follows:

	2025 (%)		2024 (%)	
CGU Group	Growth rate	Discount rate	Growth rate	Discount rate
Parking Business in Nordic countries (Sweden, Norway and Finland)	2.0	8.0~9.0	2.0	8.0~8.5

The growth rates used are determined by considering the long-term average growth rate of each country.
The discount rates used are calculated based on the weighted average cost of capital in each country.

In the Parking business in Nordic countries, the value in use used at the impairment test of goodwill as of March 31, 2025 exceeded the carrying amount by ¥7,661 million ($51 million). If the profitability declines due to changes in the business environment or other factors, or if the discount rate rises by approximately 1.2%, 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 5% 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 8%, overseas: approximately 6% to 20%).

14. Investment Property

Cost and accumulated depreciation and impairment losses of Investment property as of March 31, 2025 and 2024 are as follows:

[Cost]

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Balance, beginning of year	¥ 502,907	¥ 469,579	$ 3,355
Acquisitions	38,582	30,449	257
Disposals	(23,680)	(11,017)	(158)
Exchange differences on translating foreign operations	(1,523)	10,010	(10)
Reclassification	11,479	3,784	77
Others	147	102	1
Balance, end of year	¥ 527,912	¥ 502,907	$ 3,522

[Accumulated depreciation and impairment losses]

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Balance, beginning of year	¥ (141,133)	¥ (123,224)	$ (942)
Depreciation expenses	(14,927)	(13,915)	(100)
Impairment losses	—	(6,012)	—
Disposals	6,229	2,801	42
Exchange differences on translating foreign operations	750	(3,319)	5
Reclassification	1,484	2,512	10
Others	—	24	—
Balance, end of year	¥ (147,597)	¥ (141,133)	$ (985)

The Impairment losses recognized for the year ended March 31, 2024 was ¥6,012 million, and is 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
2025 (Millions of Yen)	¥ 380,315	¥ 454,505
2024 (Millions of Yen)	¥ 361,774	¥ 443,441
2025 (Millions of U.S. Dollars)	$ 2,537	$ 3,032

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, 2025 and 2024 are ¥42,689 million ($285 million) and ¥40,524 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, 2025 and 2024 are ¥32,457 million ($217 million) and ¥30,497 million, respectively, and are included mainly in "Cost."

15. Biological Assets

Biological assets as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Balance, beginning of year	¥ 39,635	¥ 36,891	$ 265
Increases due to purchases	3,132	444	21
Decreases due to harvest and others	(1,438)	(1,198)	(10)
The gain or loss arising from changes in fair value less costs to sell	(2,257)	531	(15)
Exchange differences on translating foreign operations	(2,269)	2,967	(15)
Balance, end of year	¥ 36,803	¥ 39,635	$ 246

The Company owns forest assets (mainly pines) in New Zealand and in the U.S.. 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, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Net operating loss carryforwards	¥ 25,437	¥ 17,021	$ 170
Securities and other investments	8,180	6,753	55
Inventories and long-lived assets	93,447	89,611	623
Loss allowance	11,238	6,570	75
Others	98,242	102,299	655
Deferred tax assets total	¥ 236,544	¥ 222,254	$ 1,578
Deferred tax liabilities:			
Investments accounted for using the equity method	¥ (89,984)	¥ (90,195)	$ (600)
Securities and other investments	(49,495)	(70,295)	(330)
Long-lived assets	(172,260)	(136,546)	(1,149)
Retirement benefit plans	(7,230)	(8,195)	(48)
Others	(28,404)	(28,136)	(190)
Deferred tax liabilities total	¥ (347,373)	¥ (333,367)	$ (2,317)

Deferred tax assets and liabilities reported in the Consolidated statement of financial position as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Deferred tax assets	¥ 48,246	¥ 47,055	$ 322
Deferred tax liabilities	(159,075)	(158,168)	(1,061)

Changes in Deferred tax assets and liabilities for the years ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Net Deferred tax assets (liabilities):			
Balance, beginning of year	¥ (111,113)	¥ (67,785)	$ (741)
Amount recognized in other comprehensive income:			
Financial assets measured at FVTOCI	5,916	(22,692)	39
Remeasurements of defined benefit pension plans	2,822	(3,491)	19
Exchange differences on translating foreign operations	(1,243)	6,097	(8)
Cash-flow hedges	7,717	(6,691)	52
Hedging cost	(1,104)	(542)	(7)
Share of other comprehensive income of investments accounted for using the equity method	189	(1,112)	1
Amount recognized in profit or loss	331	(6,176)	2
Effects of acquisitions and divestitures	(14,344)	(8,721)	(96)
Balance, end of year	¥ (110,829)	¥ (111,113)	$ (739)

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, 2025 and 2024 are a decrease of ¥27,074 million ($181 million) and ¥12,358 million, respectively.

Deferred tax assets were not recognized for certain tax losses and deductible temporary differences which relate principally to investing in the certain subsidiaries of the Company. The Companies 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. The amounts of unused tax loss carryforwards and deductible temporary differences for which no Deferred tax asset is recognized amounted to ¥559,967 million ($3,736 million) and ¥210,393 million ($1,404 million) as of March 31, 2025 and ¥446,517 million and ¥148,796 million as of March 31, 2024, 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, 2025 and 2024 expire as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
1st year	¥ 33,699	¥ 6,250	$ 225
2nd year	60,538	36,593	403
3rd year	8,626	48,590	58
4th year	84,657	10,611	565
5th year and thereafter	372,447	344,473	2,485
Total	¥ 559,967	¥ 446,517	$ 3,736

As of March 31, 2025 and 2024 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, 2025 and 2024 totaled to ¥955,786 million ($6,376 million) and ¥1,245,190 million, respectively.

Due to the application of the temporary exception in International Accounting Standard No.12 Income Taxes, deferred tax assets and liabilities for income taxes arising from tax laws enacted or substantively enacted to implement the Pillar 2 model rule published by the Organization for Economic Co-operation and Development are not recognized.

Other current assets as of March 31, 2025 and 2024 include tax receivables of ¥10,987 million ($73 million) and ¥27,324 million, respectively.

17. Bonds and Borrowings

Details of the Bonds and borrowings (non-current), and interest rates as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Secured:			
Loans from banks and insurance companies, maturing serially through 2039, average interest rate 6.66%	¥ 250,430	¥ 284,301	$ 1,671
Unsecured:			
Loans from banks and insurance companies, maturing serially through 2044, average interest rate 1.36%	2,060,500	2,097,737	13,746
Bonds payable in Japanese yen due,			
2024, fixed rate 0.77%	－	20,006	－
2026, fixed rates 0.14% to 0.61%	6,612	6,609	44
2027, fixed rate 0.33%	19,975	19,967	133
2028, fixed rates 0.33% to 1.27%	94,300	69,901	629
2029, fixed rates 1.24% to 1.29%	25,172	25,862	168
2030, fixed rates 0.39% to 2.26%	104,497	60,972	697
2031, fixed rates 0.29% to 2.19%	30,405	20,811	203
2032, fixed rate 0.57%	8,853	19,418	59
2033, fixed rates 0.66% to 1.01%	28,485	29,489	190
2034, fixed rate 1.03%	9,670	10,058	65
2038, fixed rate 0.89%	8,863	9,356	59
Medium-term notes,			
2024, fixed rate 2.60%	－	75,209	－
2026, fixed and floating rates 1.55% to 5.13%	89,310	90,361	596
2028, fixed rate 5.55%	75,823	75,209	506
2029, fixed rate 5.05%	75,274	－	503
2034, fixed rate 5.35%	74,081	－	496
Subtotal	2,962,250	2,915,750	19,762
Less: Current maturities	(287,560)	(459,203)	(1,919)
Bonds and borrowings (non-current)	¥ 2,674,690	¥ 2,456,547	$ 17,843

Details of the Bonds and borrowings (current) as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Short-term loans, principally from banks	¥ 292,494	¥ 212,803	$ 1,951
Commercial paper	–	73,180	–
Total	¥ 292,494	¥ 285,983	$ 1,951

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, 2025 and 2024 are 2.81% and 4.61%, respectively.
The weighted average interest rates for commercial paper for the year ended March 31, 2024 was 2.74%.
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 ($1,901 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 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, 2025 and 2024.

18. Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the years ended March 31, 2025 and 2024 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, 2023	¥ 248,881	¥ 92,479	¥ 2,317,612	¥ 493,117	¥ 497,817	¥ 3,649,906
Increase in lease liabilities	–	–	–	–	75,760	75,760
Cash flows	(58,177)	(24,826)	(55,402)	13,645	(74,710)	(199,470)
Increase (decrease) of changes in fair value	33	–	(2,155)	(1,742)	–	(3,864)
Increase through business combinations	625	–	2,472	–	6,595	9,692
Deconsolidation of subsidiaries	–	–	–	–	(1,282)	(1,282)
Exchange rate changes	19,912	5,527	103,268	28,853	15,464	173,024
Others	1,529	–	16,243	(161)	(14,536)	3,075
Balance as of March 31, 2024	¥ 212,803	¥ 73,180	¥ 2,382,038	¥ 533,712	¥ 505,108	¥ 3,706,841
Balance as of April 1, 2024	¥ 212,803	¥ 73,180	¥ 2,382,038	¥ 533,712	¥ 505,108	¥ 3,706,841
Increase in lease liabilities	–	–	–	–	127,335	127,335
Cash flows	72,210	(72,060)	(105,583)	157,016	(77,238)	(25,655)
Increase (decrease) of changes in fair value	5	–	(7,308)	(3,320)	–	(10,623)
Increase through business combinations	10,257	–	24,462	–	11,713	46,432
Deconsolidation of subsidiaries	(456)	–	–	–	–	(456)
Exchange rate changes	(8,987)	(1,120)	(21,353)	(35,406)	(21,668)	(88,534)
Others	6,662	–	38,674	(682)	(16,356)	28,298
Balance as of March 31, 2025	¥ 292,494	¥ –	¥ 2,310,930	¥ 651,320	¥ 528,894	¥ 3,783,638

For the year ended March 31, 2025

	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 April 1, 2024	$1,420	$488	$15,891	$3,560	$3,370	$24,729
Increase in lease liabilities	–	–	–	–	849	849
Cash flows	482	(481)	(704)	1,047	(515)	(171)
Increase (decrease) of changes in fair value	0	–	(49)	(22)	–	(71)
Increase through business combinations	68	–	163	–	78	309
Deconsolidation of subsidiaries	(3)	–	–	–	–	(3)
Exchange rate changes	(60)	(7)	(142)	(236)	(145)	(590)
Others	44	–	258	(4)	(109)	189
Balance as of March 31, 2025	$ 1,951	$ –	$ 15,417	$ 4,345	$ 3,528	$ 25,241

For the year ended March 31, 2025, 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, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Notes payable	¥ 57,676	¥ 54,916	$ 385
Accounts payable	1,619,559	1,483,135	10,804
Other payables	197,264	226,681	1,316
Trade and other payables	¥ 1,874,499	¥ 1,764,732	$ 12,505

The amount of Accounts payable above includes financial liabilities measured at FVTPL of ¥376,357 million ($2,511 million) and ¥211,341 million as of March 31, 2025 and 2024, respectively.

Trade and other payables in the Consolidated statement of financial position as of March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Current liabilities	¥ 1,822,237	¥ 1,713,936	$ 12,156
Non-current liabilities	52,262	50,796	349
Total	¥ 1,874,499	¥ 1,764,732	$ 12,505

20. Provisions

The changes in Provisions for the year ended March 31, 2025 are as follows:

	Millions of Yen			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	¥ 32,905	¥ 2,354	¥ 32,269	¥ 67,528
Provisions made	10,510	23	11,160	21,693
Provisions used	(1,994)	(30)	(10,442)	(12,466)
Accretion expense	307	–	–	307
Others	1,427	(7)	2,961	4,381
Balance, end of year	¥ 43,155	¥ 2,340	¥ 35,948	¥ 81,443

	Millions of U.S. Dollars			
	Asset retirement obligations	Employee benefits	Other provisions	Total
Balance, beginning of year	$ 219	$ 16	$ 215	$ 450
Provisions made	70	0	75	145
Provisions used	(13)	(0)	(70)	(83)
Accretion expense	2	–	–	2
Others	9	(0)	20	29
Balance, end of year	$ 287	$ 16	$ 240	$ 543

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.

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, 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, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Changes in the defined benefit obligations:			
Balance, beginning of year	¥ (343,476)	¥ (353,550)	$ (2,291)
Service cost	(11,400)	(11,746)	(76)
Interest on obligation	(6,448)	(5,435)	(43)
Past service cost	(27)	7	(0)
Remeasurement	27,847	15,552	186
Exchange differences on translating foreign operations	(243)	(4,176)	(3)
Benefits paid	16,500	15,978	110
Curtailments or Settlements	—	—	—
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	(55)	(106)	(0)
Balance, end of year	¥ (317,302)	¥ (343,476)	$ (2,117)
Changes in the plan assets			
Balance, beginning of year	¥ 397,396	¥ 368,000	$ 2,651
Interest on plan assets	7,256	6,472	49
Remeasurement	(6,863)	24,141	(46)
Exchange differences on translating foreign operations	(81)	3,573	(0)
Contributions by the employer	10,552	9,833	70
Benefits paid	(14,837)	(14,623)	(99)
Settlements	—	—	—
Acquisitions, disposals and reclassification to liabilities associated with assets held for sale (net)	—	—	—
Balance, end of year	¥ 393,423	¥ 397,396	$ 2,625
Effect of the asset ceiling (Note)	(47,972)	(25,857)	(320)
Net amount of assets (liabilities) recorded in Consolidated statement of financial position	¥ 28,149	¥ 28,063	$ 188

Note: The maximum economic benefit is determined by reductions in future contributions calculated by present value.

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, 48% debt securities, and 30% 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, 2025 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	¥ 37,181	¥ －	¥ 37,181
Equity securities:			
Domestic	33,472	－	33,472
Foreign	67,716	－	67,716
Debt securities:			
Domestic	60,346	－	60,346
Foreign	103,863	－	103,863
Hedge funds	－	21,784	21,784
Life insurance company general accounts	－	42,631	42,631
Private equity	－	2,216	2,216
Others	－	24,214	24,214
Total	¥ 302,578	¥ 90,845	¥ 393,423

The major categories of plan assets as of March 31, 2024 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	¥ 16,306	¥ －	¥ 16,306
Equity securities:			
Domestic	35,547	－	35,547
Foreign	73,755	－	73,755
Debt securities:			
Domestic	53,348	－	53,348
Foreign	130,210	－	130,210
Hedge funds	－	44,604	44,604
Life insurance company general accounts	－	18,830	18,830
Private equity	－	2,020	2,020
Others	－	22,776	22,776
Total	¥ 309,166	¥ 88,230	¥ 397,396

The major categories of plan assets as of March 31, 2025 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	$ 248	$ –	$ 248
Equity securities:			
Domestic	223	–	223
Foreign	452	–	452
Debt securities:			
Domestic	403	–	403
Foreign	693	–	693
Hedge funds	–	145	145
Life insurance company general accounts	–	285	285
Private equity	–	15	15
Others	–	161	161
Total	$ 2,019	$ 606	$ 2,625

Principal assumptions used in the actuarial valuations for the years ended March 31, 2025 and 2024 are as follows:

	2025 (%)	2024 (%)
Discount rate as of March 31	2,5	1.8
The expected rate of salary increase	2.7	2.6

The changes in the key assumptions may affect the valuations of defined benefit obligations as of March 31, 2025 and 2024. A 0.5% increase in discount rate would lead to a decrease of ¥15,371 million ($103 million) and ¥18,327 million, respectively. A 0.5% decrease in discount rate would lead to an increase of ¥18,429 million ($123 million) and ¥22,249 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, 2025 are ¥10,545 million ($70 million).

The weighted-average duration of the defined benefit obligation for the year ended March 31, 2025 is 17 years.

The Companies' pension and retirement benefits expense at the defined contribution plans for the years ended March 31, 2025 and 2024 are ¥8,437 million ($56 million) and ¥7,956 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, 2025 are ¥849 million ($6 million).

(2) Employee Benefits Expense

The employee benefits expense included in "Cost" for the years ended March 31, 2025 and 2024 are ¥216,468 million ($1,444 million) and ¥200,438 million, respectively.

22. Common Stock

The numbers of shares authorized and issued as of March 31, 2025 and 2024 are as follows:

	2025 (Number of shares)	2024 (Number of shares)
Authorized:		
Ordinary shares	2,000,000,000	2,000,000,000
Issued:		
Balance, beginning of year	1, 223,082,867	1,251,571,867
Adjustment for the year	(11,983,500)	(28,489,000)
Balance, end of year	1,211,099,367	1, 223,082,867

The number of shares of treasury stock as of March 31, 2025 and 2024 included in the number of shares issued shown above were 1,092,736 shares and 1,143,723 shares, respectively.

The total number of issued shares as of March 31, 2025 has increased by 304,800 shares as a result of the issuance of new shares for Performance-Linked Stock-based Remuneration. In addition, due to the cancellation of treasury stock resolved at the Board of Directors meetings held on May 2, 2024, the total number of issued shares was reduced by 12,288,300 shares as of August 28, 2024.

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 ¥1,234,587 million ($8,236 million) and ¥932,036 million, shown by the Company's accounting records for the years ended March 31, 2025 and 2024, 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, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Financial assets measured at FVTOCI			
Balance, beginning of year	¥ 211,423	¥ 146,112	$ 1,410
Adjustment for the year	(28,986)	77,645	(193)
Transfer to Retained earnings	(49,500)	(12,334)	(330)
Balance, end of year	¥ 132,937	¥ 211,423	$ 887
Remeasurements of defined benefit pension plans			
Balance, beginning of year	¥ −	¥ −	$ −
Adjustment for the year	(8,306)	8,913	(55)
Transfer to Retained earnings	8,306	(8,913)	55
Balance, end of year	¥ −	¥ −	$ −
Exchange differences on translating foreign operations			
Balance, beginning of year	¥ 781,383	¥ 427,968	$ 5,213
Adjustment for the year	(90,240)	353,415	(603)
Balance, end of year	¥ 691,143	¥ 781,383	$ 4,610
Cash-flow hedges			
Balance, beginning of year	¥ 85,189	¥ 66,042	$ 568
Adjustment for the year	(13,563)	19,147	(90)
Balance, end of year	¥ 71,626	¥ 85,189	$ 478
Hedging cost			
Balance, beginning of year	¥ (956)	¥ (2,584)	$ (6)
Adjustment for the year	3,193	1,628	21
Balance, end of year	¥ 2,237	¥ (956)	$ 15
Other components of equity			
Balance, beginning of year	¥ 1,077,039	¥ 637,538	$ 7,185
Adjustment for the year	(137,902)	460,748	(920)
Transfer to Retained earnings	(41,194)	(21,247)	(275)
Balance, end of year	¥ 897,943	¥ 1,077,039	$ 5,990

The following table provides each component of Other comprehensive income included in Non-controlling interests for the years ended March 31, 2025 and 2024.

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Financial assets measured at FVTOCI	¥ (1,525)	¥ 1,945	$ (10)
Remeasurements of defined benefit pension plans	21	2,526	0
Exchange differences on translating foreign operations	(392)	5,050	(3)
Cash-flow hedges	(208)	477	(1)
Other comprehensive income	¥ (2,104)	¥ 9,998	$ (14)

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, 2025 and 2024.

2025

	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	¥ (32,869)	¥ 5,916	¥ (26,953)
Adjustment for the year	(32,869)	5,916	(26,953)
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	(10,853)	2,822	(8,031)
Adjustment for the year	(10,853)	2,822	(8,031)
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	(84,088)	(1,170)	(85,258)
Reclassification to profit or loss for the year	(5,301)	(73)	(5,374)
Adjustment for the year	(89,389)	(1,243)	(90,632)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(22,592)	6,312	(16,280)
Reclassification to profit or loss for the year	(10,775)	1,405	(9,370)
Adjustment for the year	(33,367)	7,717	(25,650)
Hedging cost			
Unrealized gains (losses) arising during the year	6,624	(1,722)	4,902
Reclassification to profit or loss for the year	(2,327)	618	(1,709)
Adjustment for the year	4,297	(1,104)	3,193
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	15,587	189	15,776
Reclassification to profit or loss for the year	(7,709)	–	(7,709)
Adjustment for the year	7,878	189	8,067
Total other comprehensive income	¥ (154,303)	¥ 14,297	¥ (140,006)

2024

	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	¥ 97,859	¥ (22,692)	¥ 75,167
Adjustment for the year	97,859	(22,692)	75,167
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	13,836	(3,491)	10,345
Adjustment for the year	13,836	(3,491)	10,345
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	359,129	5,869	364,998
Reclassification to profit or loss for the year	(6,761)	228	(6,533)
Adjustment for the year	352,368	6,097	358,465
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	80,140	(19,904)	60,236
Reclassification to profit or loss for the year	(52,550)	13,213	(39,337)
Adjustment for the year	27,590	(6,691)	20,899
Hedging cost			
Unrealized gains (losses) arising during the year	3,777	(944)	2,833
Reclassification to profit or loss for the year	(1,607)	402	(1,205)
Adjustment for the year	2,170	(542)	1,628
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	11,321	(1,112)	10,209
Reclassification to profit or loss for the year	(5,967)	−	(5,967)
Adjustment for the year	5,354	(1,112)	4,242
Total other comprehensive income	¥ 499,177	¥ (28,431)	¥ 470,746

2025

	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	$ (219)	$ 39	$ (180)
Adjustment for the year	(219)	39	(180)
Remeasurements of defined benefit pension plans:			
Gains (losses) recorded in other comprehensive income during the year	(72)	19	(53)
Adjustment for the year	(72)	19	(53)
Exchange differences on translating foreign operations:			
Aggregated adjustment during the year resulting from translation of foreign currency financial statements	(561)	(8)	(569)
Reclassification to profit or loss for the year	(35)	(0)	(35)
Adjustment for the year	(596)	(8)	(604)
Cash-flow hedges:			
Unrealized gains (losses) arising during the year	(151)	42	(109)
Reclassification to profit or loss for the year	(72)	9	(63)
Adjustment for the year	(223)	51	(172)
Hedging cost			
Unrealized gains (losses) arising during the year	44	(11)	33
Reclassification to profit or loss for the year	(15)	4	(11)
Adjustment for the year	28	(7)	21
Share of other comprehensive income of investments accounted for using the equity method:			
Unrealized gains (losses) arising during the year	104	1	105
Reclassification to profit or loss for the year	(51)	–	(51)
Adjustment for the year	53	1	54
Total other comprehensive income	$ (1,029)	$ 95	$ (934)

25. Dividends

(1) Dividends paid during the years ended March 31, 2025 and 2024 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 23, 2023	Ordinary shares	¥ 70,960 ($ 470)	¥ 57.5 ($ 0.38)	March 31, 2023	June 26, 2023
Board of Directors' meeting held on November 23, 2023	Ordinary shares	¥ 76,367 ($ 506)	¥ 62.5 ($ 0.41)	September 30, 2023	December 1, 2023
Ordinary general meeting of shareholders held on June 21, 2024	Ordinary shares	¥ 76,371 ($ 509)	¥ 62.5 ($ 0.42)	March 31, 2024	June 24, 2024
Board of Directors' meeting held on October 31, 2024	Ordinary shares	¥ 78,648 ($ 525)	¥ 65 ($ 0.43)	September 30, 2024	December 2, 2024

(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 20, 2025 (to be held)	Ordinary shares	¥ 78,650 ($ 525)	Retained earnings	¥ 65 ($ 0.43)	March 31, 2025	June 23, 2025

26. Share-based Payments

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

(1) 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, 2025 and 2024 are as follows:

	2025	2024
	Number of shares	Number of shares
Outstanding, beginning of year	382,400	488,100
Exercised	53,800	105,700
Outstanding, end of year	328,600	382,400
Options exercisable, end of year	285,900	212,200

(2) Performance-linked stock compensation plan

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 this plan, on the condition that the grantees (directors and executive officers excluding outside directors) continue to serve as the Company's directors or executive officers for a certain period, they will be granted the Company’s ordinary shares at the end of the evaluation period in a number adjusted between 0 and 150% according to the degree of achievement of the stock price condition (the growth rate of the Company’s stock during the three-year evaluation period) during the three-year evaluation period, based on the calculation method determined by the Board of Directors after receiving a statement from the Audit & Supervisory Board Member that this is appropriate.

In addition, at the 153rd Ordinary General Meeting of Shareholders held on June 18, 2021, the Company obtained approval to set a transfer restriction on the Company’s common stock to be delivered to eligible directors and executive officers who retire after the conclusion of the Ordinary General Meeting of Shareholders based on the plan.

The Company’s performance-linked stock issued for the years ended March 31, 2025 and 2024 are as follows.

Since the evaluation period of this compensation plan ended at the end of June, 2023, there are no performance-linked stocks issued for the year ended March 31, 2025.

	2025	2024
Date of issue	–	August 17, 2023
Number of shares issued	–	257,200
Issue price (JPY per share) (U.S. Dollars)	– –	¥ 2,927 $ 19.5
The Company's stock growth rate during the evaluation period	–	178.4%

(3) Restricted performance share unit-based compensation Plan

From the year ended March 31, 2022, the Company has introduced the “Restricted Performance Share Unit-Based 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 this plan, on the condition that the grantees (directors and executive officers excluding outside directors) continue to serve as the Company’s directors or executive officers for a certain period, they will be granted the Company’s ordinary shares at the end of the evaluation period, calculated by multiplying the Company's stock growth rate (adjusted between 0 and 150%) over the three-year evaluation period by an evaluation (adjusted between 80% and 120% (applicable to shares for which the evaluation period ends at the end of June 2026)) based on the progress and results of initiatives regarding non-financial indicators ("response to climate change issues," "promotion of women's participation in the workforce," and "employee engagement"), based on a calculation method determined by the Board of Directors after receiving a declaration from the Audit & Supervisory Board Members that this is appropriate.

The Company's restricted performance-linked stock issued for the years ended March 31, 2025 and 2024 are as follows.
Since the first evaluation period of this compensation plan ended at the end of June 2024, no restricted performance-linked stocks were issued for the year ended March 31, 2024.

	2025	2024
Date of issue	August 22, 2024	—
Number of shares issued	304,800	—
Issue price (JPY per share) (U.S. Dollars)	3,937 $ 26.3	—
The Company's stock growth rate during the evaluation period	200.6	—

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, 2025 and 2024 are as follows. The valuation utilized Monte-Carlo Simulation method.

	2025	2024
Average share price of the Company during the first month of performance evaluation period (Yen) (U.S. Dollars)	¥ 3,970.0 $ 26.5	¥ 2,961.6 $ 19.6
Vesting period (years)	3	3
Expected dividend yield (%)	3.27	4.05
Risk-free rate (%)	0.38	0.08
Weighted average fair value per share (Yen) (U.S. Dollars)	¥ 3,553.5 $ 23.7	¥ 3,186.7 $ 21.1

(4) Share-based compensation expense

Compensation expenses incurred on the performance-linked stock compensation plans and restricted performance share unit-based compensation plan for the year ended March 31, 2025 and 2024 are ¥1,418 million ($9 million) and ¥874 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 are defined as the maximum expected loss amount that may arise from assets (including, but not limited to, tangible and intangible assets, contractual obligations and business activities) and that may occur within the specified probability analysis, in the specified time period.

*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 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
	2025	2024	2025
Profit (loss) before tax	¥ 55	¥ 291	$ 0

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.

Interest rate sensitivity analysis

The following table represents the hypothetical impact on the Companies' profit (loss) 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, 2025 and 2024 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
	2025	2024	2025
Profit (loss) before tax	¥ (8,449)	¥ (6,047)	$ (56)

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, 2025 and 2024 are as follows:

2025 (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	¥ 15,217	¥ 21,661	¥ 36,878	¥ 4,013	¥ 422	¥ 28,595	¥ 33,030	¥ 69,908
Initial recognition, recoveries and others	9,859	15,506	25,365	(192)	832	(8,719)	(8,079)	17,286
Write-off	(3,562)	(5,070)	(8,632)	(6)	(1)	(43)	(50)	(8,682)
Exchange differences on translating foreign operations	926	(428)	498	0	0	3	3	501
Others	–	4	4	–	–	–	0	4
Balance, end of year	¥ 22,440	¥ 31,673	¥ 54,113	¥ 3,815	¥ 1,253	¥ 19,836	¥ 24,904	¥ 79,017

2024 (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	¥ 13,386	¥ 22,684	¥ 36,070	¥ 3,861	¥ 249	¥ 14,806	¥ 18,916	¥ 54,986
Initial recognition, recoveries and others	5,653	6,220	11,873	229	178	14,061	14,468	26,341
Write-off	(4,902)	(10,618)	(15,520)	(83)	(5)	(320)	(408)	(15,928)
Exchange differences on translating foreign operations	1,080	3,367	4,447	6	0	48	54	4,501
Others	–	8	8	–	–	–	–	8
Balance, end of year	¥ 15,217	¥ 21,661	¥ 36,878	¥ 4,013	¥ 422	¥ 28,595	¥ 33,030	¥ 69,908

2025 (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	$ 102	$ 144	$ 246	$ 27	$ 3	$ 190	$ 220	$ 466
Initial recognition, recoveries and others	66	103	169	(1)	5	(58)	(54)	115
Write-off	(24)	(33)	(57)	(0)	(0)	(0)	(0)	(57)
Exchange differences on translating foreign operations	6	(3)	3	0	0	0	0	3
Others	－	0	0	－	－	－	0	0
Balance, end of year	$ 150	$ 211	$ 361	$ 26	$ 8	$ 132	$ 166	$ 527

Carrying amount of financial assets Carrying amount of Trade and other receivables and Loans for the year ended March 31, 2025 and 2024 are as follows:

2025 (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	¥ －	¥ 2,435,914	¥ 56,227
Contract assets	－	23,481	63
Loans	59,841	29,680	19,836

2024 (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	¥ －	¥ 2,296,192	¥ 51,210
Contract assets	－	74,282	13
Loans	95,341	11,475	29,050

2025 (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	$ －	$ 16,250	$ 375
Contract assets	－	157	0
Loans	399	198	132

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, 2025 and 2024 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
2025				
Bonds and borrowings	¥ 580,054	¥ 1,593,818	¥ 1,080,872	¥ 3,254,744
Trade and other payables	1,794,792	42,833	36,874	1,874,499
Other current liabilities	71,581	–	–	71,581
Financial guarantee contracts	53,946	78,162	61,889	193,997
2024				
Bonds and borrowings	¥ 745,186	¥ 1,406,220	¥ 1,050,327	¥ 3,201,733
Trade and other payables	1,693,890	32,809	38,033	1,764,732
Other current liabilities	–	–	–	–
Financial guarantee contracts	40,645	98,987	82,562	222,194

	Millions of U.S. Dollars			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2025				
Bonds and borrowings	$ 3,870	$ 10,632	$ 7,211	$ 21,713
Trade and other payables	11,973	286	246	12,505
Other current liabilities	478	–	–	478
Financial guarantee contracts	360	521	413	1,294

The Companies' liquidity analysis for derivatives as of March 31, 2025 and 2024 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
2025					
Interest rate contracts	cash receipt	¥ 7,153	¥ 22,031	¥ 28,727	¥ 57,911
	/ (payment)	(2,653)	(7,187)	(4,914)	(14,754)
Foreign exchange contracts	cash receipt	25,960	72,141	47,722	145,823
	/ (payment)	(14,321)	(20,989)	(25,943)	(61,253)
Commodity contracts	cash receipt	121,779	45,679	–	167,458
	/ (payment)	(83,017)	(38,995)	–	(122,012)
2024					
Interest rate contracts	cash receipt	¥ 7,371	¥ 23,276	¥ 33,391	¥ 64,038
	/ (payment)	(3,149)	(5,931)	(2,288)	(11,368)
Foreign exchange contracts	cash receipt	31,516	79,998	49,670	161,184
	/ (payment)	(15,396)	(10,560)	(3,542)	(29,498)
Commodity contracts	cash receipt	132,710	29,370	–	162,080
	/ (payment)	(110,836)	(25,998)	–	(136,834)

		Millions of U.S. Dollars			
		Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years	Total
2025					
Interest rate contracts	cash receipt	$ 48	$ 147	$ 191	$ 386
	/ (payment)	(18)	(48)	(33)	(99)
Foreign exchange contracts	cash receipt	173	481	319	973
	/ (payment)	(97)	(140)	(173)	(409)
Commodity contracts	cash receipt	812	305	–	1,117
	/ (payment)	(553)	(260)	–	(813)

(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.

<u>Cash and cash equivalents, time deposits and marketable securities</u>

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.

Other current liabilities

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

2. Financial instruments measured at amortized cost

The fair values of financial instruments measured at amortized cost as of March 31, 2025 and 2024 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	
	2025	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥ 2,342,568	¥ 2,317,283
Financial liabilities measured at amortized cost:		
Bonds and borrowings	¥ 3,254,744	¥ 3,241,532
Trade and other payables	1,498,142	1,497,661
Other current liabilities	71,581	71,581

	Millions of Yen	
	2024	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	¥ 2,312,801	¥ 2,276,174
Financial liabilities measured at amortized cost:		
Bonds and borrowings	¥ 3,201,733	¥ 3,196,917
Trade and other payables	1,553,391	1,553,138
Other current liabilities	—	—

	Millions of U.S. Dollars	
	2025	
	Carrying amounts	Fair value
Financial assets measured at amortized cost:		
Trade and other receivables	$ 15,628	$ 15,459
Financial liabilities measured at amortized cost:		
Bonds and borrowings	$ 21,713	$ 21,625
Trade and other payables	9,994	9,991
Other current liabilities	478	478

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, 2025 and 2024 are as follows:

	Millions of Yen			
	2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 5,240	¥ −	¥ 107,033	¥ 112,273
Financial assets measured at FVTOCI	194,773	−	122,990	317,763
Trade and other receivables measured at FVTPL	−	178,133	−	178,133
Other financial assets (derivatives)				
Derivatives designated as hedges	−	143,897	−	143,897
Derivatives not designated as hedges	109,068	112,097	−	221,165
Total	¥ 309,081	¥ 434,127	¥ 230,023	¥ 973,231
Liabilities:				
Trade and other payables measured at FVTPL	¥ −	¥ (376,357)	¥ −	¥ (376,357)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	−	(30,318)	−	(30,318)
Derivatives not designated as hedges	(94,596)	(72,571)	−	(167,167)
Total	¥ (94,596)	¥ (479,246)	¥ −	¥ (573,842)

	Millions of Yen			
	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	¥ 1,451	¥ −	¥ 59,051	¥ 60,502
Financial assets measured at FVTOCI	311,451	−	112,555	424,006
Trade and other receivables measured at FVTPL	−	98,978	−	98,978
Other financial assets (derivatives)				
Derivatives designated as hedges	−	197,273	−	197,273
Derivatives not designated as hedges	6,214	176,583	24	182,821
Total	¥ 319,116	¥ 472,834	¥ 171,630	¥ 963,580
Liabilities:				
Trade and other payables measured at FVTPL	¥ −	¥ (211,341)	¥ −	¥ (211,341)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	−	(14,959)	−	(14,959)
Derivatives not designated as hedges	(14,168)	(147,852)	(233)	(162,253)
Total	¥ (14,168)	¥ (374,152)	¥ (233)	¥ (388,553)

	Millions of U.S. Dollars			
	2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Securities and other investments				
Financial assets measured at FVTPL	$ 35	$ –	$ 714	$ 749
Financial assets measured at FVTOCI	1,299	–	821	2,120
Trade and other receivables measured at FVTPL	–	1,188	–	1,188
Other financial assets (derivatives)				
Derivatives designated as hedges	–	960	–	960
Derivatives not designated as hedges	728	748	–	1,475
Total	$ 2,062	$ 2,896	$ 1,535	$ 6,493
Liabilities:				
Trade and other payables measured at FVTPL	$ –	$ (2,511)	$ –	$ (2,511)
Other financial liabilities (derivatives)				
Derivatives designated as hedges	–	(202)	–	(202)
Derivatives not designated as hedges	(631)	(483)	–	(1,115)
Total	$ (631)	$ (3,197)	$ –	$ (3,828)

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, 2025 is as follows:

	Millions of Yen		
	2025		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	¥ 59,051	¥ 112,555	¥ (209)
Purchases	18,767	3,956	–
Comprehensive income			
Profit (loss) for the year (Note 1)	(8,678)	–	–
Other comprehensive income (Note 2)	(827)	5,456	–
Disposals	(16,791)	(751)	–
Settlements	(798)	(753)	209
Others (Note 3)	56,309	2,527	–
Balance, end of year	¥ 107,033	¥ 122,990	¥ –

Profit or (loss) for the year included in earnings relating to financial instruments still held at the end of year, net	¥ (2,698)	¥ –	¥ –

	Millions of U.S. Dollars		
	2025		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Net other financial assets (liabilities)
Balance, beginning of year	$ 394	$ 751	$ (1)
Purchases	125	26	–
Comprehensive income			
Profit (loss) for the year	(58)	–	–
Other comprehensive income	(6)	37	–
Disposals	(112)	(5)	–
Settlements	(5)	(5)	1
Others	376	17	–
Balance, end of year	$ 714	$ 821	$ –

Profit or (loss) for the year included in earnings relating to financial instruments still held at the end of year, net	$ (18)	$ –	$ –

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. "Others" includes the effect of the tender offer for T-Gaia shares.

(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, 2025 and 2024, net gains or losses for hedged items are net gains of ¥18,617 million ($124 million) and net losses of ¥5,455 million, respectively, and net gains or losses for hedging instruments are net losses of ¥18,617 million ($124 million) and net gains of ¥5,455 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 include 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, 2025 and 2024, net derivative gains or losses (net of the related tax) that are expected to be reclassified into profit or loss within the next fiscal year are net gains of ¥4,567 million ($30 million) and net gains of ¥10,004 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, 2025 and 2024 are as follows:

2025

	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	¥ 7,520	¥ 43,255	¥ －	¥ 1,006	¥ 51,781
Foreign exchange contracts	6,351	86,532	223	52,717	145,823
Commodity contracts	0	16	－	167,442	167,458
Total	¥ 13,871	¥ 129,803	¥ 223	¥ 221,165	¥ 365,062
Other financial assets (current)					157,864
Other financial assets (non-current)					206,131
Total					¥ 363,995
[Derivative liabilities]					
Interest rate contracts	¥ (11,875)	¥ (1,923)	¥ －	¥ (22)	¥ (14,220)
Foreign exchange contracts	(207)	(16,173)	(4)	(44,869)	(61,253)
Commodity contracts	0	(136)	－	(121,876)	(122,012)
Total	¥ (12,082)	¥ (18,232)	¥ (4)	¥ (167,167)	¥ (197,485)
Other financial liabilities (current)					(113,971)
Other financial liabilities (non-current)					(86,841)
Total					¥ (200,812)

Other than the above, the Companies have foreign currency borrowings of ¥101,927 million ($680 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 ¥73,625 million ($491 million).

2024

	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	¥ 8,660	¥ 47,151	¥ －	¥ 1,019	¥ 56,830
Foreign exchange contracts	7,315	133,680	108	20,081	161,184
Commodity contracts	－	359	－	161,721	162,080
Total	¥ 15,975	¥ 181,190	¥ 108	¥ 182,821	¥ 380,094
Other financial assets (current)					176,934
Other financial assets (non-current)					228,372
Total					¥ 405,306
[Derivative liabilities]					
Interest rate contracts	¥ (4,827)	¥ (5,684)	¥ －	¥ (369)	¥ (10,880)
Foreign exchange contracts	(22)	(3,415)	(954)	(25,107)	(29,498)
Commodity contracts	－	(57)	－	(136,777)	(136,834)
Total	¥ (4,849)	¥ (9,156)	¥ (954)	¥ (162,253)	¥ (177,212)
Other financial liabilities (current)					(139,118)
Other financial liabilities (non-current)					(60,245)
Total					¥ (199,363)

Other than the above, the Companies have foreign currency bonds of ¥342,227 million and foreign currency borrowings of ¥50,127 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 ¥76,767 million.

2025

	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	$ 50	$ 289	$ −	$ 6	$ 345
Foreign exchange contracts	43	577	1	352	973
Commodity contracts	0	0	−	1,117	1,117
Total	$ 93	$ 866	$ 1	$ 1,475	$ 2,435
Other financial assets (current)					1,053
Other financial assets (non-current)					1,375
Total					$ 2,428
[Derivative liabilities]					
Interest rate contracts	$ (79)	$ (13)	$ −	$ (3)	$ (95)
Foreign exchange contracts	$ (1)	(108)	(0)	(299)	(408)
Commodity contracts	0	(1)	−	(813)	(814)
Total	$ (80)	$ (122)	$ (0)	$ (1,115)	$ (1,317)
Other financial liabilities (current)					(760)
Other financial liabilities (non-current)					(579)
Total					$ (1,339)

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, 2025 are mainly due to the satisfaction of performance obligations of long-term construction contracts in Energy Transformation 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, 2025. Also, the amount of Contract liabilities that was included in the beginning balance as of April 1, 2024 and from which revenue has not been recognized during the year ended March 31, 2025 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, 2025 and 2024 are ¥2,314,552 million ($15,441 million) and ¥2,350,150 million. These remaining performance obligations include contracts such as long-term sales contracts in energy business and in biomass fuel business, and are deemed to be recognized as revenue within 23 years at March 31, 2025. 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 ¥15,045 million ($100 million) and losses of ¥8,080 million are included in the Consolidated statement of comprehensive income for the years ended March 31, 2025 and 2024, respectively.

30. Selling, General and Administrative Expenses

The components of Selling, general and administrative expenses for the years ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Employee benefits expenses	¥ 548,477	¥ 506,319	$ 3,659
Equipment expenses	154,297	142,083	1,029
Travel and transportation expenses	33,188	29,655	221
Outsourcing expenses	90,483	79,794	604
Advertising expenses	21,382	18,133	143
Amortization expenses	26,379	22,054	176
Loss allowance	28,216	7,025	188
Others	137,310	122,531	916
Selling, general and administrative expenses	¥ 1,039,732	¥ 927,594	$ 6,936

Equipment expenses disclosed above mainly include rental expenses and depreciation of Property, plant and equipment. Of employee benefits expenses, the remuneration for directors for the years ended March 31, 2025 and 2024 is ¥1,204 million ($8 million) and ¥1,198 million, respectively.

31. Finance Income and Costs

The components of Finance income and costs for the years ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Interest income:			
Financial assets measured at amortized cost and others	¥ 70,703	¥ 72,014	$ 472
Derivatives	–	–	–
Total	¥ 70,703	¥ 72,014	$ 472
Interest expense:			
Financial liabilities measured at amortized cost and others	¥ (104,778)	¥ (87,876)	$ (699)
Derivatives	19,923	10,471	132
Lease liabilities	(13,099)	(10,923)	(87)
Total	¥ (97,954)	¥ (88,328)	$ (654)
Dividends:			
Financial assets measured at FVTPL	¥ 81	¥ 8	$ 1
Financial assets measured at FVTOCI	14,845	13,667	99
Total	¥ 14,926	¥ 13,675	$ 100
Gain (loss) on securities and other investments, net:			
Financial assets measured at FVTPL	¥ 23,559	¥ 618	$ 157
Others	14,488	3,092	97
Total	¥ 38,047	¥ 3,710	$ 254

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, 2025 and 2024 are gains of ¥3,412 million ($23 million) and gains of ¥1,820 million, respectively.

In addition to the above, gains or losses on revaluation of derivatives not designated as hedges for the years ended March 31, 2025 and 2024 are losses of ¥54,716 million ($365 million) and losses of ¥12,164 million included in “Revenues” and “Cost,” and gains of ¥1,120 million ($7 million) and losses of ¥27 million included in “Other, net,” respectively.

Interest income from financial assets measured at amortized cost for the years ended March 31, 2025 and 2024 are included in “Revenues” in the amount of ¥14,964 million ($100 million) and ¥18,900 million, respectively, and interest expense from financial liabilities measured at amortized cost is included in “Cost” in the amount of ¥2,456 million ($16 million) and ¥2,875 million in “Cost,” respectively.

32. Income Tax Expense

Income tax expense for the years ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Current tax	¥ 86,932	¥ 95,354	$ 580
Deferred tax	(331)	6,176	(2)
Total	¥ 86,601	¥ 101,530	$ 578

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, 2025 and 2024. Foreign subsidiaries are subject to income taxes of the countries in which they operate. In Japan, following the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No.13 of 2025) and the "Act for Partial Revision of the Act for Partial Revision of the Local Tax Act, etc." (Act No.7 of 2025) by the Diet on March 31, 2025, effective from fiscal years beginning on and after April 1, 2026. In accordance with this reform, the effective statutory tax rate, used to measure deferred tax assets and deferred tax liabilities, will be increased from 31.0% to 32.0% for temporary differences and others that are expected to be realized in the fiscal years beginning on and after April 1, 2026. The effects due to this change on income tax expense and other comprehensive income are immaterial. Additionally, our company recognizes corporate income taxes arising from tax laws related to the Pillar 2 model rule published by the Organization for Economic Co-operation and Development, as part of the corporate income tax expense in the Consolidated statement of comprehensive income in the year ended March 31, 2025. However, the impact on our group's performance is immaterial. Furthermore, due to the application of the temporary exception in International Accounting Standard No.12 Income Taxes, deferred tax assets and liabilities for income taxes arising from tax laws enacted or substantively enacted to implement the Pillar 2 model rule are not recognized.

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, 2025 and 2024 are as follows:

	2025 (%)	2024 (%)
The applicable income tax rate in Japan	31.0	31.0
Tax effect on equity-accounted investees	(11.1)	(7.4)
Tax effect on expenses not deductible for tax purposes	0.3	0.4
Difference in applicable tax rate of foreign subsidiaries	(3.1)	(6.9)
Tax effect of the assessment of the recoverability of Deferred tax assets	(2.4)	(0.4)
Others-net	(2.2)	2.5
The Companies' average effective income tax rate	12.5	19.2

33. Earnings per Share

A calculation of the basic and diluted earnings per share for the years ended March 31, 2025 and 2024 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Profit or loss used to calculate basic earnings per share and diluted earnings per share:			
Profit (loss) attributable to owners of the parent	¥ 561,859	¥ 386,352	$ 3,748
Adjustment to profit or loss	(355)	(208)	(2)
Profit or loss used to calculate basic earnings per share	561,504	386,144	3,746
Adjustment to profit or loss	355	208	2
Profit or loss used to calculate diluted earnings per share	561,859	386,352	3,748

	Number of shares	
	2025	2024
Weighted-average shares:		
Weighted-average shares-basic	1,211,018,580	1,222,466,301
Dilutive effect of:		
Transfer-restricted stock compensation plan	207,733	297,017
Performance-linked stock compensation plan	265,250	372,533
Restricted performance share unit-based compensation plan	1,188,287	892,043
Weighted-average shares-diluted	1,212,679,849	1,224,027,894

	Yen		U.S. Dollars
	2025	2024	2025
Earnings per share (attributable to owners of the parent):			
Basic	¥ 463.66	¥ 315.87	$ 3.09
Diluted	463.32	315.64	3.09

34. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2025 and 2024 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Non-cash investing and financing activities:			
Lease liabilities incurred	¥ 127,335	¥ 75,760	$ 849
Acquisition of securities through exchange of loan receivables for securities	—	—	—
Acquisition of businesses:			
Total consideration paid	(299,956)	(64,513)	(2,001)
Cash and cash equivalents included in assets acquired	28,255	2,170	188
Acquisition of businesses, net of cash and cash equivalents acquired	¥ (271,701)	¥ (62,343)	$ (1,813)

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 businesses for the year ended March 31, 2025 is ¥3,227 million ($22 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	¥ 904	$ 6
Trade and other receivables	1,837	12
Property, plant and equipment	3,225	22
Intangible assets	18	0
Other assets	3,934	26
Current liabilities	(2,716)	(18)
Non-current liabilities	(160)	(1)

The total consideration received in respect of sales of businesses for the year ended March 31, 2024 was ¥4,502 million. Each major class of assets and liabilities at the point of sale is as follows:

	Millions of Yen
Cash and cash equivalents	¥ 923
Trade and other receivables	3,585
Property, plant and equipment	762
Intangible assets	158
Other assets	214
Current liabilities	(2,184)
Non-current liabilities	(1,864)

35. Subsidiaries

The Companies' subsidiaries as of March 31, 2025 are as follows:

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
Steel	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	100.00
	B&L Pipeco Services	Houston, U.S.	100.00 (100.00)
	P2 Energy Services	Spring, U.S.	100.00 (100.00)
	Others (22 Companies)		
Automotive	KIRIU Corporation	Ashikaga, Tochigi	100.00
	Sumitomo Corporation Power and Mobility Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Toyota Ukraine	Khiwo, Ukraine	100.00
	Summit Auto Group	Jakarta, Indonesia	100.00 (0.01)
	Summit Motors Vladivostok	Vladivostok, Russia	100.00
	Summit Capital Leasing	Bangkok, Thailand	99.73 (0.57)
	Moto-Pfohe EOOD	Sofia, Bulgaria	100.00
	SML Isuzu	Chandigarh, India	43.96
	Aimo Park Sweden	Stockholm, Sweden	100.00
	Others (19 Companies)		
Transportation & Construction Systems	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
	Sumitec International, Ltd.	Moscow, Russia	100.00
	SC Construction Machinery (Shanghai) Corporation	Shanghai, China	100.00 (10.00)
	Sunstate Equipment Co. LLC	Phoenix, U.S.	100.00 (100.00)

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
	Linder Industrial Machinery	Plant City, U. S.	100.00 (100.00)
	Aver Asia (S) Pte Ltd	Singapore	100.00
	Others (11 Companies)		
Diverse Urban Development	Sumitomo Shoji Machinex Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	S.C. Cement Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumisho Global Logistics Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	IG Kogyo Co., Ltd.	Higashine, Yamagata	65.68
	Zhu Li (Jinan) Real Estate	Jinan, China	100.00
	TLIP INDUSTRIAL PARK II CORPORATION	Hung Yen, Vietnam	92.22 (18.15)
	Others (37 Companies)		
Media & Digital	SCSK Corporation	Koto-ku, Tokyo	50.71
	Presidio Ventures, Inc.	Santa Clara, U.S.	100.00 (100.00)
	Sumitomo Corporation Equity Asia Limited	Hong Kong, China	100.00
	IN Venture	Tel Aviv, Israel	99.00 (1.00)
	Others (13 Companies)		
Lifestyle Business	Summit, Inc.	Suginami-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
	SC Healthcare Holdings	Kelana Jaya, Malaysia	100.00
	Fyffes International	Geneva, Switzerland	100.00 (100.00)
	Others (15 Companies)		
Mineral Resources	SUMISHO METALEX CORPORATION	Chiyoda-ku, Tokyo	100.00
	SC Minerals America, Inc.	Denver, U.S.	100.00 (6.78)
	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

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
	Sumisho Coal Australia Holdings Pty. Ltd.	Sydney, Australia	100.00
	SC Quebrada Blanca SPA	Santiago, Chile	100.00
	SC Metal Pty Ltd	Melbourne, Australia	100.00 (10.00)
	SCMI	London, U.K.	100.00
	SC MINERAL RESOURCES	Sydney, Australia	100.00 (30.00)
	Others (9 Companies)		
Chemical Solutions	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
	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)
	SUMMIT RURAL (WA) PTY LIMITED	Kwinana, Australia	100.00 (20.00)
	Agro Amazonia Produtos Agropecuarios S.A	Cuiabá, Brasil	100.00
	Nativa Agronegocios & Representacoes	Minas Gerais, Brazil	100.00 (100.00)
	Diversified C.P.C International Inc	Illinois, U.S.	96.00 (80.00)
	Summit Agro Argentina S.A.	Buenos Aires, Argentina	100.00 (13.49)
	Saconix LLC.	Georgia, U.S.	100.00 (100.00)
	SUMMIT AGRO SOUTH AMERICA SPA	San Diego, Chile	100.00
	Others (20 Companies)		
Energy Transformation Business	Summit Energy Corporation	Chiyoda-ku, Tokyo	100.00
	P.T. Central Java Power	Jakarta, Indonesia	100.00 (25.00)
	Enessance Holdings Co., Ltd.	Minato-ku, Tokyo	53.86
	Summit Renewable Energy Europe Limited	London, UK	100.00
	Perennial Power Holdings	Texas, U.S.	100.00 (100.00)
	SRPT SAS	Paris, France	100.00
	SRPN SAS	Paris, France	100.00

Business segment	Name of subsidiary	Place of incorporation and operation	Proportion of voting power held by the Companies (%)
	Pacific Summit Energy LLC.	Irvine, U.S.	100.00 (100.00)
	Summit Forests New Zealand Limited	Auckland, New Zealand	100.00
	Others (47 Companies)		
Others	Yasato Kosan Co., Ltd.	Chiyoda-ku, Tokyo	100.00
	Sumitomo Corporation of Americas	New York, U.S.	100.00
	Sumitomo Corporation (China) Holding Ltd.	Beijing, China	100.00
	Sumitomo Corporation Asia & Oceania Pte. Ltd.	Singapore	100.00
	Sumitomo Corporation Do Brasil S.A.	Sao Paulo, Brazil	100.00
	Sumitomo Corporation Taiwan Ltd.	Taipei, Taiwan	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
	Sumitomo Corporation (Hong Kong) Limited	Hong Kong, China	100.00
	Sumitomo Corporation (Europe) Limited	London, U.K.	100.00
	Others (38 Companies)		

Notes:

1. As of March 31, 2025, a total of 339 sub-consolidated subsidiaries are excluded from the count above. These include companies that are sub-consolidated by other subsidiaries.
2. As of April 1, 2024, the "Business Units", "Energy Innovation Initiative" along with its "Divisions" and "Departments" have been removed and we operate our organization based on Strategic Business Units (SBUs). SBUs are structured into nine "Groups".
3. 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.
4. 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.

36. 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 ¥925,807 million ($6,176 million) as of March 31, 2025. Scheduled deliveries are at various dates through 2045. The Companies also have entered into financing contract for loans and capital investment, and use of equipment contract, which amounts for ¥901,807 million ($6,016 million) as of March 31, 2025. Of that amount, ¥170,563 million ($1,138 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 undiscounted maximum amounts of potential future payments for each major group of guarantees are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2025	2024	2025
Guarantees for indebtedness of:			
Equity-accounted investees	¥ 131,317	¥ 135,398	$ 876
Third parties	62,680	86,796	418
Total	¥ 193,997	¥ 222,194	$ 1,294

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 2034. Some of the guarantees include back guarantees, and the balance of such back guarantees is ¥701 million ($5 million) as of March 31, 2025. 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 2050. Some of the guarantees are secured by counter guarantees, whose balances are ¥8,697 million ($58 million) as of March 31, 2025.

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 related 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.

37. Subsequent Events

Significant subsequent events as of June 18, 2025, the date of approval of the Company's consolidated financial statements, are as follows.

Repurchases and Cancellation of Treasury Stock

At a meeting of its Board of Directors held on May 1, 2025, 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 35 million shares (Ratio to the number of outstanding shares (excluding treasury stock) about 2.9%)
(3) Aggregate repurchase amount: Up to 80 billion yen
(4) Period for repurchases: From May 2, 2025 to Mar 31, 2026

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, excluding those to be allocated as stock compensation (1 million shares)
(3) Scheduled date of cancellation: Apr 10, 2026

(Reference)
Number of treasury stock shares (as of March 31, 2025)
Number of outstanding shares (excluding treasury stock): 1,210,006,631 shares
Number of treasury stock shares: 1,092,736 shares

<u>Partial transfer of equity interest in the coal-fired power project in Vietnam</u>
Sumitomo Corporation has made the decision on May 1, 2025, to transfer its equity interest in Van Phong Power Company Limited (hereinafter "VPCL"), a wholly owned subsidiary. Subject to the satisfaction of certain customary closing conditions, our ownership ratio in VPCL is expected to be reduced to 50%, and reclassified from a consolidated subsidiary to an equity-method affiliate.

38. Approval of Consolidated Financial Statements
The consolidated financial statements were approved by Shingo Ueno, Representative Director, President and Chief Executive Officer, and Reiji Morooka, Chief Financial Officer, on June 18, 2025.

Independent Auditor's Report

To the Board of Directors of Sumitomo Corporation:

Report on the Audit of the Consolidated Financial Statements

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, 2025, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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.

Reasonableness of the Estimated Value-in-use of the Group of Cash-generating Units to which Goodwill of the Banana & Pineapple Business within the Fresh Produce Business in Europe and the Americas was 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 ¥640,729 million were recognized, which accounted for 5.5% of total assets in the consolidated financial statements. As described in Note 13, "Intangible Assets" to the consolidated financial statements, these intangible assets included ¥13,410 million allocated to the banana & pineapple business, a group of cash-generating units, among the goodwill arising from the acquisition of the fresh produce business in Europe and the Americas.	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 of the banana & pineapple business within the fresh produce business in Europe and the Americas was 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**

As described in Note 3, "Material Accounting Policies, (10) Impairment" to the consolidated financial statements, a group of cash-generating units to which goodwill has 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, the recoverable amount is calculated by using the higher of either the value in use of a group of cash-generating units or the fair value less cost of disposal of the asset. When the recoverable amount of a group of cash-generating units is less than the carrying amount, an impairment loss is recognized. 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 intangible assets of the banana & pineapple business were allocated. The recoverable amount exceeded the carrying amount, and thus no impairment loss was recognized. The future cash flows used to measure the value-in-use of the group of cash-generating units to which goodwill of the banana & pineapple business within the fresh produce business in Europe and the Americas was allocated were estimated based on the business plan of the banana & pineapple business developed by management. The business plan included management's projection of sales volumes and margins, and involved a high degree of uncertainty. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for determining the discount rates, used to measure the value-in-use, requires a high degree of expertise in valuation. 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 of the banana & pineapple business within the fresh produce business in Europe and the Americas was 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.	To assess the appropriateness of key assumptions used by management in preparing the business plan of the banana & pineapple business, on which the estimated future cash flows were based, we inquired of management about the basis for those assumptions, and performed the following procedures, among others: ● assessed the appropriateness of management's assumptions related to the projected future sales volumes and margins, on which the sales plan of the business was based, by comparing these assumptions with the actual sales volumes and margins in the past and evaluating the consistency between the assumptions regarding sales prices 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, as well as our analysis on the causes of any discrepancies between the past business plan and actual results, and then compared our own independent estimate with the amount estimated by management. Furthermore, we performed the following procedures by involving valuation specialists within our domestic network firms who assisted in our evaluation of the discount rate: ● assessed the appropriateness of the model used to estimate the discount rate based on subject matters relevant to valuation and the requirements of accounting standards; and ● assessed the appropriateness of the input data used to estimate the discount rate through comparison with the data published by external organizations that the valuation specialists independently obtained. In addition, we analyzed the sensitivity to changes in the input data used to estimate the discount rate on the judgment as to whether an impairment loss should be recognized.

Reasonableness of the Estimated Value-in-use of the Group of Cash-generating Units to which Goodwill of the Parking Business in Nordic Countries was 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 ¥640,729 million were recognized, which accounted for 5.5% 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 of ¥21,842 million, arising from the acquisition of the parking business in Nordic countries. As described in Note 3, "Material Accounting Policies, (10) Impairment" to the consolidated financial statements, a group of cash-generating units to which goodwill has 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, the recoverable amount is calculated by using the higher of either the value in use of a group of cash-generating units or the fair value less cost of disposal of the asset. When the recoverable amount of a group of cash-generating units is less than the carrying amount, an impairment loss is recognized. In the annual impairment testing for the current fiscal year, the value-in-use was used as the recoverable amount of a group of cash-generating units to which intangible assets were allocated. Since the recoverable amount exceeded the carrying amount, no impairment loss was recognized. While the excess of the recoverable amount over the carrying amount was ¥7,661 million, if there are changes in key assumptions, recognition of an impairment loss may become necessary. The value-in-use was used as the recoverable amount of the group of cash-generating units to which goodwill of the parking business in Nordic countries was allocated. The future cash flows used to measure the value-in-use were estimated based on the business plan of the parking business in Nordic countries developed by management. The business plan included management's projection of revenue from the parking business, and involved a high degree of uncertainty. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the value in use requires a high degree of expertise in valuation. 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 of the parking business in Nordic countries was	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 of the parking business in Nordic countries was 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 key assumptions used in developing the business plan of the parking business in Nordic countries, on which the estimated future cash flows were based, we inquired of management about the basis for those assumptions, and performed the following procedures, among others: ● assessed the appropriateness of the management's assumptions related to the projected future revenue of the parking business, on which the business plan was based, by comparing the assumptions with the trends in the historical experience and evaluating the consistency between the assumptions 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 key assumptions, as well as our analysis on the causes of any discrepancies between the past business plan and actual results, and then compared our own independent estimate with the amount estimated by management. Furthermore, we performed the following procedures by involving valuation specialists within our domestic network firms who assisted in our evaluation of the discount rate: ● assessed the appropriateness of the method used to determine the discount rates based on subject matters relevant to valuation and the requirements of accounting standards; and ● assessed the appropriateness of the input data used to estimate the discount rate through comparison with the data published by external organizations that the valuation specialists independently obtained. In addition, we analyzed the sensitivity to changes

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.	in input data used to estimate the discount rate on the judgment as to whether an impairment loss should be recognized.

Appropriateness of the Amount of Losses Recognized for Joint Ventures Accounted for Using the Equity Method that Operate the Nickel Mining and Refining Business in Madagascar	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 11, "Investments Accounted for Using the Equity Method" to the consolidated financial statements, Sumitomo Corporation ("the Company") holds a 54.17% equity interest each in AMBATOVY MINERALS S.A. and DYNATEC MADAGSCAR S.A., which operate a nickel mine and a nickel refining plant, respectively, in Madagascar. The Company applies the equity method to the investments in these companies that operate a nickel mining and refining business in Madagascar (the "Project Companies"), determining that they fall under joint ventures in accordance with the shareholders' agreement. For the current fiscal year, as a result of assessing recoverability of the investments by reflecting the current business environment including prices of natural resources, losses were recognized on loans (including long-term interests) and commitments to the Project Companies. Consequently, a loss of ¥14,107 million was recognized in Share of profit (loss) of investments accounted for using the equity method and a loss of ¥4,752 million was recognized in Other, net. The recoverability of loans including long-term interests and the amount of losses recognized related to commitments were determined based on the present value of all cash flows that were expected to be received and the fair value less cost of disposal. The estimates involved management's assumptions on prices of and production volume of natural resources (mainly nickel and cobalt). Since the projected prices of natural resources included outlooks for market fluctuations and the projected production volume of natural resources may change in the case of any equipment breakdowns at the Project Companies, these key assumptions involved a high degree of uncertainty. In addition, selecting appropriate models and input data for estimating the discount rate used to measure the fair value less cost of disposal requires a high degree of expertise in valuation.	In order to assess the appropriateness of the amount of losses recognized for joint ventures accounted for using the equity method that operate the nickel mining and refining business in Madagascar, we involved the component auditor of the Project Companies and performed the audit procedures set out below, including the direction and supervision of the component auditor and the review of its work, among others. **(1) Internal control testing** We tested the design effectiveness of certain internal controls relevant to the estimates of the future cash flows and the discount rate used to measure the fair value less cost of disposal. **(2) Assessment of the reasonableness of the estimated future cash flows** We inquired of management to assess the appropriateness of key assumption related to the prices and production volume of natural resources, which formed the basis for measuring the future cash flows. In addition, we performed the following procedures: ● Projected prices of natural resources Compared the projected prices of natural resources with the average of the estimated long-term prices published by external research organizations. ● Projected production volume of natural resources - Compared the past projected production volume of natural resources with past actual results and analyzed the causes of any variances; and - Understood the relationship between the size of production equipment and the production volume of natural resources and assessed the consistency of the projected production volume of natural resources with the capital investment plan containing responses to any

We, therefore, determined that our assessment of the appropriateness of the amount of losses recognized for joint ventures accounted for using the equity method that operate 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.	equipment breakdowns. **(3) Evaluation of the discount rate used to measure the fair value less cost of disposal** We performed the following procedures by involving the valuation specialists within the network firms of the component auditor who assisted in our evaluation of the discount rate: ● Independent development of the range of discount rate that was deemed reasonable; and ● Assessment of whether the discount rate used by the Company was within the range of discount rate that was deemed reasonable.

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

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in “5. Information about Audits” of the Annual Financial Report.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 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 subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Michitaka Shishido
Designated Engagement Partner
Certified Public Accountant

Kenji Kasajima
Designated Engagement Partner
Certified Public Accountant

Takeshi Takahashi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 18, 2025