

# **Consolidated Financial Statements**

Years ended March 31, 2026 and 2025



## Consolidated Statement of Financial Position

Millions of yen	Note	As of March 31, 2026	As of March 31, 2025
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	8	¥ 208,589	¥ 209,838
Trade and other receivables	9	608,670	593,836
Other financial assets	10	47,551	45,015
Inventories	11	595,471	625,243
Other current assets	12	47,429	49,993
Subtotal		1,507,710	1,523,925
Assets held for sale	13	—	59,209
Total current assets		1,507,710	1,583,134
Non-current assets:			
Property, plant and equipment	14	770,688	759,266
Goodwill	15	275,711	257,811
Intangible assets	15	225,334	239,319
Investments accounted for using the equity method	17	203,862	287,977
Other financial assets	10	301,222	177,405
Retirement benefit assets	24	52,222	72,618
Deferred tax assets	18	39,227	34,608
Other non-current assets	12	29,065	27,646
Total non-current assets		1,897,331	1,856,650
Total assets		¥ 3,405,041	¥ 3,439,784

Millions of yen	Note	As of March 31, 2026	As of March 31, 2025
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Current liabilities:			
Bonds and borrowings	19,21	¥ 241,422	¥ 252,892
Trade and other payables	23	464,422	488,132
Other financial liabilities	20,21,22	63,737	81,364
Income taxes payable		7,022	10,627
Provisions	25	110,408	89,711
Other current liabilities	26	114,335	109,360
Subtotal		1,001,346	1,032,086
Liabilities directly associated with assets held for sale	13	—	6,661
Total current liabilities		1,001,346	1,038,747
Non-current liabilities:			
Bonds and borrowings	19,21	910,033	1,033,236
Other financial liabilities	20,21,22	87,885	91,157
Retirement benefit liabilities	24	22,084	24,841
Provisions	25	26,383	25,974
Deferred tax liabilities	18	78,321	111,048
Other non-current liabilities	26	42,316	40,366
Total non-current liabilities		1,167,022	1,326,622
Total liabilities		2,168,368	2,365,369
<b>Equity</b>			
Share capital	27	90,179	90,059
Capital surplus	27	1,966	—
Retained earnings	27	655,384	640,611
Treasury shares	27	(2,650)	(8,361)
Other components of equity	27	263,765	174,871
Other comprehensive income associated with assets held for sale		—	3,610
Equity attributable to owners of the parent		1,008,644	900,790
Non-controlling interests		228,029	173,625
Total equity		1,236,673	1,074,415
Total liabilities and equity		¥ 3,405,041	¥ 3,439,784

## Consolidated Statement of Income

Fiscal years ended March 31, 2026 and 2025

Millions of yen	Note	FY2025	FY2024
Sales revenue	6,29	¥ <b>2,328,515</b>	¥ <b>2,606,281</b>
Cost of sales		<b>(1,660,247)</b>	<b>(1,880,805)</b>
Gross profit		<b>668,268</b>	<b>725,476</b>
Selling, general and administrative expenses	30	<b>(565,505)</b>	<b>(601,074)</b>
Other operating income	31	<b>127,776</b>	<b>97,341</b>
Other operating expenses	31	<b>(35,524)</b>	<b>(49,349)</b>
Share of profit (loss) of investments accounted for using the equity method	17	<b>(43,271)</b>	<b>20,639</b>
Operating income		<b>151,744</b>	<b>193,033</b>
Finance income	32	<b>28,100</b>	<b>17,650</b>
Finance expenses	32	<b>(63,776)</b>	<b>(152,590)</b>
Income before taxes		<b>116,068</b>	<b>58,093</b>
Income tax expenses	18	<b>(666)</b>	<b>(15,405)</b>
Net income		<b>115,402</b>	<b>42,688</b>
Net income attributable to:			
Owners of the parent		<b>60,947</b>	<b>38,591</b>
Non-controlling interests		<b>54,455</b>	<b>4,097</b>
Net income		¥ <b>115,402</b>	¥ <b>42,688</b>

Yen		FY2025	FY2024
Earnings per share:	34		
Basic earnings per share		<b>37.16</b>	<b>23.59</b>
Diluted earnings per share		<b>37.15</b>	<b>23.58</b>

## Consolidated Statement of Comprehensive Income

Fiscal years ended March 31, 2026 and 2025

Millions of yen	Note	FY2025	FY2024
Net income		¥ <b>115,402</b>	¥ <b>42,688</b>
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of financial assets (equity instruments) measured at fair value through other comprehensive income	33	<b>33,752</b>	<b>(32,471)</b>
Remeasurements of defined benefit plans	24,33	<b>(13,673)</b>	<b>(20,432)</b>
Share of other comprehensive income of investments accounted for using the equity method	17,33	<b>2,552</b>	<b>1,742</b>
Total items that will not be reclassified to profit or loss		<b>22,631</b>	<b>(51,161)</b>
Items that may be subsequently reclassified to profit or loss			
Remeasurements of financial assets (debt instruments) measured at fair value through other comprehensive income	33	<b>58</b>	<b>(58)</b>
Cash flow hedge	33,36	<b>(370)</b>	<b>(180)</b>
Exchange differences on conversion of foreign operations	33	<b>58,051</b>	<b>(49,682)</b>
Share of other comprehensive income of investments accounted for using the equity method	17,33	<b>(7,891)</b>	<b>3,771</b>
Total items that may be subsequently reclassified to profit or loss		<b>49,848</b>	<b>(46,149)</b>
Other comprehensive income, net of taxes		<b>72,479</b>	<b>(97,310)</b>
Total comprehensive income		<b>187,881</b>	<b>(54,622)</b>
Total comprehensive income attributable to:			
Owners of the parent		<b>119,702</b>	<b>(53,967)</b>
Non-controlling interests		<b>68,179</b>	<b>(655)</b>
Total comprehensive income		¥ <b>187,881</b>	¥ <b>(54,622)</b>

## Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2026

Millions of yen	Note	Equity attributable to owners of the parent				Other components of equity	
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance as of April 1, 2025		¥ 90,059	¥ —	¥ 640,611	¥ (8,361)	¥ 1,186	¥ —
Net income		—	—	60,947	—	—	—
Other comprehensive income	33	—	—	—	—	31,356	(15,635)
<b>Total comprehensive income</b>		<b>—</b>	<b>—</b>	<b>60,947</b>	<b>—</b>	<b>31,356</b>	<b>(15,635)</b>
Issuance of new shares	27	120	120	—	—	—	—
Purchase of treasury shares	27	—	—	—	(6)	—	—
Disposal of treasury shares	27	—	(1)	—	0	—	—
Dividends	28	—	—	(19,645)	—	—	—
Changes resulting from additions to consolidation		—	—	—	—	—	—
Changes resulting from loss of control of subsidiaries		—	—	1,789	—	(1,611)	(221)
Change in interest due to transactions with non-controlling interests	37	—	1,915	—	5,717	—	—
Transfer from other components of equity to retained earnings		—	—	(28,318)	—	12,462	15,856
Others, net		—	(68)	—	—	—	—
Transfer to other comprehensive income associated with assets held for sale		—	—	—	—	—	—
Transfer of negative balance of other capital surplus		—	—	—	—	—	—
<b>Total transactions with owners</b>		<b>120</b>	<b>1,966</b>	<b>(46,174)</b>	<b>5,711</b>	<b>10,851</b>	<b>15,635</b>
<b>Balance as of March 31, 2026</b>		<b>¥ 90,179</b>	<b>¥ 1,966</b>	<b>¥ 655,384</b>	<b>¥ (2,650)</b>	<b>¥ 43,393</b>	<b>¥ —</b>

	Note	Equity attributable to owners of the parent				Equity attributable to owners of the parent	Non-controlling interests	Total equity
		Other components of equity			Other comprehensive income associated with assets held for sale			
		Cash flow hedges	Exchange differences on conversion of foreign operations	Total				
Balance as of April 1, 2025		¥ 87	¥ 173,598	¥ 174,871	¥ 3,610	¥ 900,790	¥ 173,625	¥ 1,074,415
Net income		—	—	—	—	60,947	54,455	115,402
Other comprehensive income	33	(301)	61,917	77,337	(18,582)	58,755	13,724	72,479
<b>Total comprehensive income</b>		<b>(301)</b>	<b>61,917</b>	<b>77,337</b>	<b>(18,582)</b>	<b>119,702</b>	<b>68,179</b>	<b>187,881</b>
Issuance of new shares	27	—	—	—	—	240	—	240
Purchase of treasury shares	27	—	—	—	—	(6)	—	(6)
Disposal of treasury shares	27	—	—	—	—	(0)	—	(0)
Dividends	28	—	—	—	—	(19,645)	(1,660)	(21,305)
Changes resulting from additions to consolidation		—	—	—	—	—	—	—
Changes resulting from loss of control of subsidiaries		—	—	(1,832)	43	—	(3,176)	(3,176)
Change in interest due to transactions with non-controlling interests	37	—	—	—	—	7,631	(8,939)	(1,308)
Transfer from other components of equity to retained earnings		—	—	28,318	—	—	—	—
Others, net		—	—	—	—	(68)	—	(68)
Transfer to other comprehensive income associated with assets held for sale		—	(14,929)	(14,929)	14,929	—	—	—
Transfer of negative balance of other capital surplus		—	—	—	—	—	—	—
<b>Total transactions with owners</b>		<b>—</b>	<b>(14,929)</b>	<b>11,557</b>	<b>14,972</b>	<b>(11,848)</b>	<b>(13,775)</b>	<b>(25,623)</b>
<b>Balance as of March 31, 2026</b>		<b>¥ (214)</b>	<b>¥ 220,586</b>	<b>¥ 263,765</b>	<b>¥ —</b>	<b>¥ 1,008,644</b>	<b>¥ 228,029</b>	<b>¥ 1,236,673</b>

Fiscal year ended March 31, 2025

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

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

## Consolidated Statement of Cash Flows

Fiscal years ended March 31, 2026 and 2025

Millions of yen	Note	FY2025	FY2024
<b>Cash flows from operating activities:</b>			
Income before taxes		¥ 116,068	¥ 58,093
Depreciation and amortization		121,069	131,597
Gains on business transfers		(96,559)	(56,653)
Impairment losses	16	34,607	26,312
Share of (profit) loss of investments accounted for using the equity method		43,271	(20,639)
Interest and dividend income		(11,728)	(15,831)
Interest expenses		33,454	28,704
Restructuring costs		26,627	23,583
Changes in fair value of contingent consideration		(1,153)	(2,427)
(Gain) loss on sale of property, plant and equipment, and intangible assets		(1,207)	(14,339)
(Increase) decrease in trade receivables		(3,624)	(21,964)
(Increase) decrease in inventories		38,564	56,532
Increase (decrease) in trade payables		(71,947)	(6,113)
Increase (decrease) in unearned revenue		(9,235)	(23,064)
Increase (decrease) in provisions		8,897	(326)
Others, net		53,093	110,069
Subtotal		280,197	273,534
Interest and dividends received		15,873	20,659
Interest paid		(29,833)	(27,478)
Income taxes paid		(27,379)	(10,090)
Restructuring costs paid		(4,099)	(23,598)
Net cash provided by (used in) operating activities		234,759	233,027
<b>Cash flows from investing activities:</b>			
Net (increase) decrease in time deposits		(2,963)	(6,968)
Net (increase) decrease in securities		(9,875)	2,910
Purchase of property, plant and equipment, and intangible assets		(121,566)	(130,465)
Proceeds from sales of property, plant and equipment, and intangible assets		4,243	16,816
Purchase of investments in subsidiaries		(6,985)	(196)
Purchase of other financial assets		(115,409)	(4,117)
Proceeds from sales and redemption of other financial assets		121,426	179,970
Proceeds from sale of subsidiaries		55,731	39,671
Payments for sale of subsidiaries		(20)	(11,614)
Others, net		597	(778)
Net cash provided by (used in) investing activities		(74,821)	85,229
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term borrowings	21	5,996	(226,165)
Net increase (decrease) in commercial paper	21	(40,423)	(37,000)
Proceeds from long-term borrowings	21	37,570	153,978
Repayments of long-term borrowings	21	(155,889)	(132,253)
Proceeds from issuance of bonds	21	—	99,161
Redemption of bonds	21	—	(120,000)
Repayments of finance lease liabilities	21,22	(20,643)	(19,201)
Proceeds from sale and leaseback transactions		—	6,700
Cash dividends paid	28	(19,680)	(9,866)
Cash dividends paid to non-controlling interests		(1,662)	(11,698)
Payments for acquisition of subsidiaries' interests from non-controlling interests		(2,245)	(5,330)
Others, net		(2,092)	896
Net cash provided by (used in) financing activities		(199,068)	(300,778)
Effect of exchange rate changes on cash and cash equivalents		15,657	(6,823)
Increase (decrease) in cash and cash equivalents		(23,473)	10,655
Cash and cash equivalents at the beginning of the year	8	209,838	217,449
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	13	22,224	(18,266)
Cash and cash equivalents at the end of the period	8	¥ 208,589	¥ 209,838

# Notes to Consolidated Financial Statements

## Sumitomo Chemical Company, Limited and Consolidated Subsidiaries

For the Years ended March 31, 2026 and 2025 (Fiscal year 2025 and Fiscal year 2024)

### 1. Reporting Entity

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

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

The Group is primarily involved in the manufacturing and sale of "Agro & Life Solutions", "ICT & Mobility Solutions", "Advanced Medical Solutions", "Essential & Green Materials", and "Sumitomo Pharma" products. Details of these businesses are presented in Note 6 Segment Information.

### 2. Basis of Preparation

#### (1) Compliance with IFRS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") issued by the International Accounting Standards Board. The provision of Article 312 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements applies, as the Company meets the requirements for a "Specified Company Applying Designated International Financial Reporting Standards" prescribed in Article 1-2-1 of said ordinance.

The Group's consolidated financial statements were approved on June 22, 2026 by Nobuaki Mito, Representative Director & President.

#### (2) Basis of measurement

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

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

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

### **3. Material Accounting Policies**

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

##### **① Subsidiaries**

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

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

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

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

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

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

Associates are those entities in which the Group has significant influence over the financial and operating policies but does not have control or joint control. The Group is presumed to have significant influence over another entity when it holds at least 20% of the voting rights of that entity. In assessing whether the Group has significant influence, other factors are also considered, including representation on the Board of Directors. In such cases, the Group may be deemed to have significant influence over an entity even if it holds less than 20% of the voting rights of that entity.

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

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

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

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

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

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

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

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

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

- Deferred tax assets/liabilities, and assets/liabilities related to employee benefits;

- Share-based payment contracts of the acquiree; and
- Non-current assets and disposal groups classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets and liabilities of foreign operations are converted into Japanese yen at the spot exchange rate at the reporting date. Income and expenses are converted into Japanese yen at the average exchange rate, except when the exchange rate fluctuates significantly. Exchange differences arising from conversion of financial statements of the foreign operations are recognized in other comprehensive income.

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

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

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

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

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

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

(a) Financial assets measured at amortized cost

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

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

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

- Debt instruments measured at fair value through other comprehensive income

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

- a. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Equity instruments measured at fair value through other comprehensive income

For certain equity instruments held primarily for the purpose of maintaining or strengthening the business relationships with investees, the Group elects these instruments as fair value through other comprehensive income at initial recognition.

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

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

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

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

**(iii) Derecognition of financial assets**

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

**(iv) Impairment**

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

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

- (a) Internal credit rating
- (b) External credit rating (if available)
- (c) Actual or expected significant change in the results of the borrower's performance
- (d) Actual or expected significant adverse change in the regulatory environment, economic environment or technological environment that causes a significant change in the borrower's ability to fulfill its obligation
- (e) Significant increase in credit risk of the other financial instruments of the same borrower
- (f) Significant change in the value of collateral underlying debt, third-party guarantee or credit enhancement

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

**② Non-derivative financial liabilities**

**(i) Initial recognition and measurement**

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

- (a) Financial liabilities measured at fair value through profit or loss (financial liabilities measured at FVTPL)
- (b) Financial guarantee contracts
- (c) Contingent consideration associated with business combination

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

## **(ii) Subsequent measurement**

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

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

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

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

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

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

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

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

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

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

## **(iii) Derecognition**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### **① Goodwill**

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

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

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

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

## **② Intangible assets**

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

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

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

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

## **(9) Leases**

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

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

### **① Right-of-use assets**

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

### **② Lease liabilities**

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

The lease liabilities are included in "Other financial liabilities" in the consolidated statement of financial position.

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

## **(10) Impairment of non-financial assets**

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

The recoverable amount of an asset or its cash-generating unit (hereinafter, "CGU") is the higher of its value in use or its fair value less disposal costs. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. If it is not possible to estimate the recoverable amount of each asset individually for the impairment test, such assets are integrated into the smallest CGU that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets. For the purposes of goodwill impairment testing, CGUs to which goodwill would be allocated are aggregated when necessary so that the level at which impairment is tested reflects the lowest level at which goodwill is

monitored. Goodwill acquired in a business combination is allocated to the (group of) CGU(s) that is expected to benefit from the synergies of the business combination.

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

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

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

## **(11) Employee benefits**

### **① Post-retirement benefits**

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

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

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

The amount of the net defined benefit liability/asset is calculated by deducting the fair value of plan assets from the present value of defined benefit obligation. However, if the defined benefit plans are overfunded, net defined benefit assets are capped at the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

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

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

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

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

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

## **(12) Provisions**

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

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

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

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

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

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

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

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

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

## **(13) Revenue**

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

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

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Group mainly engages in businesses of such segments as "Agro & Life Solutions", "ICT & Mobility Solutions" , "Advanced Medical Solutions", "Essential & Green Materials", and "Sumitomo Pharma". For sales of products, the performance obligation is judged to have been satisfied and revenue is recognized upon delivery of the products, because the customer obtains control over the products upon delivery. Revenue is measured at the consideration promised in a contract with a customer, less product returns, discounts, rebates and other items to the extent that it is highly probable that a significant reversal will not occur.

### **② Interest income**

Interest income is recognized using the effective interest method.

### **③ Dividends**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **(16) Capital**

Ordinary shares are classified as capital.

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

**(17) Share-based payment**

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

**(18) Assets held for sale**

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

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

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

**(19) Changes in presentation**

(Consolidated statement of cash flows)

"Gains on business transfers," which was included in "Others, net" under "Cash flows from operating activities" in the previous fiscal year, is presented separately in this fiscal year due to increased quantitative materiality. "Increase in loan receivables" under "Cash flows from investing activities," which was presented separately in the previous fiscal year, is included in "Others, net" in this fiscal year due to decreased quantitative materiality. As a result, "Others, net" of ¥53,416 million under "Cash flows from operating activities" has been reclassified as "Gains on business transfers" of ¥(56,653) million and "Others, net" of ¥110,069 million. In addition, "Increase in loan receivables" of ¥(86) million and "Others, net" of ¥(692) million under "Cash flows from investing activities" have been reclassified as "Others, net" of ¥(778) million.

#### 4. Significant Accounting Estimates and Judgments

Management has made a number of judgments, estimates and assumptions relating to the application of accounting policies, and reporting of income, expenses, assets and liabilities in the preparation of these consolidated financial statements in accordance with IFRS. Actual results may materially affect the Company's consolidated financial statements for FY2026 due to the uncertainties in these estimates and judgments.

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

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

- Impairment of non-financial assets (Note 16 Impairment of Non-financial Assets);
- Assessment of investments in associates (Note 17 Investments Accounted for Using the Equity Method);
- Recoverability of deferred tax assets (Note 18 Income Taxes);
- Measurement of provisions (Note 25 Provisions); and
- Fair value of financial instruments (Note 36 Financial Instruments).

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

Major new and amended accounting standards and interpretations that the Group had not yet applied in FY2025, which were issued by the approval date of the consolidated financial statements, are as follows. The impact of applying the new IFRS standards on the Group is currently being assessed and cannot be estimated at this time.

Standards	Name of standards	Effective date (Fiscal year starting on or after)	Timing of application by the Group	Description of new standards and amendments
IFRS 7 IFRS 9	Financial Instruments: Disclosures Financial Instruments	January 1, 2026	FY2026	<ul style="list-style-type: none"> <li>• Clarifying the classification of financial assets (clarifying elements for assessing whether the contractual cash flows meet the solely payments of principal and interest (SPPI) criterion)</li> <li>• Clarifying the date of derecognition of financial liabilities settled through electronic cash transfer systems</li> <li>• Amendments to the disclosures for investments in equity instruments designated to be measured at fair value through other comprehensive income (FVTOCI) and financial instruments with contingent features that can change cash flows</li> </ul>
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	FY2027	<ul style="list-style-type: none"> <li>• Improved comparability in the statement of profit or loss (income statement)</li> <li>• Enhanced transparency of management-defined performance measures</li> <li>• More useful grouping of information in the financial statements</li> </ul>

## 6. Segment Information

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

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

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

Principally in accordance with the business sectors, the Group consists of the five reportable segments based on its products and services: "Agro & Life Solutions", "ICT & Mobility Solutions", "Advanced Medical Solutions", "Essential & Green Materials", and "Sumitomo Pharma".

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

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

### (2) Reportable segments information

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

Inter-segment sales revenue is based on market prices.

**Fiscal year 2025**

Millions of yen

	Reportable segments					Total	Others (Note 3)	Adjustments (Note 4)	Consolidated
	Agro & Life Solutions	ICT & Mobility Solutions	Advanced Medical Solutions	Essential & Green Materials	Sumitomo Pharma				
Sales revenue:									
Sales revenues from external customers	¥ 519,256	¥ 574,162	¥ 58,601	¥ 678,800	¥ 451,933	¥ 2,282,752	¥ 45,763	¥ —	¥ 2,328,515
Inter-segment sales revenues	1,094	968	13,812	4,576	1,361	21,811	49,001	(70,812)	—
Total sales revenue	520,350	575,130	72,413	683,376	453,294	2,304,563	94,764	(70,812)	2,328,515
Segment profit : core operating income (Note 1,2)	¥ 56,334	¥ 53,041	¥ 2,818	¥ 14,446	¥ 108,444	¥ 235,083	¥ 4,394	¥ (31,101)	¥ 208,376
Segment assets	819,631	722,571	125,225	639,853	785,884	3,093,164	231,026	80,851	3,405,041
Other items:									
Depreciation and amortization	21,152	33,735	7,844	19,217	20,771	102,719	7,045	11,305	121,069
Share of profit (loss) of investments accounted for using the equity method	350	—	—	(49,544)	4,821	(44,373)	1,192	(90)	(43,271)
Impairment losses	1,274	2,830	3,766	23,016	2,073	32,959	—	1,648	34,607
Reversal of impairment losses	—	—	—	—	1,086	1,086	—	—	1,086
Investments accounted for using the equity method	9,031	569	—	116,065	29,311	154,976	49,929	(1,043)	203,862
Capital expenditures	15,846	52,970	9,575	18,176	8,115	104,682	7,261	9,617	121,560

Note 1: ¥14,446 million for segment profit (core operating income) in "Essential & Green Materials" includes ¥55,807 million for gains related to business transfers.

Note 2: ¥108,444 million for segment profit (core operating income) in "Sumitomo Pharma" includes ¥50,024 million for gains related to business transfers.

Note 3: "Others" represents businesses such as supplying electrical power and steam, and providing transport and warehousing, which are not included in reportable segments.

Note 4: Amounts in "Adjustments" are as follows:

- (1) ¥(31,101) million for segment profit (loss) in "Adjustments" includes inter-segment elimination of ¥586 million and corporate expenses of ¥(31,687) million unallocated to each reportable segment. Corporate expenses are mainly research and development expenses for company-wide research, which are not treated as attributable to specific reportable segments.
- (2) Segment assets in "Adjustments" are ¥80,851 million, which includes ¥(135,817) million in eliminations of inter-segment receivables and other assets, and ¥216,668 million of corporate assets unallocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents, investment securities, and the assets related to research and development activities for company-wide research.
- (3) Depreciation and amortization in "Adjustments" is ¥11,305 million, mainly related to the assets arising from research and development activities for company-wide research unallocated to each reportable segment.
- (4) Impairment losses in "Adjustments" are ¥1,648 million, mainly related to the assets arising from research and development activities for company-wide research unallocated to each reportable segment.
- (5) Investments accounted for using the equity method in "Adjustments" is ¥(1,043) million, which is mainly eliminations of inter-segment transactions.
- (6) Capital expenditures in "Adjustments" amounting to ¥9,617 million is mainly contributed by company-wide research activities that are not allocated to each reportable segment.

Fiscal year 2024

Millions of yen

	Reportable segments						Others (Note 2)	Adjustments (Note 3)	Consolidated
	Agro & Life Solutions	ICT & Mobility Solutions	Advanced Medical Solutions	Essential & Green Materials	Sumitomo Pharma	Total			
Sales revenue:									
Sales revenues from external customers	¥ 540,221	¥ 606,995	¥ 62,145	¥ 899,029	¥ 398,001	¥ 2,506,391	¥ 99,890	¥ —	¥ 2,606,281
Inter-segment sales revenues	1,114	3,258	10,388	4,874	529	20,163	65,195	(85,358)	—
Total sales revenue	541,335	610,253	72,533	903,903	398,530	2,526,554	165,085	(85,358)	2,606,281
Segment profit (loss) : core operating income (Note 1)	¥ 54,978	¥ 70,555	¥ 3,966	¥ (58,471)	¥ 35,337	¥ 106,365	¥ 66,855	¥ (32,701)	¥ 140,519
Segment assets	771,293	635,736	125,339	791,922	728,688	3,052,978	284,587	102,219	3,439,784
Other items:									
Depreciation and amortization	21,046	34,154	7,701	22,764	24,862	110,527	9,763	11,307	131,597
Share of profit (loss) of investments accounted for using the equity method	322	3	—	13,191	(355)	13,161	6,383	1,095	20,639
Impairment losses	6,066	2,724	7,895	2,802	5,463	24,950	1,340	22	26,312
Reversal of impairment losses	—	—	—	—	274	274	—	—	274
Investments accounted for using the equity method	8,765	507	—	233,959	—	243,231	45,699	(953)	287,977
Capital expenditures	20,102	49,230	12,998	26,300	11,453	120,083	4,398	7,244	131,725

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

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

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

- (1) ¥(32,701) million for segment profit (loss) in "Adjustments" included inter-segment elimination of ¥2,324 million and corporate expenses of ¥(35,025) million unallocated to each reportable segment. Corporate expenses were mainly research and development expenses for company-wide research, which are not treated as attributable to specific reportable segments.
- (2) Segment assets in "Adjustments" were ¥102,219 million, which included ¥(96,460) million in eliminations of inter-segment receivables and other assets, and ¥198,679 million of corporate assets unallocated to each reportable segment. Corporate assets mainly consist of cash and cash equivalents, investment securities, and the assets related to research and development activities for company-wide research.
- (3) Depreciation and amortization in "Adjustments" was ¥11,307 million, mainly related to the assets arising from research and development activities for company-wide research unallocated to each reportable segment.
- (4) Investments accounted for using the equity method in "Adjustments" was ¥(953) million, which was eliminations of inter-segment transactions.
- (5) Capital expenditures in "Adjustments" amounting to ¥7,244 million was mainly contributed by company-wide research activities that were not allocated to each reportable segment.

Adjustments to income before taxes from core operating income were as follows:

	Millions of yen	
	FY2025	FY2024
Core operating income	¥ 208,376	¥ 140,519
Impairment losses	(34,607)	(26,312)
Restructuring costs	(26,627)	(23,583)
Gains on sales of property, plant and equipment, and intangible assets	1,207	14,339
Share of profit (loss) of investments accounted for using the equity method (non-recurring factors)	—	83,569
Gains (losses) on fair value measurement of the residual interest	—	9,449
Others, net	3,395	(4,948)
Operating income	151,744	193,033
Finance income	28,100	17,650
Finance expenses	(63,776)	(152,590)
Income before taxes	¥ 116,068	¥ 58,093

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

	Millions of yen	
	FY2025	FY2024
Share of profit (loss) of investments accounted for using the equity method	¥ (43,271)	¥ 20,639
Of which resulting from recurring factors	(43,271)	(62,930)
Of which resulting from non-recurring factors	—	83,569

(Changes in presentation)

"Changes in fair value of contingent consideration," which was presented separately in the previous fiscal year, is included in "Others, net" in the current fiscal year due to decreased quantitative materiality. As a result, "Changes in fair value of contingent consideration" of ¥2,427 million has been reclassified as "Others, net" of ¥(4,948) million.

### (3) Geographic information

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

#### Sales revenues from external customers

##### Fiscal year 2025

Millions of yen					
Japan	China	North America	Southeast Asia	Others	Total
		Of which: the U.S.			
		¥ 490,399			
¥ 675,899	¥ 304,923	¥ 474,795	¥ 220,815	¥ 636,479	¥ 2,328,515

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

##### Fiscal year 2024

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

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

**Non-current assets**  
**As of March 31, 2026**

Millions of yen				
Japan	North America Of which: the U.S.		Others	Total
	¥	<b>521,333</b>		
¥	<b>496,090</b>	<b>521,279</b>	¥	<b>283,375</b>
			¥	<b>1,300,798</b>

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

As of March 31, 2025

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

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

**(4) Information about major customers**

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

**7. Business Combinations**

**(1) Significant business combinations**

**Fiscal year 2025**

There are no significant business combinations in FY2025.

Fiscal year 2024

There are no significant business combinations in FY2024.

**(2) Contingent consideration**

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

As for the acquisition of Tolero, consideration for the acquisition amounting to \$205 million (¥23,272 million) has been paid through FY2025, and a maximum amount of \$90 million (¥14,391 million) may possibly be paid before considering the time value of the money upon the achievement of the development milestones for chemical compounds under development by Tolero. In addition, a maximum amount of \$150 million (¥23,985 million) may possibly be paid, before considering time value of money, upon the achievement of commercial milestones determined based on sales revenue earned after commencement of sales.

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

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

The total amounts of future payments that the Group may be required to make are ¥38,376 million (undiscounted) and ¥35,888 million (undiscounted) as of March 31, 2026 and 2025, respectively. The amounts payable by the due dates of the contingent consideration are not presented because of the uncertainty.

## 8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
Cash and deposits	¥ 208,589	¥ 209,838
Total	¥ 208,589	¥ 209,838

## 9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
Trade notes and accounts receivable	¥ 548,038	¥ 513,070
Other receivables	58,237	77,249
Others	2,395	3,517
Total	¥ 608,670	¥ 593,836

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

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

Also, contract assets are included in "Others."

## 10. Other Financial Assets

The breakdown of other financial assets is as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
Financial assets measured at fair value through OCI :		
Shares and investments	¥ 293,738	¥ 173,708
Financial assets measured at fair value through profit or loss :		
Derivative assets	580	1,025
Others	26,474	13,856
Financial assets measured at amortized cost :		
Loan receivables	997	988
Others	26,984	32,843
Total	¥ 348,773	¥ 222,420
Current assets	47,551	45,015
Non-current assets	301,222	177,405
Total	¥ 348,773	¥ 222,420

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Marketable	¥ 121,179	¥ 101,283
Non-marketable	172,559	72,425
Total	¥ 293,738	¥ 173,708

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

Issue	Millions of yen	
	March 31, 2026	March 31, 2025
Class B Ordinary Shares of Petro Rabigh	¥ 99,192	¥ —
Sumitomo Bakelite Co., Ltd.	44,668	30,818
Inabata & Co., Ltd.	22,086	17,725
Nippon Shokubai Co., Ltd.	—	9,504

Information on the Class B ordinary shares of Petro Rabigh is presented in Note 36 Financial Instruments.

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

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

Their fair value and accumulated gains or losses (before tax) at the time of disposal in FY2025 and FY2024 are as follows:

Millions of yen			
FY2025		FY2024	
Fair Value	Cumulative gains (losses)	Fair Value	Cumulative gains (losses)
¥ 13,517	¥ 11,399	¥ 153,242	¥ 83,116

Accumulated gains or losses recorded as other components of equity are reclassified to retained earnings when the fair value is significantly declined or derecognized. Accumulated gains or losses (after tax) reclassified to retained earnings are ¥(12,462) million and ¥56,907 million for FY2025 and FY2024, respectively.

## 11. Inventories

The breakdown of Inventories is as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
Merchandise and finished goods	¥ 372,322	¥ 382,022
Raw materials and supplies	192,841	216,768
Work in process	30,308	26,453
Total	¥ 595,471	¥ 625,243

Write-downs of inventories recognized as expenses are ¥21,314 million and ¥20,519 million for FY2025 and FY2024, respectively.

## 12. Other Assets

The breakdown of other assets is as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
Prepaid expenses	¥ 24,474	¥ 25,361
Income taxes receivable	10,089	10,323
Advance payment	5,365	3,210
Others	36,566	38,745
Total	¥ 76,494	¥ 77,639
Current assets	47,429	49,993
Non-current assets	29,065	27,646
Total	¥ 76,494	¥ 77,639

### 13. Assets Held for Sale

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Assets held for sale:		
Cash and cash equivalents	¥ —	¥ <b>22,224</b>
Trade and other receivables	—	<b>16,872</b>
Inventories	—	<b>7,426</b>
Property, plant and equipment	—	<b>5,276</b>
Others	—	<b>7,411</b>
Total	¥ —	¥ <b>59,209</b>
Liabilities directly associated with assets held for sale:		
Trade and other payables	¥ —	¥ <b>4,041</b>
Other current liabilities	—	<b>1,185</b>
Others	—	<b>1,435</b>
Total	¥ —	¥ <b>6,661</b>

The major assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2025 are as follows.

On April 1, 2025, Sumitomo Pharma Co., Ltd., a subsidiary of the Company, resolved to transfer the Asian business of Sumitomo Pharma's wholly owned subsidiaries, Sumitomo Pharma (China) Co., Ltd. and Sumitomo Pharma Asia Pacific Pte. Ltd., along with their subsidiaries, to Marubeni Global Pharma Corporation.

As a result, the Company classified the relevant assets and liabilities directly associated with the assets held for sale as assets held for sales group as of March 31, 2025. The disposal group held for sale belongs to the Sumitomo Pharma segment.

The transfer of shares was completed in July 2025.

In December 2024, the Company decided to transfer all of the equity interests that the Group holds in XUYOU Electronic Materials (Wuxi) Co., Ltd. and Sumika Huabei Electronic Materials (Beijing) Co.,Ltd. to Hubei Sunnytomo Optoelectronics Co., Ltd. and concluded an equity interests transfer agreement. It is highly probable that XUYOU Electronic Materials (Wuxi) Co., Ltd. and Sumika Huabei Electronic Materials (Beijing) Co.,Ltd. will cease to be the Company's group companies as a result of this transfer. Therefore, the assets associated with XUYOU Electronic Materials (Wuxi) Co., Ltd. and Sumika Huabei Electronic Materials (Beijing) Co.,Ltd. and the liabilities directly associated with these assets have been classified as a disposal group held for sale as of March 31, 2025. The disposal group held for sale belongs to the ICT & Mobility Solutions segment.

The transfer of the equity interests of XUYOU Electronic Materials (Wuxi) Co., Ltd. was completed in April 2025.

In addition, in February 2025, the Company decided to transfer all of shares in Sumitomo Chemical Garden Products Inc. to Dainihon Jochugiku Co., Ltd. and concluded a share transfer agreement. It is highly probable that Sumitomo Chemical Garden Products Inc. will cease to be a subsidiary of the Company as a result of this transfer. Therefore, the assets associated with Sumitomo Chemical Garden Products Inc. and the liabilities directly associated with these assets have been classified as a disposal group held for sale as of March 31, 2025. The disposal group held for sale belongs to the Agro & Life Solutions segment.

The transfer of shares was completed in July 2025.

## 14. Property, Plant and Equipment

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

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

#### Carrying amount

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
April 1, 2024	¥ 91,842	¥ 242,112	¥ 237,018	¥ 29,423	¥ 100,314	¥ 95,817	¥ 796,526
Additions	—	—	—	—	11,284	131,048	142,332
Acquisitions through business combinations	—	—	—	—	—	—	—
Sales and disposals	(4,343)	(633)	(840)	(238)	(782)	(1,824)	(8,660)
Transfer to assets held for sale	(491)	(1,413)	(2,289)	(276)	(657)	(150)	(5,276)
Changes resulting from loss of control of subsidiaries	(6,005)	(7,756)	(3,361)	(778)	(1,449)	137	(19,212)
Reclassification	2,238	37,669	57,203	11,938	—	(109,048)	—
Depreciation	—	(18,949)	(53,841)	(11,163)	(17,793)	—	(101,746)
Impairment losses	—	(5,696)	(9,545)	(148)	(1,101)	(1,628)	(18,118)
Exchange differences on conversion of foreign operations	(1,641)	(5,138)	(3,166)	(318)	(808)	(3,452)	(14,523)
Others	21	(2,518)	(2,715)	776	(58)	(7,563)	(12,057)
March 31, 2025	¥ 81,621	¥ 237,678	¥ 218,464	¥ 29,216	¥ 88,950	¥ 103,337	¥ 759,266
Additions	—	—	—	—	8,472	124,021	132,493
Acquisitions through business combinations	—	357	10,147	125	1,713	2,003	14,345
Sales and disposals	(175)	(965)	(907)	(263)	(3,117)	(352)	(5,779)
Transfer to assets held for sale	—	—	—	—	—	—	—
Changes resulting from loss of control of subsidiaries	—	(3,090)	(4,568)	(345)	(427)	(547)	(8,977)
Reclassification	71	28,810	67,371	10,552	—	(106,804)	—
Depreciation	—	(18,140)	(50,100)	(10,490)	(17,128)	—	(95,858)
Impairment losses	—	(9,091)	(17,712)	(349)	(963)	(3,429)	(31,544)
Exchange differences on conversion of foreign operations	1,171	6,530	4,378	641	3,126	4,120	19,966
Others	85	508	(3,304)	46	(457)	(10,102)	(13,224)
March 31, 2026	¥ 82,773	¥ 242,597	¥ 223,769	¥ 29,133	¥ 80,169	¥ 112,247	¥ 770,688

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

#### Acquisition Cost

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
April 1, 2024	¥ 93,178	¥ 775,468	¥ 2,022,185	¥ 211,416	¥ 156,922	¥ 116,308	¥ 3,375,477
March 31, 2025	81,804	744,152	1,889,592	204,953	156,702	118,420	3,195,623
March 31, 2026	¥ 82,965	¥ 776,014	¥ 1,949,538	¥ 210,397	¥ 156,583	¥ 130,115	¥ 3,305,612

#### Accumulated Depreciation and impairment losses

	Millions of yen						
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Right-of-use assets	Construction in progress	Total
April 1, 2024	¥ 1,336	¥ 533,356	¥ 1,785,167	¥ 181,993	¥ 56,608	¥ 20,491	¥ 2,578,951
March 31, 2025	183	506,474	1,671,128	175,737	67,752	15,083	2,436,357
March 31, 2026	¥ 192	¥ 533,417	¥ 1,725,769	¥ 181,264	¥ 76,414	¥ 17,868	¥ 2,534,924

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

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

	Millions of yen				
	Land	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
April 1, 2024	¥ 31,733	¥ 52,191	¥ 16,226	¥ 164	¥ 100,314
March 31, 2025	29,840	45,016	13,972	122	88,950
March 31, 2026	¥ 30,885	¥ 37,992	¥ 10,991	¥ 301	¥ 80,169

## 15. Goodwill and Intangible Assets

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

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

#### Carrying amount

	Millions of yen					
	Goodwill	Intangible assets				Total
		Research and development costs	Patents	Software	Others	
April 1, 2024	¥ 263,757	¥ 5,727	¥ 185,655	¥ 26,401	¥ 55,138	¥ 272,921
Additions	—	376	3,323	6,576	292	10,567
Acquisitions through business combinations	779	—	—	305	—	305
Sales and disposals	—	—	—	(405)	(35)	(440)
Transfer to assets held for sale	—	(2,774)	—	(826)	(797)	(4,397)
Changes resulting from loss of control of subsidiaries	—	—	(710)	(255)	(11)	(976)
Amortization	—	(133)	(14,619)	(7,616)	(5,437)	(27,805)
Impairment losses	(1,321)	—	(4,712)	(460)	(518)	(5,690)
Exchange differences on conversion of foreign operations	(5,825)	(367)	(1,910)	(151)	(3,506)	(5,934)
Others	421	(1)	617	(811)	963	768
March 31, 2025	¥ 257,811	¥ 2,828	¥ 167,644	¥ 22,758	¥ 46,089	¥ 239,319
Additions	—	1,242	839	4,156	1,824	8,061
Acquisitions through business combinations	—	—	13	—	—	13
Sales and disposals	—	(150)	(1,465)	(78)	(646)	(2,339)
Transfer to assets held for sale	—	—	—	—	—	—
Changes resulting from loss of control of subsidiaries	—	—	(57)	(128)	(26)	(211)
Amortization	—	(112)	(12,143)	(6,748)	(4,930)	(23,933)
Impairment losses	(766)	—	—	(80)	(844)	(924)
Exchange differences on conversion of foreign operations	18,446	454	1,338	388	4,128	6,308
Others	220	22	(32)	(236)	(714)	(960)
March 31, 2026	¥ 275,711	¥ 4,284	¥ 156,137	¥ 20,032	¥ 44,881	¥ 225,334

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

Note 2: The assets that are at the research and development stage and have yet to obtain marketing approval from regulatory authorities are not able to be used and the period in which they could deliver economic benefit is unforeseeable, therefore, the assets are classified as intangible assets of which amortization has not started. In addition, there exists a risk of impairment losses to be incurred due to failure in product commercialization due to the inherent uncertainties in the research and development processes, and due to a decrease in the profitability associated with changes in market environment and other factors. The carrying amounts of the intangible assets with indefinite useful lives are ¥710 million and ¥463 million as of March 31, 2026 and 2025, respectively.

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

#### Acquisition cost

	Millions of yen					
	Goodwill	Intangible assets				Total
		Research and development costs	Patents	Software	Others	
April 1, 2024	¥ 319,249	¥ 115,619	¥ 572,109	¥ 107,735	¥ 136,198	¥ 931,661
March 31, 2025	315,973	110,754	567,772	104,377	130,619	913,522
March 31, 2026	¥ 335,742	¥ 120,153	¥ 569,257	¥ 104,861	¥ 137,132	¥ 931,403

## Accumulated amortization and impairment losses

	Millions of yen						
	Goodwill	Intangible assets					Total
		Research and development costs	Patents	Software	Others		
April 1, 2024	¥ 55,492	¥ 109,892	¥ 386,454	¥ 81,334	¥ 81,060	¥ 658,740	
March 31, 2025	58,162	107,926	400,128	81,619	84,530	674,203	
March 31, 2026	¥ 60,031	¥ 115,869	¥ 413,120	¥ 84,829	¥ 92,251	¥ 706,069	

### (2) Material intangible assets

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

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

			Millions of yen		Year
			Carrying amount		Remaining period of amortization
			March 31, 2026	March 31, 2025	March 31, 2026
Sumitomo Pharma Co., Ltd.	MYFEMBREE®	Patents	¥ 8,944	¥ 9,734	12
	ORGOVYX®	Patents	58,604	63,782	12
	GEMTESA®	Patents	86,887	92,246	15

### (3) Research and development costs

Research and development costs recognized in the consolidated statement of income are ¥144,661 million and ¥145,192 million for FY2025 and FY2024, respectively.

## 16. Impairment of Non-financial Assets

### (1) Impairment losses

#### Fiscal year 2025

Impairment losses recognized for FY2025 are ¥34,607 million. Impairment losses are recognized in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the consolidated statement of income. Details of the impairment losses by reportable segments are presented in Note 6 Segment Information.

The major CGU for which impairment losses are recognized is as follows:

Location	Usage	Class of assets	Reportable segment	Millions of yen
				Impairment losses
Chiba, Japan	Essential & Green Materials production facilities and common facilities	Machinery and vehicles, etc.	Essential & Green Materials, etc.	<b>¥ 17,600</b>

Details of the impairment losses

- Essential & Green Materials production facilities and common facilities ¥17,600 million  
(Buildings and structures ¥4,100 million; Machinery and vehicles ¥10,252 million; Others ¥3,248 million)

In the Essential & Green Materials segment, etc., the entire carrying amount of Essential & Green Materials production facilities at Chiba Works was impaired mainly because of a decline in profitability due to a deterioration in the business environment. The recoverable amount in the impairment test was measured at value in use, and the disclosure of discount rate is omitted because the future cash flows are negative. Additionally, for common facilities at Chiba Works, because the recoverable amount was less than the carrying amount, the carrying amount was impaired to the recoverable amount of ¥3,515 million. The recoverable amount in the impairment test uses value in use, which was calculated by discounting future cash flows at a discount rate of 10.6% (before taxes).

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

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

#### Fiscal year 2024

Impairment losses recognized for FY2024 are ¥26,312 million. Impairment losses are recognized in "Cost of sales," "Selling, general and administrative expenses" and "Other operating expenses" in the consolidated statement of income. Details of the impairment losses by reportable segments are presented in Note 6 Segment Information.

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

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

#### Details of the impairment losses

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

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

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

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

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

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

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

## **(2) Reversal of impairment losses**

### **Fiscal year 2025**

There is no material reversal of impairment losses in FY2025.

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

### **Fiscal year 2024**

There is no material reversal of impairment losses in FY2024.

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

### (3) Impairment test of goodwill

Goodwill arising from business combination is allocated at the acquisition to CGUs benefitting from the business combination, and the carrying amounts are ¥275,711 million and ¥257,811 million as of March 31, 2026 and 2025, respectively. The carrying amounts of goodwill associated with the Sumitomo Pharma segment are as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
North America	¥ <b>211,098</b>	¥ <b>197,406</b>
Total	¥ <b>211,098</b>	¥ <b>197,406</b>

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

For impairment tests of goodwill for North America in FY2024, fair value less costs of disposal was measured by discounting estimates of the future cash flows, based on forecasts for the next 17 years considering a perpetual growth rate of 2.2%, to present value, then deducting estimated disposal costs. For impairment tests of goodwill for North America in FY2025, fair value less costs of disposal was measured by discounting estimates of the future cash flows, based on forecasts for the next 16 years considering a perpetual growth rate of 2.3%, to present value, then deducting estimated disposal costs. Because this valuation technique uses inputs that are not observable market data, the fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

Impairment tests for goodwill use a discount rate based on factors such as the weighted average cost of capital established separately for each CGU. The discount rates used for impairment tests were 10.9% and 12.4% for FY2025 and FY2024, respectively.

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

As a result of impairment tests as of March 31, 2026, an impairment loss was not recognized for goodwill in the North America CGU as the fair value less costs of disposal was above the carrying amount of this CGU, including goodwill.

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

## 17. Investments Accounted for Using the Equity Method

### (1) Investments in associates

#### ① Material associates

The associate that is material to the Group is as follows:

Company name	Core business	Location	Proportion of ownership interest	
			March 31, 2026	March 31, 2025
Rabigh Refining and Petrochemical Company	Manufacturing and sales of refined petroleum products and petrochemicals	Rabigh, Saudi Arabia	<b>15.00%</b>	<b>37.50%</b>

The Company sold part of its Class A Ordinary Shares(Note 1) in Rabigh Refining and Petrochemical Company (hereinafter, "Petro Rabigh"), representing an equity interest of approximately 22.5%, to Saudi Arabian Oil Company (hereinafter, "Saudi Aramco") for approximately \$702 million and contributed to Petro Rabigh the proceeds from the sale by subscribing to a new class of the Class B Ordinary Shares(Note 2).

Although it holds less than 20% of the voting rights in Petro Rabigh, the Company accounts for Petro Rabigh as an associate, considering the Company's significant influence over Petro Rabigh through representation on the Board of Directors and the provision of technical and financial support. In the previous fiscal year, Petro Rabigh was presented under

“(2) Investments in joint ventures” ; however, to enhance comparability, it has been reclassified and is presented under “(1) Investments in associates.”

Summarized financial information of Petro Rabigh is as follows.

The Company applies the equity method to financial statements of Petro Rabigh on a three-month time lag, as it is impracticable to unify the reporting period of Petro Rabigh. The summarized financial information of Petro Rabigh disclosed in this Note is therefore for the period ended three months before the Group's reporting date, and adjustments have been made for material differences between the accounting policies applied by Petro Rabigh and the Group as well as for material transactions or events that occurred between the closing date of Petro Rabigh and the closing date of the Group.

	Millions of yen	
	March 31, 2026	March 31, 2025
Current assets	¥ 388,784	¥ 468,566
Non-current assets	2,060,364	2,081,248
Total assets	¥ 2,449,148	¥ 2,549,814
Current liabilities	963,140	920,088
Non-current liabilities (Note 3)	940,970	1,135,571
Total liabilities	¥ 1,904,111	¥ 2,055,659
Equity (Note 3)	545,037	494,155
Total equity attributable to Group's share of equity	81,756	185,308
Consolidation adjustment (Note 4)	(32,034)	(9,379)
Carrying amount of investments (Note 5)	49,722	175,929
Fair value of investments (Notes 5, 6)	112,674	196,124
The material items included in the above:		
Cash and cash equivalents (Note 7)	¥ —	¥ 60,491
Current financial liabilities (except for trade and other payables, and provisions) (Note 7)	—	170,013
Non-current financial liabilities (except for trade and other payables, and provisions) (Note 7)	—	1,099,033

	Millions of yen	
	FY2025	FY2024
Sales revenue (Note 8)	¥ 1,398,939	¥ 1,565,430
Net income (loss) (Note 3)	(155,792)	45,575
Other comprehensive income (Note 3)	(116)	3,301
Total comprehensive income	¥ (155,908)	¥ 48,876
Interests of the Group		
Net income (loss)	(51,153)	18,307
Other comprehensive income	(10,860)	12,131
Total comprehensive income	¥ (62,013)	¥ 30,438
The material items included in the above:		
Depreciation and amortization (Note 7)	¥ —	¥ 129,262
Income tax expenses (Note 7)	—	(8,159)

Note 1: Class A Ordinary Shares refer to ordinary shares with voting rights, and as a result of the issuance of the new Class B Ordinary Shares, the name of the existing ordinary shares was changed to Class A Ordinary Shares.

Note 2: Class B Ordinary Shares have no voting rights and are subject to a dividend deferral period of several years after issuance, with dividend rates set to vary each year from 2028 onward. Class B Ordinary Shares are also subject to certain provisions regarding cumulative dividends and repurchases.

Note 3: As a measure to improve Petro Rabigh's financial position, the Company and Saudi Aramco have waived shareholder loans of \$1,000 million in August 2024 and \$500 million in January 2025. The financial statements of Petro Rabigh as of March 31, 2025 have been adjusted for the effect of this debt waiver.

Note 4: The portion of Total equity attributable to Group's share of equity corresponding to Class B Ordinary Shares is classified as financial assets measured at fair value through other comprehensive income and is therefore excluded from Total equity attributable to Group's share of equity, being included in the consolidation adjustment.

Note 5: The amounts shown relate to Class A Ordinary Shares.

Note 6: The fair value is based on the market price of the investment and is categorized as Level 1 in the fair value hierarchy.

Note 7: Disclosure of these amounts for FY2025 has been omitted, following Petro Rabigh's inclusion as a material associate.

Note 8: Petro Rabigh changed its method of presentation during FY2025. Certain expenses that were previously included in selling, general and administrative expenses are now deducted from sales revenue. To reflect this change in presentation, sales revenue for the previous fiscal year has been reclassified. This change has no impact on the carrying amount of the investment.

For FY2024, Petro Rabigh reported interest income of ¥831 million and interest expenses of ¥87,218 million. Disclosure of these amounts for FY2025 has been omitted, following Petro Rabigh's inclusion as a material associate.

No dividends were received from Petro Rabigh for FY2025 and FY2024.

Dividends by Petro Rabigh can be carried out within the terms and conditions stipulated in the project finance contracts.

The Company has guarantee obligations in respect of certain borrowings of Petro Rabigh incurred to meet funding needs associated with the Rabigh Phase II Project.

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

## ② Individually immaterial associates

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Total carrying amount	¥ 98,364	¥ 55,524

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

	Millions of yen	
	FY2025	FY2024
The Group's share of net income	¥ 7,722	¥ 5,592
The Group's share of other comprehensive income	4,776	(6,041)
The Group's share of comprehensive income	¥ 12,498	¥ (449)

## (2) Investments in joint ventures

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Total carrying amount	¥ 55,776	¥ 56,524

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

	Millions of yen	
	FY2025	FY2024
The Group's share of net income (loss)	¥ 160	¥ (3,260)
The Group's share of other comprehensive income	745	(577)
The Group's share of comprehensive income	¥ 905	¥ (3,837)

## 18. Income Taxes

### (1) Deferred tax assets and liabilities

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

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

#### Fiscal year 2025

	Millions of yen				
	April 1, 2025	Recognized in profit or loss	Recognized in other comprehensive income	Others (Note)	March 31, 2026
Deferred tax assets:					
Property, plant and equipment and intangible assets	¥ 29,714	¥ 4,869	¥ —	¥ (256)	¥ 34,327
Inventories	14,043	(733)	—	1,465	14,775
Retirement benefit liabilities	9,076	(610)	(186)	(43)	8,237
Accrued expenses and provisions	15,927	1,365	—	(1,278)	16,014
Net operating loss carryforwards	19,869	(11,117)	—	1,246	9,998
Prepaid research and development expenses	8,494	(170)	—	88	8,412
Others	6,215	5,440	—	2,249	13,904
Total	¥ 103,338	¥ (956)	¥ (186)	¥ 3,471	¥ 105,667
Deferred tax liabilities:					
Property, plant and equipment and intangible assets	61,732	(24,172)	—	1,773	39,333
Financial assets measured at fair value through other comprehensive income	43,010	1	7,890	(2,083)	48,818
Retirement benefit assets	26,939	1,294	(7,448)	(2,265)	18,520
Investments in subsidiaries and affiliates	36,135	(135)	(10,640)	—	25,360
Others	11,962	1,451	(278)	(405)	12,730
Total	¥ 179,778	¥ (21,561)	¥ (10,476)	¥ (2,980)	¥ 144,761

Note: The amounts are mainly exchange differences on conversion of foreign operations and include changes resulting from loss of control of subsidiaries.

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

#### Fiscal year 2024

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

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

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

## ② Unrecognized deferred tax assets

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Deductible temporary differences	¥ 157,609	¥ 130,373
Net operating loss carryforwards	311,101	232,498
Tax credit carryforwards	35,545	31,235

The aggregate amounts of deductible temporary differences associated with investments in subsidiaries and associates for which deferred tax assets are not recognized as of March 31, 2026 and 2025 are ¥340,307 million and ¥431,864 million, respectively (income basis).

## ③ Unrecognized deferred tax assets and expiry schedule

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Net operating loss carryforwards:		
Not later than 1 year	¥ 1,838	¥ 4,503
Later than 1 year and not later than 2 years	2,940	3,389
Later than 2 years and not later than 3 years	13,584	9,777
Later than 3 years and not later than 4 years	20,214	16,459
Later than 4 years	272,525	198,370
Total	¥ 311,101	¥ 232,498

	Millions of yen	
	March 31, 2026	March 31, 2025
Tax credit carryforwards:		
Not later than 1 year	¥ —	¥ —
Later than 1 year and not later than 2 years	—	—
Later than 2 years and not later than 3 years	—	—
Later than 3 years and not later than 4 years	—	—
Later than 4 years	35,545	31,235
Total	¥ 35,545	¥ 31,235

## ④ Unrecognized deferred tax liabilities (income basis)

The aggregate amounts of taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities are not recognized as of March 31, 2026 and 2025 are ¥646,294 million and ¥621,282 million, respectively. The Group does not recognize deferred tax liabilities for these temporary differences because the Group is able to control the timing of the reversal of these temporary differences, and it is probable that the temporary difference will not reverse in the foreseeable future.

## (2) Income tax expenses

### ① Income tax expenses

Income tax expenses are as follows:

	Millions of yen	
	FY2025	FY2024
Current tax expenses	¥ 21,271	¥ 798
Deferred tax expenses:		
Recognition and reversal of temporary differences	(12,130)	(6,797)
Evaluation of recoverability of deferred tax assets	(8,475)	19,852
Change in income tax rate	—	1,552
Total of deferred tax expenses	(20,605)	14,607
Total	¥ 666	¥ 15,405

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

Income taxes recognized on sale or a significant decline in the fair value of the financial assets measured at fair value through other comprehensive income are ¥3,062 million (loss) and ¥30,975 million (loss) for FY2025 and FY2024, respectively.

### ② Reconciliation of income tax rate

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

The Group is mainly subject to income taxes, inhabitant tax, and enterprise tax. The effective statutory income tax rate calculated based on these taxes is 30.6% for FY2025 and FY2024. However, overseas subsidiaries are subject to income taxes in their respective countries of domicile.

	FY2025	FY2024
Effective statutory income tax rate	30.6%	30.6%
(Reconciliation)		
Permanently non-deductible expenses	1.4	1.9
Permanently non-taxable income	(11.9)	2.4
Share of profit of investments accounted for using the equity method	11.4	(9.9)
Affiliates' undistributed earnings	(0.1)	(10.8)
Changes in unrecognized deferred tax assets	(15.8)	28.8
Tax credit for research and development expenses	(2.0)	(3.9)
Difference of subsidiaries' applicable income tax rates	(18.9)	(17.1)
Effect of change in fair value of contingent consideration	(0.3)	(0.9)
Change in income tax rate	—	2.7
Others	6.2	2.7
Average actual tax rate	0.6%	26.5%

## 19. Bonds and Borrowings

### (1) Breakdown of bonds and borrowings

Bonds and borrowings consist of the following:

	Millions of yen		Average interest rate	Repayment due date
	March 31, 2026	March 31, 2025		
Short-term borrowings	¥ 160,141	¥ 142,341	4.133%	—
Commercial paper	—	37,000	—	—
Long-term borrowings	393,321	509,354	1.003%	2026-2036
Bonds	597,993	597,433	1.382%	2026-2079
Total	¥ 1,151,455	¥ 1,286,128	—	—
Current liabilities	241,422	252,892	—	—
Non-current liabilities	910,033	1,033,236	—	—
Total	¥ 1,151,455	¥ 1,286,128	—	—

Bonds and borrowings are classified as financial liabilities measured at amortized cost. The average interest rate and repayment due date in the above table are as of March 31, 2026.

Long-term borrowings that were in conflict with the financial covenants as of March 31, 2026 are presented as current liabilities in the consolidated statement of financial position.

## (2) Bonds

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

Issuer	Bond Name	Issue date	Millions of yen		Interest rate (%)	Collateral	Maturity date
			March 31, 2026	March 31, 2025			
Sumitomo Chemical Co., Ltd.	52nd unsecured bonds	Sep 01, 2016	10,000	10,000	0.850	No	Sep 01, 2036
	53rd unsecured bonds	Sep 01, 2016	10,000 (10,000)	10,000	0.300	No	Sep 01, 2026
	55th unsecured bonds	Sep 13, 2017	10,000	10,000	0.880	No	Sep 11, 2037
	56th unsecured bonds	Sep 13, 2017	20,000	20,000	0.380	No	Sep 13, 2027
	58th unsecured bonds	Apr 17, 2018	30,000	30,000	0.900	No	Apr 16, 2038
	59th unsecured bonds	Apr 17, 2018	20,000	20,000	0.355	No	Apr 17, 2028
	60th unsecured bonds	Apr 16, 2019	15,000	15,000	0.900	No	Apr 15, 2039
	61st unsecured bonds	Apr 16, 2019	20,000	20,000	0.400	No	Apr 16, 2029
	1st unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Dec 13, 2019	150,000	150,000	1.300 (Note 2)	No	Dec 13, 2079 (Note 4)
	62nd unsecured bonds	Oct 22, 2020	10,000	10,000	0.780	No	Oct 22, 2040
	63rd unsecured bonds	Oct 22, 2020	10,000	10,000	0.360	No	Oct 22, 2030
	65th unsecured bonds	Oct 13, 2021	15,000	15,000	0.680	No	Oct 11, 2041
	66th unsecured bonds	Oct 13, 2021	20,000	20,000	0.280	No	Oct 10, 2031
	67th unsecured bonds	Jul 12, 2023	10,000	10,000	0.880	No	Jul 12, 2033
	68th unsecured bonds	Jul 12, 2023	30,000 (30,000)	30,000	0.280	No	Jul 10, 2026
3rd unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Sep 12, 2024	100,000	100,000	3.300 (Note 3)	No	Sep 12, 2059 (Note 5)	
Sumitomo Pharma Co., Ltd.	1st unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Sep 10, 2020	60,000	60,000	1.390 (Note 6)	No	Sep 09, 2050 (Note 8)
	2nd unsecured subordinated bonds with interest payment deferrable clause and optional early redemption conditions	Sep 10, 2020	60,000	60,000	1.550 (Note 7)	No	Sep 09, 2050 (Note 9)
Total	—	—	600,000	600,000	—	—	—

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

Note 2: The fixed interest rate has been applied since December 13, 2019 and will have been applied until December 13, 2029, and a variable interest rate from the day after December 13, 2029 ("Step-up interest rates" will be applied from the day after December 13, 2029, and the day after December 13, 2049).

Note 3: The fixed interest rate has been applied since September 12, 2024 and will have been applied until September 12, 2029, and a variable interest rate from the day after September 12, 2029 ("Step-up interest rates" will be applied from the day after September 12, 2029).

Note 4: The Company may redeem the hybrid bonds at its discretion on each interest payment date from and including December 13, 2029, or in case a tax event or an equity credit change event occurs.

Note 5: The Company may redeem the hybrid bonds at its discretion on each interest payment date from and including September 12, 2029, or in case a tax event or an equity credit change event occurs.

Note 6: The fixed interest rate has been applied since September 10, 2020 and will have been applied until September 10, 2027, and a variable interest rate from the day after September 10, 2027 ("Step-up interest rates" will be applied from the day after September 10, 2027).

Note 7: The fixed interest rate has been applied since September 10, 2020 and will have been applied until September 10, 2030, and a variable interest rate from the day after September 10, 2030 ("Step-up interest rates" will be applied from the day after September 10, 2030).

Note 8: Sumitomo Pharma may redeem the hybrid bonds at its discretion on each interest payment date from and including September 10, 2027, or in case a tax event or an equity credit change event occurs.

Note 9: Sumitomo Pharma may redeem the hybrid bonds at its discretion on each interest payment date from and including September 10, 2030, or in case a tax event or an equity credit change event occurs.

### (3) Pledged assets

Assets pledged as collateral and collateralized obligations are as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
Pledged Assets:		
Investments in joint ventures	¥ -	¥ 175,929
Investments in associates	49,722	-
Trade notes and accounts receivable	3,698	5,961
Property, plant and equipment	5,091	3,960
Others	108	5,305
Total	¥ 58,619	¥ 191,155
Collateralized obligations:		
Borrowings	11,640	6,742
Total	¥ 11,640	¥ 6,742

In connection with sale of a portion of the Class A ordinary shares the Company holds in Petro Rabigh, representing an equity stake of approximately 22.5%, to Saudi Aramco, Petro Rabigh was reclassified from a joint venture to an associate in Q3 FY2025. Accordingly, investments in associates pledged as collateral for associates' debt amounted to ¥34,543 million are subjected to real guarantee as of March 31, 2026, while investments in joint ventures as collateral for joint ventures' debt amounted to ¥168,587 million were subjected to real guarantee as of March 31, 2025.

#### (4) Financial covenants

##### March 31, 2026

Of long-term borrowings, ¥229,466 million (including the current portion) is subject to financial covenants. If these covenants are violated, all liabilities under the relevant contract may become immediately due and payable. The main liabilities subject to financial covenants are shown below.

Millions of yen

Company name	Loan balance	Financial covenants
Sumitomo Chemical Co., Ltd.	¥ 123,013	Maintain an issuer rating from Rating Investment Information, Inc. or a long-term issuer rating from Japan Credit Rating Agency, Ltd. of BBB- or higher.
Sumitomo Pharma Co., Ltd.	¥ 97,561	<p>Obligations of the Borrower (Sumitomo Pharma Co., Ltd.)</p> <ul style="list-style-type: none"><li>• Maintain the amount of core operating profit stated in the consolidated financial statements of Sumitomo Pharma as of the end of the fiscal year ending March 2026 at 4.7 billion yen or more, and maintain the amount of core operating profit stated in the consolidated financial statements of Sumitomo Pharma as of the end of the fiscal year ending March 2027 at 5.5 billion yen or more.</li><li>• Maintain the amount of total capital stated in the consolidated statement of financial position of Sumitomo Pharma as of the end of the fiscal year ending March 2025 and each fiscal year thereafter at an amount equivalent to 50% or more of the amount of total capital stated in the consolidated statement of financial position as of the end of the fiscal year ending March 2024.</li><li>• Maintain Sumitomo Pharma's ownership interest of 100% in Sumitomo Pharma America Inc.</li></ul> <p>Obligations of the Guarantor (Sumitomo Chemical Co., Ltd.)</p> <ul style="list-style-type: none"><li>• Maintain the Company's ownership interest of more than 50% in Sumitomo Pharma Co., Ltd.</li><li>• Maintain an issuer rating from Rating Investment Information, Inc. or a long-term issuer rating from Japan Credit Rating Agency, Ltd. of BBB- or higher.</li></ul>

Note: In April 2026, Sumitomo Pharma Co., Ltd. repaid all debts for which the Company provided guarantees and refinanced using borrowings for which the Company has no guarantee obligations.

March 31, 2025

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

Millions of yen

Company name	Loan balance	Financial covenants
Sumitomo Chemical Co., Ltd.	¥ 152,991	Maintain an issuer rating from Rating Investment Information, Inc. or a long-term issuer rating from Japan Credit Rating Agency, Ltd. of BBB- or higher.
Sumitomo Pharma Co., Ltd.	¥ 139,487	<p>Obligations of the Borrower (Sumitomo Pharma Co., Ltd.)</p> <ul style="list-style-type: none"> <li>• Maintain the amount of core operating profit stated in the consolidated financial statements of Sumitomo Pharma as of the end of the fiscal year ending March 2026 at 4.7 billion yen or more, and maintain the amount of core operating profit stated in the consolidated financial statements of Sumitomo Pharma as of the end of the fiscal year ending March 2027 at 5.5 billion yen or more.</li> <li>• Maintain the amount of total capital stated in the consolidated statement of financial position of Sumitomo Pharma as of the end of the fiscal year ending March 2025 and each fiscal year thereafter at an amount equivalent to 50% or more of the amount of total capital stated in the consolidated statement of financial position as of the end of the fiscal year ending March 2024.</li> <li>• Maintain Sumitomo Pharma's ownership interest of 100% in Sumitomo Pharma America Inc.</li> </ul> <p>Obligations of the Guarantor (Sumitomo Chemical Co., Ltd.)</p> <ul style="list-style-type: none"> <li>• Maintain the Company's ownership interest of more than 50% in Sumitomo Pharma Co., Ltd.</li> <li>• Maintain an issuer rating from Rating Investment Information, Inc. or a long-term issuer rating from Japan Credit Rating Agency, Ltd. of BBB- or higher.</li> </ul>

## 20. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
Financial liabilities measured at fair value through profit or loss :		
Derivative liabilities	¥ 10,976	¥ 2,521
Contingent considerations	1,484	897
Others	14,940	16,370
Financial liabilities measured at amortized cost :		
Deposits received	27,305	50,249
Others	3,245	605
Lease liabilities	93,672	101,879
Total	¥ 151,622	¥ 172,521
Current liabilities	63,737	81,364
Non-current liabilities	¥ 87,885	¥ 91,157
Total	¥ 151,622	¥ 172,521

## 21. Reconciliation of Liabilities for Financing Activities

The reconciliation of liabilities for financing activities is as follows:

### Fiscal year 2025

	Millions of yen							Carrying amount as of March 31, 2026
	Carrying amount as of April 1, 2025	Cash flows	Non-cash transactions				Others	
			Business Combination	Foreign currency conversions	Loss of control of subsidiaries			
Bonds	¥ 597,433	¥ —	¥ —	¥ —	¥ —	¥ 560	¥ 597,993	
Commercial paper	37,000	(40,423)	3,150	273	—	—	—	
Short-term borrowings	142,341	5,996	2,993	12,039	(1,550)	(1,678)	160,141	
Long-term borrowings	509,354	(118,319)	2,198	504	(395)	(21)	393,321	
Lease liabilities	101,879	(20,643)	1,894	3,958	(508)	7,092	93,672	
<b>Total</b>	<b>¥ 1,388,007</b>	<b>¥ (173,389)</b>	<b>¥ 10,235</b>	<b>¥ 16,774</b>	<b>(2,453)</b>	<b>¥ 5,954</b>	<b>¥ 1,245,127</b>	

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

Note 2: Long-term borrowings that were in conflict with the financial covenants as of March 31, 2026 are presented as current liabilities in the consolidated statement of financial position.

### Fiscal year 2024

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

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

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

## 22. Leases

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

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

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

	Millions of yen	
	FY2025	FY2024
Depreciation charge for right-of-use assets :		
Buildings and structures	¥ 10,722	¥ 11,259
Machinery and vehicles	4,696	4,839
Tools, furniture and fixtures	77	96
Land	1,633	1,599
Total of depreciation	¥ 17,128	¥ 17,793
Impairment losses for right-of-use assets :		
Buildings and structures	882	—
Machinery and vehicles	81	1,060
Tools, furniture and fixtures	—	14
Land	—	27
Total of impairment losses	¥ 963	¥ 1,101
Interest expenses on lease liabilities	2,237	2,185
The expenses relating to short-term leases	838	1,139
The expenses relating to leases of low-value assets	1,657	1,880
The expenses relating to variable lease payments not included in the measurement of lease liabilities	104	309
(Income) from subleasing right-of-use assets	(440)	(599)
Total amount recognized in profit or loss	4,396	4,914
Repayments of lease liabilities	20,643	19,201
Total cash outflow related to right-of-use assets	¥ 25,039	¥ 24,115
Profit arising from a sale and leaseback transaction	¥ —	¥ 4,887

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

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

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

### (3) Restrictions or covenants imposed by leases

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

## 23. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
Trade notes and accounts payable	¥ 207,693	¥ 289,671
Other payables and accrued expenses	255,113	196,803
Others	1,616	1,658
Total	¥ 464,422	¥ 488,132

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

## 24. Employee Benefits

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

The Company and certain consolidated subsidiaries have retirement benefit trusts.

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

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

### (1) Defined benefit plan

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

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Present value of defined benefit obligations	¥ 208,054	¥ 233,230
Fair value of the plan assets	(383,547)	(371,008)
Subtotal	¥ (175,493)	¥ (137,778)
Effect of asset ceiling	145,355	90,001
Net defined benefit (assets) liabilities	(30,138)	(47,777)
Retirement benefit liabilities	22,084	24,841
Retirement benefit assets	(52,222)	(72,618)
Net defined benefit (assets) liabilities	¥ (30,138)	¥ (47,777)

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

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

	Millions of yen	
	FY2025	FY2024
Present value of defined benefit obligations at the beginning of fiscal year	¥ 233,230	¥ 275,532
Current service cost	9,024	11,119
Interest expenses	5,354	4,415
Remeasurements:		
Actuarial (gains) losses arising from changes in demographic assumptions	(102)	(260)
Actuarial (gains) losses arising from changes in financial assumptions	(21,731)	(21,599)
Actuarial (gains) losses arising from experience adjustments	2,350	(1,427)
Past service cost	141	(427)
Benefits paid	(18,409)	(26,228)
Transfer to liabilities directly associated with assets held for sale	—	(592)
Changes resulting from loss of control of subsidiaries	(2,642)	(5,394)
Others	839	(1,909)
Present value of defined benefit obligations at the end of fiscal year	¥ 208,054	¥ 233,230

The weighted average duration of the defined benefit obligations of the Company and major consolidated subsidiaries are 13.1 years and 13.9 years as of March 31, 2026, and 2025, respectively.

### ③ Reconciliation of fair value of plan assets

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

	Millions of yen	
	FY2025	FY2024
Fair value of plan assets at the beginning of fiscal year	¥ 371,008	¥ 395,334
Interest income	8,511	6,344
Remeasurements:		
Return on plan assets	14,936	(4,202)
Contributions to the plan by the employer	6,672	8,597
Payments from the plan	(15,459)	(20,085)
Return on plan assets (Note)	(1,131)	(405)
Transfer to assets held for sale	—	(362)
Changes resulting from loss of control of subsidiaries	(2,259)	(11,599)
Others	1,270	(2,615)
Fair value of plan assets at the end of fiscal year	¥ 383,547	¥ 371,008

Note: As the Company's plan assets are in excess of the defined benefit obligation and this situation is expected to continue, the cash portion of the retirement benefit trusts of the plan assets was refunded in FY2025 and FY2024.

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

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

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

The Group plans to contribute ¥6,486 million for FY2026.

### ④ Changes in adjustments due to asset ceiling

Changes in adjustments due to asset ceiling are as follows:

	Millions of yen	
	FY2025	FY2024
Balance at the beginning of fiscal year	¥ 90,001	¥ 40,001
Remeasurements:		
Effect of limiting the amount of net plan assets to the amount of the asset ceiling	55,354	50,000
Balance at the end of fiscal year	¥ 145,355	¥ 90,001

Note: For FY2025 and FY2024, the Company and its Group have unrecognized surpluses for its pension plans because the Company and its Group could not gain any economic benefits in the form of reductions in future contributions to the plans or refunds from the plans.

### ⑤ Details of plan assets

Plan assets consist of the following:

	Millions of yen					
	March 31, 2026			March 31, 2025		
	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total	Fair value with quoted prices in active markets	Fair value without quoted prices in active markets	Total
Cash and cash equivalents	¥ 37,161	¥ —	¥ 37,161	¥ 35,924	¥ —	¥ 35,924
Equity instruments	92,408	—	92,408	78,030	—	78,030
Debt instruments	180,956	—	180,956	184,252	—	184,252
General accounts of life insurance companies	—	50,674	50,674	—	51,254	51,254
Others(Note)	179	22,169	22,348	141	21,407	21,548
Total	¥ 310,704	¥ 72,843	¥ 383,547	¥ 298,347	¥ 72,661	¥ 371,008

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

## ⑥ Significant actuarial assumptions

Significant actuarial assumptions are as follows:

	March 31, 2026	March 31, 2025
Discount rate	<b>3.2%</b>	<b>2.2%</b>

## ⑦ Sensitivity analysis

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

	Millions of yen	
	March 31, 2026	March 31, 2025
0.5% increase in discount rate	¥ <b>(9,937)</b>	¥ <b>(12,863)</b>
0.5% decrease in discount rate	<b>10,943</b>	<b>14,228</b>

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

## (2) Defined contribution plan

Payments to defined contribution plans are recognized as expenses in the periods that employees render services. Amounts recognized as expenses under defined contribution plans (including corporate pension plan under a multi-employer plan that is accounted for the same as defined contribution plans) for FY2025 and FY2024 are ¥6,638 million and ¥6,318 million, respectively.

## (3) Employee benefit expenses

Employee benefit expenses recognized in "Cost of sales," "Selling, general and administrative expenses," and "Other operating expenses" in the consolidated statement of income for FY2025 and FY2024 are ¥403,890 million and ¥422,922 million, respectively.

## (4) Multi-employer defined benefit plans

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

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

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

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

	Millions of yen	
	As of March 31, 2025	As of March 31, 2024
Plan assets	¥ <b>39,899</b>	¥ <b>40,258</b>
Aggregate of actuarial liability based on pension finance calculation and minimum liability reserve	<b>60,998</b>	<b>61,837</b>
Net	¥ <b>(21,099)</b>	¥ <b>(21,579)</b>

The net amount presented in the above table is the total of ¥(29,200) million in the present value of special contributions and ¥8,101 million in the plan assets surplus carried forward as of March 31, 2025, and the total of ¥(29,749) million in the present value of special contributions and ¥8,171 million in the plan assets surplus carried forward as of March 31, 2024.

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

Under this plan, the present value of special contributions is amortized using the equal payment method. The remaining years of amortization are 18 years and 8 months and 19 years and 8 months for as of March 31, 2025 and March 31, 2024, respectively. Special contributions of ¥34 million and ¥32 million have been accounted for as pension expenses on the consolidated financial statements of income for FY2024 and FY2023, respectively.

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

FY2025: 1.75% (as of March 31, 2025)

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

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

### **③ Contributions to multi-employer plans in Fiscal year 2026**

The Group expects to contribute ¥83 million to multi-employer plans for FY2026.

## 25. Provisions

Details of and changes in provisions are as follows:

	Millions of yen					
	Provisions for sales rebates	Provisions for asset retirement obligations	Provisions for sales returns	Provisions for removal cost of property, plant and equipment	Other provisions	Total
As of April 1, 2025	¥ 48,839	¥ 6,458	¥ 28,820	¥ 14,198	¥ 17,370	¥ 115,685
Increase	70,390	23	10,287	2,313	10,235	93,248
Decrease (provision used)	(49,181)	—	(11,833)	(1,039)	(9,997)	(72,050)
Decrease (provision reversed)	(29)	—	(7,158)	(1,131)	(6)	(8,324)
Interest expenses resulting from unwinding	—	125	—	131	45	301
Changes resulting from loss of control of subsidiaries	—	—	—	(84)	—	(84)
Others	4,680	647	2,151	(577)	1,114	8,015
As of March 31, 2026	¥ 74,699	¥ 7,253	¥ 22,267	¥ 13,811	¥ 18,761	¥ 136,791
Current	74,699	21	22,267	650	12,771	110,408
Non-current	—	7,232	—	13,161	5,990	26,383
Total	¥ 74,699	¥ 7,253	¥ 22,267	¥ 13,811	¥ 18,761	¥ 136,791

Provisions are measured based on the best estimate made at the end of the reporting period on cash flows expected to settle obligations in the future. Provisions for sales rebates mainly related to public programs and contracts with wholesalers are provided based on the amounts expected to be paid subsequent to the fiscal year-end date. The balance of provision for sales rebates applied to products sold by Sumitomo Pharma America, Inc., the Company's consolidated subsidiary, is ¥74,647 million at the end of FY2025. Some sales rebates related to various insurance programs that are applied to major products sold in the U.S. need time to be determined. As for estimate of reserves for sales rebates, final distribution channels and applicable insurance programs need to be estimated as the rates of sales rebates, which are the basis of calculation of sales rebates, differ depending on distribution channels (wholesalers, pharmacies and hospitals) and applicable insurance programs. These management judgements would affect estimation of reserves for sales rebates. For other provisions, the cash flows expected to settle obligations in the future are measured, comprehensively considering future possible outcomes. These assumptions used in the measurement of provisions may be affected by changes in uncertain future economic conditions.

## 26. Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of yen	
	March 31, 2026	March 31, 2025
Accrued bonuses	¥ 55,128	¥ 44,931
Obligations for unused paid absences	12,929	12,409
Contract liabilities	31,241	25,210
Unearned revenue (Note)	10,270	22,657
Others	47,083	44,519
Total	¥ 156,651	¥ 149,726
Current liabilities	114,335	109,360
Non-current liabilities	42,316	40,366
Total	¥ 156,651	¥ 149,726

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

## 27. Equity and Other Equity Items

### (1) Share capital and surplus

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

	Shares	
	FY2025	FY2024
Number of shares authorized	<b>5,000,000,000</b>	<b>5,000,000,000</b>
Number of shares issued:		
Balance at the beginning of fiscal year	<b>1,657,217,608</b>	<b>1,656,449,145</b>
Changes during the year (Note 2)	<b>696,791</b>	<b>768,463</b>
Balance at the end of fiscal year	<b>1,657,914,399</b>	<b>1,657,217,608</b>

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

Note 2: The increase during FY2025 and FY2024 is due to the issuance of new shares based on the restricted stock compensation plan.

The details of surplus are as follows:

#### ① Capital surplus

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

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

#### ② Retained earnings

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

### (2) Treasury shares

Changes in the numbers of treasury shares are as follows:

	Shares	
	FY2025	FY2024
Balance at the beginning of fiscal year	<b>20,517,033</b>	<b>20,500,922</b>
Changes during the year	<b>(14,016,119)</b>	<b>16,111</b>
Balance at the end of fiscal year	<b>6,500,914</b>	<b>20,517,033</b>

Note: The main factors for the changes during FY2025 are as follows:

A decrease of 14,028,283 shares following the share exchange with the shareholders of Tanaka Chemical Corporation.

Other main factors for changes during FY2025, as well as the main factors for changes during FY2024, are due to claims for purchases or sales related to shareholders with less than one unit of shares.

### (3) Other components of equity

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

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

#### ② Remeasurement of defined benefit plans

Remeasurement of defined benefit plans includes actuarial gains and losses that arise from the present value of defined benefit obligations, the return on plan assets (except for amounts included in net interest), and changes in the effect of the asset ceiling (except for amounts included in net interest). These amounts are recognized in other comprehensive income when they occur and are immediately transferred from other components of equity to retained earnings.

#### ③ Cash flow hedges

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

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

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

## 28. Dividends

Dividends paid are as follows:

### Fiscal year 2025

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
May 14, 2025 Board of Directors	Ordinary shares	¥ 9,820	¥ 6.00	March 31, 2025	June 2, 2025
November 4, 2025 Board of Directors	Ordinary shares	¥ 9,824	¥ 6.00	September 30, 2025	December 2, 2025

### Fiscal year 2024

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

Dividends with an effective date after FY2025 and FY2024 are as follows:

### Fiscal year 2025

Date of Resolution	Type of shares	Total dividends (Millions of yen)	Paid from	Dividends per share (Yen)	Record date	Effective date
May 14, 2026 Board of Directors	Ordinary shares	¥ 12,386	Retained earnings	¥ 7.50	March 31, 2026	June 3, 2026

### Fiscal year 2024

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

## 29. Revenue

### (1) Disaggregation of revenue

The Group mainly engages in businesses of such segments as "Agro & Life Solutions," "ICT & Mobility Solutions," "Advanced Medical Solutions," "Essential & Green Materials," and "Sumitomo Pharma." The Board of Directors of the Company reviews the reportable segments regularly to determine allocation of resources and to assess their performance, therefore revenue of these businesses is presented as sales revenue. Revenue is geographically disaggregated based on the customer location. The relationship between disaggregated sales revenue and sales revenue by reportable segment is as follows:

#### Fiscal year 2025

	Millions of yen						
	Agro & Life Solutions	ICT & Mobility Solutions	Advanced Medical Solutions	Essential & Green Materials	Sumitomo Pharma	Others (Note 1)	Total
Japan	¥ 99,693	¥ 98,389	¥ 43,666	¥ 305,118	¥ 83,412	¥ 45,621	¥ 675,899
China	10,336	178,336	1,334	95,540	19,341	36	304,923
North America	111,998	32,315	2,811	20,708	322,536	31	490,399
Of which: U.S.	102,468	31,893	2,806	16,942	320,655	31	474,795
Southeast Asia	19,927	76,820	2,119	118,633	3,264	52	220,815
Others	277,302	188,302	8,671	138,801	23,380	23	636,479
Total	¥ 519,256	¥ 574,162	¥ 58,601	¥ 678,800	¥ 451,933	¥ 45,763	¥ 2,328,515
Revenue from contracts with customers	519,256	574,162	58,601	678,800	423,750	45,763	2,300,332
Revenue from other sources (Note 2)	—	—	—	—	28,183	—	28,183

Note 1: "Others" represents businesses such as supplying electrical power and steam, and providing transport and warehousing, which are not included in reportable segments.

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

#### Fiscal year 2024

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

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

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

## (2) Performance obligations

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

## (3) Contract balances

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

	Millions of yen		
	March 31, 2026	March 31, 2025	April 1, 2024
Receivables from contracts with customers	¥ 548,038	¥ 513,070	¥ 537,707
Contract assets	185	281	7,383
Contract liabilities	31,241	25,210	22,593

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

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

As of the beginning of FY2025 and FY2024, the amounts included in current contract liabilities were ¥14,460 million and ¥16,164 million, respectively, of which, the amount that has not been recognized as revenue in FY2025 and FY2024 is not material.

Also, the amount of revenue recognized during FY2025 and FY2024 from performance obligations satisfied (or partially satisfied) in previous periods is not material.

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

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Within 1 year	¥ 18,259	¥ 27,582
Later than 1 year	15,281	27,802
Total	¥ 33,540	¥ 55,384

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

The total amounts of the costs to obtain or fulfill contracts with customers for FY2025 and FY2024 are not material.

### 30. Selling, General and Administrative Expenses

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

	Millions of yen	
	FY2025	FY2024
Research and development expenses	¥ 141,317	¥ 141,734
Employee benefit expenses	175,639	184,531
Freight and storage cost	51,042	68,554
Advertising and sales promotion expenses	30,598	36,133
Depreciation and amortization	40,604	45,480
Changes in fair value of contingent consideration	(1,153)	(2,427)
Others	127,458	127,069
Total	¥ 565,505	¥ 601,074

### 31. Other Operating Income and Operating Expenses

The breakdown of other operating income is as follows:

	Millions of yen	
	FY2025	FY2024
Gains on business transfers	¥ 96,559	¥ 56,653
Gains on fair value measurement of the residual interest	16,659	12,238
Gains on sales of property, plant and equipment, and intangible assets	1,207	14,339
Subsidy income	652	2,562
Others	12,699	11,549
Total	¥ 127,776	¥ 97,341

The breakdown of other operating expenses is as follows:

	Millions of yen	
	FY2025	FY2024
Restructuring costs (Note)	¥ 26,627	¥ 23,583
Donation	430	475
Amortization of long-term prepaid expenses	366	6,954
Others	8,101	18,337
Total	¥ 35,524	¥ 49,349

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

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

	Millions of yen	
	FY2025	FY2024
Gains (losses) on fair value measurement of the residual interest	¥ 16,659	¥ 12,238
Of which resulting from recurring factors	16,659	2,789
Of which resulting from non-recurring factors	—	9,449

### 32. Finance Income and Finance Expenses

The breakdown of finance income is as follows:

	Millions of yen	
	FY2025	FY2024
Interest income:		
Financial assets measured at amortized cost	¥ 5,403	¥ 6,238
Financial assets measured at fair value through profit or loss	1,602	4,640
Dividend income:		
Financial assets measured at fair value through other comprehensive income:		
Financial assets derecognized during fiscal year	481	252
Financial assets held at fiscal year-end	4,154	4,549
Financial assets measured at fair value through profit or loss	88	152
Exchange gains	14,646	—
Others	1,726	1,819
<b>Total</b>	<b>¥ 28,100</b>	<b>¥ 17,650</b>

The breakdown of finance expenses is as follows:

	Millions of yen	
	FY2025	FY2024
Interest expenses:		
Financial liabilities measured at amortized cost	¥ 27,612	¥ 25,310
Financial liabilities measured at fair value through profit or loss	851	970
Other liabilities	4,991	2,424
Derivative losses	14,992	4,768
Loss on valuation of investment securities	13,585	—
Exchange losses	—	6,178
Loss on debt waiver for a loan	—	109,791
Others	1,745	3,149
<b>Total</b>	<b>¥ 63,776</b>	<b>¥ 152,590</b>

### 33. Other Comprehensive Income

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

#### Fiscal year 2025

	Millions of yen				
	Gains (losses) arising for the year	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss:					
Remeasurements of financial assets (equity instruments) measured at fair value through other comprehensive income	¥ 41,642	¥ —	¥ 41,642	¥ (7,890)	¥ 33,752
Remeasurements of defined benefit plans	(20,935)	—	(20,935)	7,262	(13,673)
Share of other comprehensive income of investments accounted for using the equity method	2,742	—	2,742	(190)	2,552
Total items that will not be reclassified to profit or loss	23,449	—	23,449	(818)	22,631
Items that may be subsequently reclassified to profit or loss:					
Remeasurements of financial assets (debt instruments) measured at fair value through other comprehensive income	(213)	271	58	—	58
Cash flow hedge	(4,792)	4,448	(344)	(26)	(370)
Exchange differences on conversion of foreign operations	64,683	(6,936)	57,747	304	58,051
Share of other comprehensive income of investments accounted for using the equity method	(2,079)	(16,642)	(18,721)	10,830	(7,891)
Total items that may be subsequently reclassified to profit or loss	57,599	(18,859)	38,740	11,108	49,848
Total	¥ 81,048	¥ (18,859)	¥ 62,189	¥ 10,290	¥ 72,479

#### Fiscal year 2024

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

## 34. Earnings per Share

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

	FY2025	FY2024
Net income attributable to owners of the parent (millions of yen)	¥ 60,947	¥ 38,591
Amounts not attributable to ordinary shareholders of the parent (millions of yen)	—	—
Net income used to calculate basic earnings per share (millions of yen)	¥ 60,947	¥ 38,591
Average number of ordinary shares (thousands of shares)	1,640,185	1,635,928
Basic earnings per share (yen)	¥ 37.16	¥ 23.59

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

	FY2025	FY2024
Net income used to calculate basic earnings per share (millions of yen)	¥ 60,947	¥ 38,591
Adjustments by dilutive potential ordinary shares of parent (millions of yen)	—	—
Net income used to calculate diluted earnings per share (millions of yen)	¥ 60,947	¥ 38,591
Average number of ordinary shares (thousands of shares)	1,640,185	1,635,928
Restricted stock compensation plan (thousands of shares)	539	587
Average number of ordinary shares after dilution (thousands of shares)	1,640,724	1,636,515
Diluted earnings per share (yen)	¥ 37.15	¥ 23.58
Stocks not included in the calculation of diluted earnings per share because they have anti-dilutive effect (Note 1)	—	—

Note 1: There are no potential ordinary shares that are excluded from the calculation of the average number of dilutive ordinary shares due to their antidilutive effects for the fiscal years ended March 31, 2026 and 2025.

Note 2: There are no significant transactions involving ordinary shares or potential ordinary shares from the end of the fiscal year to the authorization date of the consolidated financial statements.

## 35. Share-Based Payment

### (1) Restricted stock compensation plan

The Company has introduced the restricted stock compensation plan (hereinafter, the "Plan") to incentivize members of the Company's Board of Directors (excluding Outside Directors) and executive officers not concurrently serving as members of the Board of Directors (excluding non-residents of Japan) (hereinafter, collectively, "Eligible Officers") to continually enhance the Company's corporate value and bring the interests of the Eligible Officers into even closer alignment with shareholders. Furthermore, the Company revised the scope of the Plan in connection with the transition to a Company with an Audit and Supervisory Committee in FY2025. The revised scope includes the Company's Board of Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) and executive officers not concurrently serving as members of the Board of Directors (excluding non-residents of Japan) (hereinafter, collectively, "Eligible Officers").

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

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

The details of the restricted stock granted in FY2025 and FY2024 are as follows:

	FY2025	FY2024
Allotment date	<b>July 18, 2025</b>	<b>July 19, 2024</b>
Granted number of restricted stocks	<b>696,791 shares</b>	<b>768,463 shares</b>
Fair value per share on the allotment date	¥ <b>344</b>	¥ <b>313</b>

### (2) Share-based payment expenses

In FY2025, expenses of ¥241 million are recorded related to the restricted stock compensation plan.

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

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

## **36. Financial Instruments**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group holds deposits mainly as collateral against certain trade and other receivables. The amounts recognized in "Other financial liabilities" in the consolidated statement of financial position are ¥8,879 million and ¥8,926 million as of March 31, 2026 and 2025, respectively.

#### Changes in allowance for doubtful accounts

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

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

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

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

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

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

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

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

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

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

	Millions of yen			
	Financial assets applied by the simplified approach	Financial assets applied to the general approach		
		Stage 1	Stage 2	Stage 3
	Financial assets measured at an amount equal to the 12-month expected credit losses	Financial assets measured at an amount equal to the lifetime expected credit losses	Financial assets measured at an amount equal to the lifetime expected credit losses	
March 31, 2026	¥ 557,686	¥ 258,652	¥ —	¥ 416
March 31, 2025	¥ 522,312	¥ 312,037	¥ —	¥ 447

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

Changes in allowance for doubtful accounts are as follows.

There is no significant increase or decrease of carrying amount that could affect a change in allowance for doubtful accounts for FY2025.

	Millions of yen	
	FY2025	FY2024
Balance at the beginning of fiscal year	¥ 9,408	¥ 7,501
Increase	1,065	3,782
Decrease (provision used)	(1,337)	(1,372)
Others	743	(503)
Balance at the end of fiscal year	¥ 9,879	¥ 9,408

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

#### (4) Liquidity risk

##### ① Management of liquidity risk

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

The Company's finance department prepares and updates funding plans timely based on each department's cash flow schedule. While liquidity on hand is normally kept to about one day's worth of sales revenue in view of asset efficiency, the Company manages liquidity risk by signing overdraft contracts and entering into commitment line agreements totaling ¥150,000 million with financial institutions. The balance of borrowings related to those commitment lines is zero as of March 31, 2026 and 2025.

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

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

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

#### As of March 31, 2026

	Millions of yen							
	Carrying amount	Total contractual cash flow	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
Non-derivative financial liabilities :								
Trade and other payables	¥ 464,422	¥ 464,422	¥ 464,422	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	160,141	161,451	161,451	—	—	—	—	—
Long-term borrowings	393,321	409,405	40,332	123,246	72,879	12,153	32,097	128,700
Bonds	597,993	631,059	46,472	26,377	26,304	24,578	130,938	376,390
Lease liabilities	93,672	103,885	17,712	14,647	10,844	7,058	5,657	47,966
Deposits received	27,305	27,305	25,030	34	32	32	16	2,161
Others	18,185	18,185	14,940	546	258	260	258	1,923
Derivative liabilities	10,976	10,976	8,699	—	2,277	—	—	—

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

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

As of March 31, 2025

	Millions of yen							
	Carrying amount	Total contractual cash flow	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
Non-derivative financial liabilities :								
Trade and other payables	¥ 488,132	¥ 488,132	¥ 488,132	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term borrowings	142,341	142,828	142,828	—	—	—	—	—
Commercial paper	37,000	37,016	37,016	—	—	—	—	—
Long-term borrowings	509,354	526,844	77,938	41,781	202,372	72,012	11,308	121,433
Bonds	597,433	644,788	8,293	48,236	27,724	27,234	25,508	507,793
Lease liabilities	101,879	110,732	18,637	14,683	11,694	9,401	6,310	50,008
Deposits received	50,249	50,249	45,436	32	33	32	32	4,684
Others	16,975	16,975	16,370	188	95	78	81	163
Derivative liabilities	2,521	2,521	2,521	—	—	—	—	—

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

### ③ Supplier finance arrangement

The Group has entered into supplier finance arrangements relating to the purchase of raw materials, etc.

In the arrangements, finance providers pay amounts which the Group owes to its suppliers and the Group agrees to settle the amount with the finance providers under the terms and conditions of the arrangements on the same date or at a later date, which is within the Group's normal operating cycle.

The Group has not pledged any assets or provided any third-party guarantees concerning this supplier finance arrangements.

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

	March 31, 2026	March 31, 2025	April 1, 2024
The carrying amounts of the financial liabilities that are part of the supplier finance arrangements	¥ 15,097	¥ 13,592	¥ 14,599

In FY2025, non-monetary changes in the carrying amounts of the financial liabilities that are part of the supplier finance arrangements include a increase of ¥1,596 million due to foreign exchange rates.

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

	March 31, 2026	March 31, 2025
The carrying amounts of the financial liabilities for which the supplier has already received payment from the finance providers	¥ 11,638	¥ 9,157

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

	March 31, 2026	March 31, 2025
The financial liabilities that are part of the supplier finance arrangements	30 to 340 days after the invoice date	30 to 360 days after the invoice date
Equivalent payables that are not part of the supplier finance arrangements	30 to 180 days after the invoice date	30 to 180 days after the invoice date

## (5) Foreign exchange risk

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

### Exposure of foreign exchange risk

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

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

	Thousands of US dollars	
	March 31, 2026	March 31, 2025
Net exposure	\$ 1,514,030	\$ 1,664,655

### Foreign exchange sensitivity analysis

For financial instruments denominated in foreign currencies held by the Group as of March 31, 2026 and 2025, the financial impact on net income and equity in the event of 1% appreciation against the US dollar at fiscal year-end, is as follows.

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

	Millions of yen	
	March 31, 2026	March 31, 2025
	¥ (1,829)	¥ (1,922)

## (6) Interest rate risk

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

### Exposure of interest rate risk

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Net exposure	¥ 210,805	¥ 288,420

### Interest rate sensitivity analysis

For financial instruments held by the Group as of March 31, 2026 and 2025, in the event of a 100-basis point interest rate increase, the monetary impact of financial instruments affected by the interest rate movement on net income and equity is as follows.

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

	Millions of yen	
	March 31, 2026	March 31, 2025
	¥ (1,447)	¥ (2,001)

## (7) Market price fluctuation risk

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

In the event of a 10% market price change on each reporting date, the impact of equity instruments affected by the market price movement on other comprehensive income (after-tax effect) as of March 31, 2026 and 2025 would be ¥8,407 million and ¥7,070 million, respectively. It is assumed that all other factors are held constant.

## (8) Fair value of financial instruments

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

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

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

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

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

	Millions of yen			
	March 31, 2026		March 31, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	¥ 597,993	¥ 535,766	¥ 597,433	¥ 530,974
Long-term borrowings	388,549	370,263	509,354	498,867

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

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

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

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

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

**As of March 31, 2026**

	Millions of yen			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Financial assets measured at fair value through profit or loss:				
Derivative assets designated as hedging instruments	¥ —	¥ 54	¥ —	¥ 54
Derivative assets not designated as hedging instruments	—	526	—	526
Other financial assets	22,164	3,615	695	26,474
Subtotal	22,164	4,195	695	27,054
Financial assets measured at fair value through other comprehensive income:				
Shares and investments	121,179	—	172,559	293,738
Other financial assets	—	9,906	—	9,906
Subtotal	121,179	9,906	172,559	303,644
<b>Total</b>	<b>¥ 143,343</b>	<b>¥ 14,101</b>	<b>¥ 173,254</b>	<b>¥ 330,698</b>
<b>Liabilities:</b>				
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities designated as hedging instruments	—	4,478	—	4,478
Derivative liabilities not designated as hedging instruments	—	4,221	2,277	6,498
Contingent consideration	—	—	1,484	1,484
Other financial liabilities	—	—	14,940	14,940
<b>Total</b>	<b>¥ —</b>	<b>¥ 8,699</b>	<b>¥ 18,701</b>	<b>¥ 27,400</b>

**As of March 31, 2025**

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

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

	Millions of yen					
	FY2025			FY2024		
	FVTPL Financial assets	FVTOCI Financial assets	FVTPL Financial liabilities	FVTPL Financial assets	FVTOCI Financial assets	FVTPL Financial liabilities
Balance at the beginning of fiscal year	¥ 950	¥ 72,425	¥ 17,267	¥ 116,909	¥ 80,721	¥ 21,078
Transfer from/to Level 3	—	—	—	—	(11)	—
Total gains and losses	(281)	11,034	2,807	(110,403)	(6,161)	(1,593)
Profit or loss (Note 1)	(281)	—	2,807	(110,403)	—	(1,593)
Other comprehensive income (Note 2)	—	11,034	—	—	(6,161)	—
Increase (Note 3)	—	92,109	—	224	1,819	998
Decrease	—	(3,395)	(1,950)	(224)	(2,498)	(1,496)
Transfer to assets held for sale	—	—	—	—	(267)	—
Others (Note 4)	26	386	577	(5,556)	(1,178)	(1,720)
Balance at the end of fiscal year	¥ 695	¥ 172,559	¥ 18,701	¥ 950	¥ 72,425	¥ 17,267

Note 1: Gains and losses from financial assets measured at FVTPL, which are included in net income, are recorded in “Finance income” and “Finance expenses” in the consolidated statement of income. Among gains and losses related to financial liabilities measured at FVTPL, changes in fair value of contingent consideration are recorded in “Selling, general and administrative expenses” and “Other operating income,” while those related to other financial liabilities are recorded in “Finance income” and “Finance expenses” in the consolidated statement of income. The decrease in FVTPL Financial assets for FY2024 is mainly due to the debt waiver issued to Petro Rabigh for loan receivables and long-term accrued interests.

Note 2: Gains and losses included in other comprehensive income are those derived from financial assets measured at fair value through other comprehensive income as of the reporting date. These gains and losses are recorded in “Remeasurements of financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

Note 3: The increase in financial assets measured at FVTOCI is mainly due to the subscription to Class B ordinary shares issued by Petro Rabigh. Class B ordinary shares are subject to a dividend deferral period of several years after issuance, with dividend rates set to vary each year from 2028 onward. Class B ordinary shares are also subject to certain provisions regarding cumulative dividends and repurchases. Of the difference of ¥15,982 million between the consideration paid of ¥106,642 million and the fair value at initial recognition of ¥90,660 million, ¥2,397 million, equivalent to the Company’s 15% equity interest in Petro Rabigh, is included in “Investments accounted for using the equity method” in the consolidated statement of financial position, and ¥13,585 million is included in “Finance expenses” in the consolidated statement of income. The amount of the increase shown in the reconciliation table represents the fair value at initial recognition. Changes in fair value arising from subsequent measurement are recognized through other comprehensive income.

Note 4: “Others” mainly includes exchange differences of financial instruments denominated in foreign currencies. These gains and losses are recorded in “Finance income” or “Finance expenses” in the consolidated statement of income or “Exchange differences on conversion of foreign operations” in the consolidated statement of comprehensive income.

Note 5: Fair value measurements of financial instruments classified as Level 3 are determined in accordance with valuation policies and procedures approved by appropriate authorized personnel. Valuation models are determined so that they reflect each financial instrument’s nature, characteristics and risks most appropriately. The valuator examines whether it is possible to provide reasonable explanations by comparing changes in important inputs that could affect the fair value and changes in fair value, on an ongoing basis.

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

- The financial assets measured at FVTOCI are mainly composed of unlisted equity securities.  
Of these, the fair value of Class B ordinary shares of Petro Rabigh is measured using the discounted cash flow method. The future cash flows to the Company, such as dividends on Class B ordinary shares, are estimated within the scope of cash on hand resulting from Petro Rabigh's cash schedule, which is estimated based on its business plans. These estimations involve assumptions regarding the future selling prices and margins of Petro Rabigh's main products. The material unobservable inputs related to these fair value measurements are the total future cash flows (¥153,582 million as of March 31, 2026) and the discount rate (5.74% as of March 31, 2026), which are estimated independently by the Company. The fair value of other unlisted equity securities is calculated using the discounted cash flow method, in principle. However, for unlisted equity securities for which fair value approximates their net asset value, the fair value is mainly calculated using a valuation technique based on the net asset value.
- As for financial liabilities measured at FVTPL, fair value of contingent consideration is calculated by the discounted cash flow method, and material unobservable inputs are sales revenue arising from relevant business and the discount rate. Certain consolidated subsidiaries recognize the interest of preference shares issued as financial liabilities because it is redeemable at the amount based on its net asset value at any time based on the request of holders of preference shares. Fair value of preference shares is calculated by valuation technique based on the net asset value.
- The unobservable inputs may be affected by changes in uncertain future economic conditions.

Changes in the material assumptions that affect fair value of financial instruments classified as Level 3 are as follows: Changes in the material assumptions have only a minor effect on the fair value of financial liabilities associated with these contracts with contingent consideration and are judged immaterial for the Group. Therefore, no sensitivity analysis has been performed.

		Millions of yen	
		March 31, 2026	March 31, 2025
FVTOCI Financial assets (Class B Ordinary Shares of Petro Rabigh)	Total future cash flow	5% decrease	¥ (4,960) ¥ —
	Discount rate	0.5% increase	(3,594)
		0.5% decrease	3,747

### (9) Transfer of financial assets

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

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Carrying amount of transferred assets	¥ 4,580	¥ 5,396
Carrying amount of associated liabilities	4,580	5,396

### (10) Derivatives

The Group uses derivatives, such as foreign exchange forward contracts currency swaps for hedging foreign exchange fluctuation risk related to trade receivables and payables and borrowings denominated in foreign currencies, etc.

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

## Cash Flow Hedge

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

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

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

Derivatives From the current consolidated fiscal year, as the monetary significance of foreign exchange risk has increased, we have added information related to foreign exchange risk in the following items: the amounts related to items designated as hedging instruments; and the impact of hedge accounting in the consolidated statement of profit or loss and the consolidated statement of comprehensive income.

Accordingly, the amounts of foreign exchange risk for the previous consolidated fiscal year are presented as comparative information.

### ① Amounts for derivatives designated as hedging instruments

The carrying amount (fair value) of assets related to hedging instruments is included in "Other financial assets", and the carrying amount (fair value) of liabilities related to hedging instruments is included in "Other financial liabilities."

Cash flow hedge

#### Fiscal year 2025

Transaction type	Millions of yen			
	Contract amount		Carrying amount (Fair Value)	
	Total	Due after one year	Assets	Liabilities
Foreign exchange risk: currency swap contracts	¥ 37,994	—	—	¥ 4,356

#### Fiscal year 2024

Transaction type	Millions of yen			
	Contract amount		Carrying amount (Fair Value)	
	Total	Due after one year	Assets	Liabilities
Foreign exchange risk: currency swap contracts	¥ 8,177	—	—	¥ 434

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

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

### Fiscal year 2025

	Millions of yen					
	Effective portion of changes in the fair value of cash flow hedges					
	Interest rate fluctuation risk		Market price fluctuation risk		foreign exchange risk	
As of April 1, 2025	¥	—	¥	—	¥	—
Other comprehensive income :						
Gains (losses) arising for the year (Note 1)		—		—		(4,356)
Reclassification adjustments (Note 2)		—		—		4,006
Tax effect		—		—		—
As of March 31, 2026	¥	—	¥	—	¥	(350)

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

Note 2: The major accounts for reclassification adjustments on the consolidated statement of income are "Financial expenses" (Interest expenses) for foreign exchange risk is included in financial expenses.

In addition, valuation gains and losses on currency swap transactions for the current consolidated fiscal year amounted to a loss of ¥4,356 million.

In the previous consolidated fiscal year, the relevant valuation gain or loss amounted to a loss of ¥434 million; however, disclosure in the notes was omitted due to immateriality.

### Fiscal year 2024

	Millions of yen					
	Effective portion of changes in the fair value of cash flow hedges					
	Interest rate fluctuation risk		Market price fluctuation risk		foreign exchange risk	
As of April 1, 2024	¥	(51)	¥	106	¥	—
Other comprehensive income :						
Gains (losses) arising for the year (Note 1)		118		(2,903)		(434)
Reclassification adjustments (Note 2)		(49)		2,752		369
Tax effect		(18)		45		—
As of March 31, 2025	¥	—	¥	—	¥	(65)

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

Note 2: The major accounts for reclassification adjustments on the consolidated statement of income are "Financial expenses" (Interest expenses) for interest rate fluctuation risk and "Cost of sales" for market price fluctuation risk and foreign exchange risk is included in financial expenses.

## 37. Significant Subsidiaries

### (1) Significant subsidiaries

Company name	Capital	Ratio of voting rights (%)	Principal business
Sumitomo Chemical Brasil Indústria Química S.A.	BRL 3,125,762 thousand	100.00	Development, promotion and sales of crop protection chemicals and household & public hygiene insecticides and manufacturing crop protection chemicals
Sumitomo Chemical America, Inc.	USD 690,092 thousand	100.00	Investment in related companies in the United States and sales of chemical products
Sumitomo Biorational Company LLC	USD 409,574 thousand	100.00 (100.00)	Provision of back-office services to related companies in North America
Valent BioSciences LLC	USD 268,972 thousand	100.00 (100.00)	Research, development, manufacturing and sales of biorational products
Valent U.S.A. LLC	USD 81,691 thousand	100.00 (100.00)	Development and sales of crop protection chemicals
Sumika Polymers America Corp.	USD 222,544 thousand	100.00 (100.00)	—
CDT Holdings Ltd.	GBP 187,511 thousand	100.00	Investment in Cambridge Display Technology Ltd.
Cambridge Display Technology Ltd.	GBP 183,716 thousand	100.00 (100.00)	Research, development and licenses in polymer organic light-emitting diodes and devices
Dongwoo Fine-Chem Co., Ltd.	KRW 293,227 million	100.00	Manufacturing and sales of processing chemicals for semiconductors and displays, photoresists, optical functional films, touch screen sensor panels, etc.
Sumika Semiconductor Materials Texas Inc.	USD 130,000 thousand	100.00 (80.00)	Manufacturing and sales of processing chemicals for semiconductors
SSLM Co., Ltd.	KRW 280,000 million	100.00	Manufacturing and sales of heat-resistant separators
Japan-Singapore Petrochemicals Co., Ltd.	JPY 23,877 million	79.67	Investment in PCS Pte. Ltd.
Sumitomo Pharma Co., Ltd.	JPY 22,400 million	51.81	Manufacturing and sales of pharmaceuticals
Sumitomo Pharma America, Inc.	USD 2,829,359 thousand	100.00 (100.00)	Manufacturing and sales of pharmaceuticals
Sumitomo Pharma Switzerland GmbH	USD 1,015,332 thousand	100.00 (100.00)	Manufacturing and sales of pharmaceuticals
Urovant Sciences GmbH	USD 1,198,609 thousand	100.00 (100.00)	Research and development of pharmaceuticals
Sumika Electronic Materials (Wuxi) Co., Ltd.	RMB 1,276,517 thousand	100.00 (10.00)	Processing and sales of optical functional films
Sumika Technology Co., Ltd.	TWD 4,417 million	84.96	Manufacturing and sales of optical functional films sputtering targets, research, development and sales of color resists and sales of photoresists
Sumitomo Chemical Asia Pte Ltd.	USD 150,565 thousand	100.00	Manufacturing and sales of petrochemical products, etc. and regional headquarters for Southeast Asia, India, and Oceania area
The Polyolefin Company (Singapore) Pte. Ltd.	USD 51,690 thousand	70.00 (70.00)	Manufacturing and sales of low-density polyethylene and polypropylene
Sumitomo Chemical Chile S.A.	USD 80,388 thousand	100.00	Sales, etc. of crop protection chemicals
Tanaka Chemical Corp.	JPY 9,155 million	100.00	Manufacturing and sales of positive electrode materials for rechargeable batteries

Company name	Capital	Ratio of voting rights (%)	Principal business
Sumitomo Chemical India Ltd.	INR 2,745,881 thousand	75.00	Development, promotion and sales of crop protection chemicals and household & public hygiene insecticides and manufacturing crop protection chemicals
Koei Chemical Co., Ltd.	JPY 2,343 million	55.95 (0.04)	Manufacturing and sales of chemical products for pharmaceutical and crop protection, and functional chemicals
Taoka Chemical Co., Ltd.	JPY 1,572 million	50.91 (0.29)	Manufacturing and sales of fine chemicals, functional materials, and resin additives

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

Note 2: Capital for Sumitomo Chemical America, Inc., Sumitomo Biorational Company LLC, Valent BioSciences LLC, Valent U.S.A. LLC, CDT Holdings Ltd., Cambridge Display Technology Ltd., Sumika Semiconductor Materials Texas Inc., Sumitomo Pharma America, Inc., Sumitomo Pharma Switzerland GmbH and Urovant Sciences GmbH is shown as paid-in capital.

Note 3: Sumika Polymers America Corp. invested in the now dissolved Philips Sumika Polypropylene Company.

Note 4: Sumitomo Pharma UK Holdings, Ltd. has been removed from the list of Significant Subsidiaries, following its liquidation.

Note 5: XUYOU Electronic Materials (Wuxi) Co., Ltd. has been removed from the list of Significant Subsidiaries, following the full transfer of equity interests in April 2025.

Note 6: Valent North America LLC changed its trade name to Sumitomo Biorational Company LLC. In addition, effective April 1, 2026, Sumitomo Biorational Company LLC was merged into Valent BioSciences LLC and dissolved, and Valent BioSciences LLC changed its trade name to Sumitomo Biorational Company LLC.

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

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

### Sumitomo Pharma Co., Ltd.

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Non-controlling interest ownership ratios	<b>48.24%</b>	<b>48.24%</b>
Cumulative non-controlling interest amounts	<b>¥ 141,086</b>	<b>¥ 81,757</b>

Sumitomo Pharma Co., Ltd. resolved at the meeting of its Board of Directors held on April 8, 2026, to issue new shares (hereinafter Public Offering") and the secondary offering of shares. Details are presented in Note 41 Subsequent Events.

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

	Millions of yen	
	FY2025	FY2024
Net income attributable to non-controlling interests	<b>¥ 51,551</b>	<b>¥ 11,402</b>
Dividends paid to non-controlling interests	<b>—</b>	<b>—</b>

### ③ Summarized financial information

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Current assets	¥ 279,252	¥ 253,168
Non-current assets	525,319	489,436
Total assets	¥ 804,571	¥ 742,604
Current liabilities	271,500	240,603
Non-current liabilities	240,604	332,522
Total liabilities	¥ 512,104	¥ 573,125
Total equity	292,467	169,479
Total liabilities and equity	¥ 804,571	¥ 742,604

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

	Millions of yen	
	FY2025	FY2024
Sales revenue	¥ 453,294	¥ 398,832
Net income	106,865	23,635
Total comprehensive income	122,990	13,417

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

	Millions of yen	
	FY2025	FY2024
Cash flows from operating activities	¥ 71,715	¥ 16,500
Cash flows from investing activities	22,549	99,754
Cash flows from financing activities	(91,266)	(108,836)
Effect of exchange rate changes on cash and cash equivalents	5,024	(177)
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets held for sale	13,172	(13,172)
Net Increase (decrease) in cash and cash equivalents	21,194	(5,931)
Cash and cash equivalents at end of year	¥ 44,310	¥ 23,116

### (3) Loss of control over subsidiaries

During FY2024, the Company transferred all of the shares that it held in its consolidated subsidiary, Nihon Medi-Physics Co., Ltd. and a portion of the shares that it held in its consolidated subsidiary, Sumitomo Chemical Engineering Co., Ltd (currently known as JFE Plant Technology Co., Ltd.). During FY2025, Sumitomo Pharma Co., Ltd. transferred a portion of the shares that it held in its consolidated subsidiary, SMP Jumbi Kabushikigaisya (currently known as Marubeni Pharmaceuticals Corporation). The main breakdown of assets and liabilities at the time of loss of control, as well as the relationship between the transfer consideration and proceeds/expenses due to the loss of control, are as follows.

	Millions of yen	
	FY2025	FY2024
Breakdown of assets at the time of loss of control:		
Current assets	¥ 33,012	¥ 43,930
Non-current assets	6,152	37,706
Breakdown of liabilities at the time of loss of control:		
Current liabilities	12,162	31,635
Non-current liabilities	229	22,883
Consideration for transfer	44,777	53,426
Cash and cash equivalents in assets at the time of loss of control	14,351	26,191
Net proceeds from transfer of subsidiaries	30,426	27,235

## 38. Related Parties

### (1) Related party transactions

Significant transactions with related parties are as follows:

#### Fiscal year 2025

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

	Millions of yen	
	Sales amounts	Receivable balance
Joint ventures (Note 1)	¥ 18,287	¥ 6,508
Associates (Note 1)	84,330	34,557

Note 1: Pursuant to the Company's sale of part of its shareholding of the Class A ordinary shares of Petro Rabigh, representing an equity stake of approximately 22.5%, to Saudi Aramco, Petro Rabigh was reclassified from a joint venture to an associate beginning from Q3 FY2025. As a result, the sales amount to Petro Rabigh has been included in those of joint ventures up to Q2 FY2025, and included in those of associates from Q3 FY2025, onward.

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

	Millions of yen	
	Purchase amounts	Payable balance
Joint ventures (Note 1)	¥ 252,960	¥ 9,161
Associates (Note 1)	120,501	5,026

Note 1: Pursuant to the Company's sale of part of its shareholding of the Class A ordinary shares of Petro Rabigh, representing an equity stake of approximately 22.5%, to Saudi Aramco, Petro Rabigh was reclassified from a joint venture to an associate beginning from Q3 FY2025. As a result, the purchase amount from Petro Rabigh has been included in those of joint ventures up to Q2 FY2025, and included in those of associates from Q3 FY2025, onward.

##### ③ Other significant transactions

Type	Company Name	Transaction details	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Associates	Rabigh Refining and Petrochemical Company	Underwriting of a capital increase (Note 1)	106,642	—	—
		Guarantee obligations (Note 2)	169,371	—	—
		Pledged as collateral (Note 3)	34,543	—	—

Note 1: The Company has sold part of its shareholding of the Class A ordinary shares of Petro Rabigh, representing an equity stake of approximately 22.5%, to Saudi Aramco, and paid the proceeds from this sale to subscribe to Class B ordinary shares issued by Petro Rabigh. Class B ordinary shares have no voting rights and are subject to a dividend deferral period of several years after issuance, with dividend rates set to vary each year from 2028 onward. Class B ordinary shares are also subject to certain provisions regarding cumulative dividends and repurchases.

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

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

Fiscal year 2024

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

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

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

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

③ Other significant transactions

Type	Company Name	Transaction details	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
		Receipt of interest (Note 1)	¥ 2,057	Trade and other receivables (Accrued interests) (Note 1)	—
		Debt waiver of long-term accrued interests (Note 1)	868	Other financial assets (Long-term accrued interests) (Note 1)	—
Joint venture	Rabigh Refining and Petrochemical Company	Debt waiver of loan receivables (Note 1)	108,923	Other financial assets (Loan receivables) (Note 1)	—
		Guarantee obligations (Note 2)	206,330	—	—
		Pledged as collateral (Note 3)	168,587	—	—

Note 1: Loans of funds are conducted based on market interest rates. In FY2024, the Company issued a debt waiver for the full amount of these loan receivables and long-term accrued interests. As a result, it recorded loss on debt waiver of ¥109,791 million and share of profit of investments accounted for using the equity method (non-recurring factor) of ¥86,093 million in Petro Rabigh due to debt forgiveness. In FY2025, the Company sold part of its shareholding of the Class A ordinary shares of Petro Rabigh, representing an equity stake of approximately 22.5%, to Saudi Aramco for approximately \$702 million. The Company contributed the proceeds from the sale to Petro Rabigh.

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

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

(2) Key management personnel compensation

	Millions of yen	
	FY2025	FY2024
Basic remuneration and bonuses	¥ 704	¥ 516
Share-based payment	101	103
Total	¥ 805	¥ 619

### 39. Commitments

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

	Millions of yen	
	March 31, 2026	March 31, 2025
Purchase of property, plant and equipment	¥ 68,883	¥ 63,797
Purchase of intangible assets	15,101	24,491
Total	¥ 83,984	¥ 88,288

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

### 40. Contingent Liabilities

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

#### Guarantee obligations

	Millions of yen	
	March 31, 2026	March 31, 2025
Joint ventures	¥ 633	¥ 207,412
Associates	169,371	-
Employees (for their mortgage loans)	11	13
Others	178	277
Total	¥ 170,193	¥ 207,702

In connection with sale of a portion of the Class A ordinary shares the Company holds in Petro Rabigh, representing an equity stake of approximately 22.5%, to Saudi Aramco, Petro Rabigh was reclassified from a joint venture to an associate in Q3 FY2025.

## 41. Subsequent Events

(Issuance of New Shares and Secondary Offering of Shares by the Company's Subsidiary)

Sumitomo Pharma Co., Ltd. (hereinafter, "Sumitomo Pharma"), which is a subsidiary of the Company, resolved at the meeting of its Board of Directors held on April 8, 2026, to issue new shares (hereinafter "Public Offering") and the secondary offering of shares. It also determined on April 20, 2026, the issue price, the selling price, and other matters as set forth below. The payment for the Public Offering was completed on April 24, 2026, resulting in an increase in Sumitomo Pharma's share capital and legal capital surplus (capital surplus).

Sumitomo Pharma issued approximately 51.3 million shares as a result of the Public Offering. This issuance, however, will not result in any changes to the status of Sumitomo Pharma as a consolidated subsidiary of the Company.

### 1. Issuance of new shares through public offering (domestic public offering and international offering)

(1) Class and number of shares issued	51,304,400 shares of common stock
(2) Issue price	¥1,990 per share
(3) Total amount of the issue price	¥102,096 million
(4) Amount paid in	¥1,907.08 per share
(5) Total amount paid in	¥97,842 million
(6) Amount of increase in share capital and legal capital surplus (capital surplus)	Amount of increase in share capital: ¥48,921 million Amount of increase in legal capital surplus (capital surplus): ¥48,921 million
(7) Payment date	April 24, 2026

### 2. Secondary offering of shares by the Company's Subsidiary (offering by way of over-allotment)

(1) Class and number of shares offered	7,695,600 shares of common stock
(2) Selling price	¥1,990 per share
(3) Total amount of the selling price	¥15,314 million
(4) Delivery date	April 27, 2026

### 3. Use of proceeds

The total net proceeds of approximately ¥96,956 million from the domestic public offering and international offering are expected to be applied by the end of March 2029 for the following purposes: ¥30 billion for R&D expenses in oncology area; ¥10 billion for R&D expenses in neurodegenerative diseases and infectious diseases; ¥10 billion for investment and financing activities to develop the regenerative medicine/cell therapy business; ¥10 billion for the capital expenditures in production and R&D, IT system investments, and strategic investments for alliances and licensing agreements; and the remaining funds for the repayment of interest-bearing debt.

In connection with the secondary offering by way of over-allotment, Sumitomo Pharma also resolved, at the same time, to issue new shares by way of a third-party allotment. However, Sumitomo Pharma received notification from SMBC Nikko Securities Inc., the allottee, that it would not subscribe for any of the shares. Accordingly, the issuance of new shares by way of the third-party allotment has not been implemented.



# Independent auditor's report

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

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Chemical Company, Limited (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”) which comprise the consolidated statement of financial position as at March 31, 2026, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 312 of “the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (IFRS Accounting Standards).

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of public interest entities 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 fair value at initial recognition of Class B common shares issued by Rabigh Refining and Petrochemical Company

The key audit matter	How the matter was addressed in our audit
As described in Note 36, “Financial Instruments” and Note 38 “Related Parties”	We primarily performed the following audit procedures to assess the reasonableness of the estimated fair value

to the consolidated financial statements, Sumitomo Chemical Company, Limited (hereinafter, the “Company”) sold a portion of its Class A common shares in Rabigh Refining and Petrochemical Company (hereinafter “Petro Rabigh”) to The Saudi Arabian Oil Company, and then reinvested the entire proceeds from the sale to acquire newly issued Class B common shares of Petro Rabigh. At the initial recognition of the Class B common shares, of the difference of ¥15,982 million between the consideration paid of ¥106,642 million and the fair value of the shares of ¥90,660 million, ¥2,397 million, equivalent to the Company’s 15% equity interest in Petro Rabigh, was included in “Investments Accounted for Using the Equity Method” in the consolidated statement of financial position; and ¥13,585 million was included in “Finance expenses” in the consolidated statement of income.

The Class B common shares were initially measured at fair value using a discounted cash flow method.

In measuring fair value, future cash flows from the investment were estimated, including dividends on the Class B common shares which were estimated within the range of available cash based on Petro Rabigh’s projected cash flows derived from its business plan prepared by management. As described in Note 36 “Financial Instruments” to the consolidated financial statements, in developing the business plan, management used projected future sales prices or margins of major products as key assumptions. These projections involved a high degree of uncertainty and management’s judgement thereon had a significant effect on the estimated future cash flows including dividends. In addition, estimating the discount rate used in measuring fair value required a high level of valuation expertise in selecting valuation methodology and input data.

We, therefore, determined that our assessment of the reasonableness of the

at initial recognition of the Class B common shares issued by Petro Rabigh:

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

We tested the design and operating effectiveness of certain of the Company’s internal controls over the initial recognition and measurement of the Class B common shares.

### **(2) Assessment of the reasonableness of the estimated fair value**

We obtained an understanding of Petro Rabigh’s business plan, which formed the basis for estimating future cash flows, by making inquiries of management regarding assumptions used in preparing the business plan.

Based on this understanding, we assessed the appropriateness of key assumptions developed by management taking future uncertainties into account by performing the following procedures:

- confirmed the consistency of the forecast information for major products, published by external organizations, used by management in determining projected future sales prices or margins of major products with the business plan, and then compared certain forecast information of particular significance with information published by external organizations which we obtained independently; and
- assessed the reasonableness of the correlation between margins and raw material market prices used by management in determining margins of certain products by analyzing their historical correlation.

In addition, with the involvement of valuation specialists within our firm, we performed the following procedures over the discount rate:

- evaluated whether the valuation methodology and key assumptions used to estimate the discount rate were appropriate in light of the relevant accounting standards; and
- assessed the appropriateness of input data selected for estimating the discount rate by comparing them with available external data.

estimated fair value at initial recognition of the Class B common shares issued by Petro Rabigh was of most significance in our audit of the consolidated financial statements for the current year, and accordingly, a key audit matter.	
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## Other Information

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

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

## Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the Group’s financial reporting process.

## Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures

that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

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

## Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 1,470 million yen and 348 million yen, respectively.

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

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ayumu Nakajima

Designated Engagement Partner

Certified Public Accountant

Ryohei Tomita

Designated Engagement Partner

Certified Public Accountant

Naoto Watanabe

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 22, 2026

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

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